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SAMARITAN PHARMACEUTICALS INC
Form 10QSB
May 17, 2004

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-26775

Samaritan Pharmaceuticals, Inc.

(Exact name of Registrant as Specified in Its Charter)

Nevada
(State or Other Jurisdiction of
Incorporation or Organization)

88-0431538
(IRS Employer Identification No.)

101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109
(Address of Principal Executive Offices with Zip Code)

Registrant's Telephone Number, Including Area Code: 702-735-7001

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Indicate by check mark whether the registrant (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange
Act of 1934 during the preceding 12 months (or for such shorter period
that the registrant was required to file such reports), and (2) has been
subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has filed all documents and
reports required to be filed by Section 12, 13 or 15(d) of the Securities
Exchange Act of 1934 subsequent to the distribution of securities under a
plan confirmed by a court.

Yes No

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The number of shares of common stock issued and outstanding as of May 14, 2004 was 127,616,987

Transitional Small Business Disclosure Format (Check one): Yes No

SAMARITAN PHARMACEUTICALS, INC. (A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

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CONSOLIDATED BALANCE SHEET
(UNAUDITED)
March 31, 2004

ASSETS

CURRENT ASSETS:	
Cash	\$ 3,786,549
Stock subscriptions receivable	2,029,543
Prepaid expenses	20,815

TOTAL CURRENT ASSETS	5,836,907

PROPERTY AND EQUIPMENT	38,335

OTHER ASSETS:	
Patent registration costs	215,218
Purchased technology rights	39,051
Deposits	2,779

TOTAL OTHER ASSETS	257,048

	\$ 6,132,290
	=====

LIABILITIES AND SHAREHOLDERS' DEFICIT

CURRENT LIABILITIES:	
Accounts payable and accrued expenses	\$ 357,757

TOTAL CURRENT LIABILITIES	357,757

SHAREHOLDERS' DEFICIT:	
Common stock, 200,000,000 shares authorized at \$.001 par value, 126,007,790 issued and outstanding	126,007
Additional paid-in capital	31,482,622
Stock subscriptions receivable	(1,440,787)
Treasury stock	(250,248)
Deficit accumulated during development stage	(24,143,061)

TOTAL SHAREHOLDERS' DEFICIT	5,774,533

	\$ 6,132,290
	=====

See accompanying notes to the consolidated financial statements (unaudited).

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SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

FROM INCEPTION (SEPTEMBER 5, 1994) TO MARCH 31, 2004
AND FOR THE THREE MONTHS ENDED MARCH 31, 2004 AND 2003

	From Inception (September 5, 1994) To March 31, 2004	Three months ended March 31 2004	ended March 31 2003
REVENUES:	\$ 300,000	\$ -	\$ -
EXPENSES:			
Research and development	4,844,702	105,153	187,695
Interest, net	50,006	-	3,947
General and administrative	18,558,829	716,744	439,998
Depreciation and amortization	1,127,304	6,688	6,337
Forgiveness of debt	(137,780)	-	-
	----- 24,443,061	----- 828,585	----- 637,977
NET LOSS	\$ (24,143,061)	\$ (828,585)	\$ (637,977)
	=====	=====	=====
Loss per share, basic and diluted	\$ (0.95)	\$ (0.01)	\$ (0.01)
	=====	=====	=====
Weighted average number of shares outstanding:			
Basic and diluted	25,361,063	108,951,996	66,635,265
	=====	=====	=====

See accompanying notes to the consolidated financial statements (unaudited)

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SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STAGE COMPANY)

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CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT (UNAUDITED) FROM INCEPTION (SEPTEMBER 5, 1994) TO March 31, 2004

	Number of Shares	Par Value Common Stock	Shares Reserved for Conversion	Additional Paid in Capital	Warrant
	-----	-----	-----	-----	-----
Inception at September 5, 1994	-	\$ -	\$ -	-	\$
Shares issued for cash, net of offering costs	6,085,386	609	-	635,481	
Warrants issued for cash	-	-	-	-	5,0
Shares issued as compensation for services	714,500	71	-	1,428,929	
Net loss	-	-	-	-	
December 31, 1996	6,799,886	680	-	2,064,410	5,0
Issuance of stock, prior to acquisition	206,350	21	-	371,134	
Acquisition of subsidiary for stock	1,503,000	150	-	46,545	
Shares of parent redeemed, par value \$.0001	(8,509,236)	(851)	-	851	
Shares of public subsidiary issued, par value \$.001	7,689,690	7,690	820	(8,510)	
Net loss	-	-	-	-	
December 31, 1997	7,689,690	7,690	820	2,474,430	5,0
Conversion of parent's shares	696,022	696	(696)	-	
Shares issued for cash, net of offering costs	693,500	694	-	605,185	
Shares issued in cancellation of debt	525,000	525	-	524,475	
Shares issued as compensation	400,000	400	-	349,600	
Net loss	-	-	-	-	
December 31, 1998	10,004,212	10,005	124	3,953,690	5,0
Conversion of parent's shares	13,000	13	(13)	-	
Shares issued in cancellation of debt	30,000	30	-	29,970	
Shares issued for cash, net of offering costs	45,000	45	-	41,367	
Shares issued as compensation	3,569,250	3,569	-	462,113	
Detachable warrants issued	-	-	-	-	152,1
Detachable warrants exercised	100,000	100	-	148,900	(149,0
Debentures converted to stock	1,682,447	1,682	-	640,438	

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Net loss	-	-	-	-	-
December 31, 1999	15,443,909	15,444	111	5,276,478	8,1
Conversion of parent's shares	128,954	129	(111)	(18)	
Shares issued for cash, net of offering costs	1,575,192	1,575	-	858,460	
Shares issued in cancellation of debt	875,000	875	-	660,919	
Shares issued in cancellation of accounts payable	100,000	100	-	31,165	
Shares issued as compensation	3,372,945	3,373	-	2,555,094	
Warrants exercised	38,807	39	-	3,086	(3,1
Warrants expired	-	-	-	5,000	(5,0
Net loss	-	-	-	-	
December 31, 2000	21,534,807	21,535	-	9,390,184	

See accompanying notes to the consolidated financial statements. (unaudited)

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Shares issued for cash, net of offering cost	6,497,088	6,497	-	1,257,758	
Shares issued as compensation	9,162,197	9,162	-	1,558,599	
Shares issued for previously purchased shares	342,607	342	-	188,208	
Shares issued in cancellation of accounts payable	200,000	200	-	68,880	
Amortization of deferred compensation	-	-	-	-	
Stock options issued for services	-	-	-	439,544	
Net loss	-	-	-	-	
December 31, 2001	37,736,699	37,736	-	12,903,173	
Shares issued for cash, net of offering costs	18,657,500	18,658	-	2,077,641	
Shares issued as compensation	3,840,525	3,841	-	1,044,185	
Shares issued for previously purchased shares	50,000	50	-	4,950	
Shares issued in cancellation of accounts payable	4,265,184	4,265	-	539,291	
Amortization of deferred compensation	-	-	-	-	
Shares issued in cancellation of notes payable	-	-	-	-	
Stock options issued for services	-	-	-	225,000	
Net loss	-	-	-	-	
December 31, 2002	64,549,908	64,550		16,794,240	

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Shares issued for cash, net of offering costs	17,493,664	17,493	-	2,392,296	
Shares issued as compensation	4,062,833	4,063	-	549,779	
Shares issued for previously purchased shares	1,160,714	1,161	-	161,339	
Shares issued in cancellation of accounts payable and accrued compensation	9,615,870	9,616	-	3,448,950	
Shares issued in cancellation of notes payable	0	0	-	0	
Shares issued in connection with equity financing	3,125,000	3,125	-	(3,125)	
Exercise of stock options	7,770,892	7,771	-	1,112,077	
Shares reacquired in settlement of judgement	(1,564,048)	(1,564)	-	251,812	
Stock options issued for services	-	-	-	145,000	
Net loss	-	-	-	-	
	-----	-----	-----	-----	-----
December 31, 2003	106,214,833	\$ 106,214	\$ -	\$24,852,369	\$
	=====	=====	=====	=====	=====
Shares issued for cash, net of offering costs	9,183,236	9,183	-	3,204,950	
Shares issued as compensation	597,341	597	-	351,878	
Shares issued for previously purchased shares	83,332	83	-	12,417	
Shares issued in connection with equity financing	7,758,240	7,758	-	2,742,241	
Exercise of stock options	2,170,808	2,171	-	318,768	
Stock options issued for services	-	-	-	-	
Net Loss	-	-	-	-	
	-----	-----	-----	-----	-----
March 31, 2004	126,007,790	\$ 126,007	\$ -	\$31,482,622	\$
	=====	=====	=====	=====	=====

See accompanying notes to the consolidated financial statements.(unaudited)

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SAMARITAN PHARMACEUTICALS, INC.
(A DEVELOPMENT STATE COMPANY)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' DEFICIT

FROM INCEPTION (SEPTEMBER 5, 1994) TO DECEMBER 31, 2003

	Deferred Compensation	Stock Subscriptions Receivable	Treasury Shares	Accumulated Deficit	Share De
	-----	-----	-----	-----	-----
Inception at September 5, 1994	\$ -	\$ -	\$ -	\$ -	\$
Shares issued for cash, net of offering costs	-	-	-	-	
Warrants issued for cash	-	-	-	-	

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Shares issued as compensation for services	-	-	-	-	
Net loss	-	-	-	(2,152,843)	(
December 31, 1996	-	-	-	(2,152,843)	
Issuance of stock, prior to acquisition	-	-	-	-	
Acquisition of subsidiary for stock	-	-	-	-	
Shares of parent redeemed, par value \$.0001	-	-	-	-	
Shares of public subsidiary issued, par value \$.001	-	-	-	-	
Net loss	-	-	-	(979,635)	
December 31, 1997	-	-	-	(3,132,478)	
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Net loss	-	-	-	(1,009,945)	(
December 31, 1998	-	-	-	(4,142,423)	
Conversion of parent's shares	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued as compensation	-	-	-	-	
Detachable warrants issued	-	-	-	-	
Detachable warrants exercised	-	-	-	-	
Debentures converted to stock	-	-	-	-	
Net loss	-	-	-	(1,671,255)	(
December 31, 1999	-	-	-	(5,813,678)	
Conversion of parent's shares	-	-	-	-	
Shares issued for cash, net of offering costs	-	-	-	-	
Shares issued in cancellation of debt	-	-	-	-	
Shares issued in cancellation of accounts payable	-	-	-	-	
Shares issued as compensation	(759,560)	-	-	-	
Warrants exercised	-	-	-	-	
Warrants expired	-	-	-	-	
Net loss	-	-	-	(3,843,308)	(
December 31, 2000	(759,560)	-	-	(9,656,986)	(

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See accompanying notes to the consolidated financial statements. (unaudited)

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Shares issued for cash, net of offering costs	-	-	-	-	-
Shares issued as compensation	(230,512)	-	-	-	-
Shares issued for previously purchased shares	-	-	-	-	-
Shares issued in cancellation of accounts payable	-	-	-	-	-
Amortization of deferred compensation	495,036	-	-	-	-
Stock options issued for services	-	-	-	-	-
Net loss	-	-	-	(4,079,806)	(
December 31, 2001	(495,036)	-	-	(13,736,792)	(
Shares issued for cash, net of offering costs	-	-	-	-	-
Shares issued as compensation	-	-	-	-	-
Shares issued for previously purchased shares	-	-	-	-	-
Shares issued in cancellation of accounts payable	-	-	-	-	-
Amortization of deferred compensation	495,036	-	-	-	-
Shares issued in cancellation of notes payable	-	-	-	-	-
Stock options issued for services	-	-	-	-	-
Net loss	-	-	-	(4,057,153)	(
December 31, 2002				(17,793,945)	
Shares issued for cash, net of offering costs	-	-	-	-	-
Shares issued as compensation	-	-	-	-	-
Shares issued for previously purchased shares	-	-	-	-	-
Shares issued in cancellation of accounts payable and accrued compensation	-	-	-	-	-
Shares issued in cancellation of notes payable	-	-	-	-	-
Shares issued in connection with equity financing	-	-	-	-	-
Exercise of stock options	-	(1,119,848)	-	-	-
Shares reacquired in settlement of judgement	-	-	(250,248)	-	-
Stock options issued for services	-	-	-	-	-
Net loss	-	-	-	(5,520,531)	(
December 31, 2003	\$ -	\$ (1,119,848)	\$ (250,248)	\$ (23,314,476)	\$

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Shares issued for cash, net of offering costs	-	-	-	-	-
Shares issued as compensation	-	-	-	-	-
Shares issued for previously purchased shares	-	-	-	-	-
Shares issued in connection with equity financing	-	-	-	-	-
Exercise of stock options	-	(320,939)	-	-	-
Stock options issued for services	-	-	-	-	-
Net Loss	-	-	-	(828,585)	-
March 31, 2004	-	\$ (1,440,787)	\$ (250,248)	\$ (24,143,061)	\$

See accompanying notes to the consolidated financial statements.(unaudited)

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SAMARITAN PHARMACEUTICALS, INC.

(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

FROM INCEPTION (SEPTEMBER 5, 1994) AND FOR THE THREE MONTHS
ENDED MARCH 31, 2004 AND 2003

	From Inception (September 5, 1994) To March 31, 2004	For the Thr Ende March 2004	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	\$ (24,143,061)	\$ (828,585)	\$
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	136,303	6,688	
Stock based compensation	9,687,544	352,475	
Stock options issued for services	809,544	-	
Amortization of deferred compensation	990,072	-	
(Increase) decrease in assets:			
Accounts receivable and prepaids	(18,335)	442	
Deposits	(2,779)	-	
Increase (decrease) in liabilities:			
Deferred revenue	-	-	
Accounts payable and accrued expenses	2,218,571	(30,553)	
NET CASH USED IN OPERATING ACTIVITIES	(10,322,141)	(499,533)	

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CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of technology	(108,969)	-	
Purchase of furniture and equipment	(104,720)	(6,073)	
Patent registration costs	(224,637)	(13,020)	
	-----	-----	
NET CASH USED IN INVESTING ACTIVITIES	(438,326)	(19,093)	
	-----	-----	
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from warrants	157,125	-	
Proceeds from debentures	642,120	-	
Proceeds from stock issued for cash	12,217,221	3,934,590	
Common stock to be issued	206,050	-	
Short-term loan repayments	(288,422)	-	
Short-term loan proceeds	1,612,922	-	
	-----	-----	
NET CASH PROVIDED BY FINANCING ACTIVITIES	14,547,016	3,934,590	
	-----	-----	
CHANGE IN CASH	3,786,549	3,415,964	
CASH AT BEGINNING OF PERIOD	-	370,585	
	-----	-----	
CASH AT END OF PERIOD	\$ 3,786,549	\$ 3,786,549	\$
	=====	=====	=====
NON-CASH FINANCING & INVESTING ACTIVITIES:			
Purchase of net, non-cash assets of subsidiary for stock	\$ 195	\$ -	\$
	=====	=====	=====
Issuance of common stock, subscriptions receivable- private placement	\$ 2,029,543	\$ 2,029,543	\$
	=====	=====	=====
Issuance of common stock, previously subscribed	\$ -	\$ 12,500	\$
	=====	=====	=====
Treasury stock acquired through settlement of judgement	\$ -	\$ -	\$
	=====	=====	=====
Stock subscriptions receivable	\$ 1,440,787	\$ 320,939	\$
	=====	=====	=====
Stock issued in cancellation of accounts payable and accrued salaries	\$ -	\$ -	\$
	=====	=====	=====

See accompanying notes to the consolidated financial statements (unaudited)

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Samaritan Pharmaceuticals, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
March 31, 2004

Note 1. - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared

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in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-QSB and Article 10 of Regulation S-X. Accordingly, they do not include all the information and disclosures required for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes for the year ended December 31, 2003, included in the Form10-KSB for the year then ended.

In the opinion of the Company's management, all adjustments (consisting of normal recurring accruals) necessary to present fairly the Company's financial position as of March 31, 2004, and the results of operations and cash flows for the three month period ending March 31, 2004 have been included. The results of operations for the three month period ended March 31, 2004 are not necessarily indicative of the results to be expected for the full year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Form 10-KSB/A as filed with the Securities and Exchange Commission for the year ended December 31, 2003.

Note 2 - Stock Subscriptions Receivable

The subscriptions receivable classified as a current asset at March 31, 2004 were collected on various dates between April 1, 2004 and April 26, 2004.

Item 2. Management's Discussion and Analysis or Plan of Operation

THE FOLLOWING ANALYSIS OF THE RESULTS OF OPERATIONS AND FINANCIAL CONDITION OF THE COMPANY SHOULD BE READ IN CONJUNCTION WITH THE CONSOLIDATED FINANCIAL STATEMENTS, INCLUDING THE NOTES THERETO OF THE COMPANY, CONTAINED ELSEWHERE IN THE FORM 10-QSB.

General

Samaritan Pharmaceuticals is a Biopharmaceutical Company that focuses on bridging University bright ideas through drug development, thereby, creating a path for promising new innovative drugs to become commercially viable products. Samaritan's HIV drug is the closest to commercialization, having completed Phase II human clinical trials, with significance in demonstrating antiviral properties and increasing the quality of life. Samaritan plans to advance its HIV drug to Phase III trials as soon as the FDA clears its proposed protocol. In addition, Samaritan is advancing a growing pipeline of future drugs for AIDS, Alzheimer's, and Cardiovascular disease through preclinical trials, in preparation, for future growth, under its collaboration with Georgetown University.

A key currency in the biotechnology and pharmaceutical market is patents, intellectual property. Our central intellectual property activity has been, and continues to be, the acquisition of patents, development, and patent maintenance, directly in support of our product development. We continue to expend significant funds and efforts on licensed technology and patent protection. In addition, we are continually examining our intellectual property positions in relation to competitive activities and our ability to operate and defend our patent positions in relation to products. We believe that this is a key value element for our continued development.

Samaritan Pharmaceuticals Product Pipeline

xxx = Completed x = In Progress

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Drug Candidates	Patent	Pre -Clinical	IND	Phase I	Phase II
HIV.Procaine HCl (SP-01)	xxx	xxx	xxx	xxx	xxx
HIV, Alzheimer's(AD), Dementia.(SP-10)	x	x			
HIV, AD.(SP-02 to 25)	x	x			
HIV, AD.(SP-26 to 50)	x	x			
Alzheimer's.(SP-222)	x	x			
Alzheimer's.(SP-233)	x	x			
Alzheimer's.(SP234-250)	x	x			
Nerve Gas Inhibitor.(SP-04)	x				
Stem Cell Therapy.(SP-sc2)	x	x			
Stem Cell Therapy.(SP-sc7)	x	x			
Cancer.(SP-222c)	x	x			
Cancer.(SP-234c-250c)	x	x			
Cancer Diagnostic and Drug. (SP-5000)	x	x			

Pharmacologic AD Rat Model

Alzheimer's Rat Model.

(New Drug Test)

In Vitro Testing

In Vivo Testing

xxx

xxx

Diagnostics

In Vitro
Testing

Human
Test Small

Human
Test Large

Breast Cancer.(BC Tumor Agress-Analysis)

xxx

xxx

x

Alzheimer's.(AD Blood Test Diagnostic)

xxx

xxx

x

Alzheimer's Generation II

xxx

xxx

Alzheimer's Generation III

xxx

Current Research Agreement

Samaritan Pharmaceuticals has a research collaboration agreement with Georgetown University with the objectives: (1) to develop "one molecule" drugs and extend clinical studies to in vivo experiments in animal models simulating Alzheimer's disease, (2) to develop an accurate, reliable diagnostic for nuero-degeneration (Alzheimer's), and (3) to focus on new drug development in Oncology and Neurology with the ability to protect the brain from neuronal damage and tumor growth.

Starting with the quarter beginning April 1, 2004, the research collaboration between Georgetown University and Samaritan budget has been increased to \$1,000,000 per year to further develop Samaritan's pipeline. The \$1,000,000 is paid quarterly, is unallocated, and covers the general research and development effort. In addition, we have incurred direct research and development expenses of approximately \$350,000 for each of the last two fiscal years related primarily to clinical trials and the retention of consultants to assist in the FDA process.

Under the agreement, Samaritan receives worldwide exclusive rights, to any novel therapeutic agents or diagnostic technologies that may result from the research

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collaboration. Dr. Vassilios Papadopoulos and Dr. Janet Greeson lead their team of seven research professionals (including five Ph.D. level research scientists) who have expertise in the fields of endocrinology, pharmacology, cell biology, organic and steroid chemistry and computer modeling. We are not obligated to pay Georgetown any milestone payments. Georgetown is entitled to receive royalties based on our revenue from product sales and sublicenses, if any. Samaritan has, at its own expense, assumed responsibility for the process of seeking any regulatory approvals for and conducting clinical trials with respect to any licensed product or application of the licensed technology. Samaritan controls and has the financial responsibilities for the prosecution and maintenance in respect to any patent rights related to the licensed technology.

SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies is included in Note 3 to the audited consolidated financial statements included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 2003. Management believes that the application of these policies on a consistent basis enables the Company to provide useful and reliable financial information about the company's operating results and financial condition.

Results of Operations

Three months ended March 31, 2004 as compared to the three months ended March 31, 2003

The Company continued to have no significant revenues. During the first quarter of 2004, we continued our research and development efforts in connection with our products for HIV/AIDS. We incurred research and development expenses of \$105,153 for the quarter; down from \$187,695 in the year-earlier period. General and administrative expenses for the first quarter of 2004 increased by \$276,746 to \$716,744 from \$439,569 in the year-earlier period primarily due to the increased expenses related to patent prosecution and the increased use of consultants to the company.

Depreciation and amortization amounted to \$6,668 and \$6,337 for three months ended March 31, 2003 and 2002, respectively. Interest expense amounted to \$0 and \$3,947 for the three months ended March 31, 2004 and 2003, respectively. The decrease is due to the retirement of notes payable during 2003.

As a result of the factors noted above, net losses since inception on September 5, 1994 to March 31, 2004 was \$24 million. We had net losses of \$(828,585) and \$(637,977) for three months ended March 31, 2004 and 2003, respectively and the loss per share save the same at \$(0.01) per share in the year-earlier period.

Liquidity and Capital Resources

To date, none of our proprietary products has reached a commercial stage, and hence, we do not have, nor do we anticipate revenue in the near future. We have been unprofitable since our inception and have incurred significant losses. We will continue to have significant general and administrative expenses, including expenses related to clinical studies, our collaboration with Georgetown University, and patent prosecution. We have funded our operations through a series of private placements and through our agreement with Fusion Capital dated April 22, 2003, described below, which we believe will assist the Company in meeting its cash needs. Except for an agreement to sell shares to Fusion Capital, discussed below, no commitment exists for continued investments, or for any underwriting.

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Even with our financing arrangement with Fusion Capital, we may require substantial additional funds to sustain our operations and to grow our business. The amount of which will depend, among other things, on the rate of progress and the cost of our research and product development programs and clinical trial activities, the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights, and the cost of developing manufacturing and marketing capabilities, if we decide to undertake those activities. The clinical development of a therapeutic product is a very expensive and lengthy process and may be expected to utilize \$5 to \$20 million over a three to six year development cycle. Although we believe we could license the manufacturing and marketing rights to our products in return for up-front licensing and other fees and royalties on any sales, there can be no assurance that we will be able to do so in the event we seek to do so. We need to obtain additional funds to develop our therapeutics products and our future access to capital is uncertain. The allocation of limited resources is an ongoing issue for us as we move from research activities into the more costly clinical investigations required to bring therapeutic products to market.

The extent we rely on Fusion Capital as a source of funding will depend on a number of factors including, the prevailing market price of our common stock and the extent to which we are able to secure working capital from other sources. If obtaining sufficient financing from Fusion Capital were to prove prohibitively expensive, we will need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the full \$10.0 million under the common stock purchase agreement with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. If we are unable to obtain additional financing we might be required to delay, scale back or eliminate certain of our research and product development programs or clinical trials, or be required to license third parties to commercialize products or technologies that we would otherwise undertake ourselves, or cease certain operations all together, any of which might have a material adverse effect upon us. If we raise additional funds by issuing equity securities, dilution to stockholders may result, and new investors could have rights superior to existing holders of shares. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, the consequences would be a material adverse effect on our business, operating results, financial condition, and prospects.

We have been able to substantially meet our cash needs during the past 12 months. We believe we will be able to continue to find avenues to obtain the capital needed for our operations through private placements and by sale of our shares to Fusion Capital.

Forward-Looking Statements. This report and other oral and written statements made by us to the public contain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such statements are based upon management's current expectations that are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in our forward-looking statements. Such statements address the following subjects: our need for and ability to obtain additional capital, including from the sale of equity and/or from federal or other grant sources; our expected future losses; the sufficiency of cash and cash equivalents; our ability to generate revenues; our ability to develop commercially successful products, including our ability to obtain FDA approval to initiate further studies of our potential products and our technologies; the high cost and uncertainty of the research and development of pharmaceutical products; the unpredictability of the duration and results of the U.S. Food and Drug Administration's review of new drug applications; the possible impairment of our existing, and the inability to obtain new, intellectual property rights and the cost of protecting such rights as well as the cost of obtaining rights from third parties when needed on acceptable terms; our ability to enter into successful partnering relationships with respect to

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the development and/or commercialization of our product candidates; our dependence on third parties to research, develop, manufacture and commercialize and sell any products developed; our ability to improve awareness and understanding of our Company, our technology and our business objectives; whether our predictions about market size and market acceptability of our products will prove true; and our understandings and predictions regarding the utility of our potential products and our technology.

Statements in this report expressing our expectations and beliefs regarding our future results or performance are forward-looking statements that involve a number of substantial risks and uncertainties. When used in this Form 10-KSB, the words "anticipate," "believe," "estimate," "expect," "intend," "may be," "seek," "plan," "focus," and "potential" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Our actual future results may differ significantly from those stated in any forward-looking statements.

As a result of the foregoing and other factors, we may experience material fluctuations in future operating results on a quarterly or annual basis, which could materially and adversely affect our business, financial condition, operating results and stock price. We are not under any duty to update any of the forward-looking statements in this report to conform these statements to actual results, unless required by law. For further information, refer to the more specific risks and uncertainties discussed above and throughout this report.

Item 3. Controls and Procedures

Based on their evaluation, as of a date within 90 days of the filing date of this Form 10-QSB, the Company's Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended) are effective. There have been no significant changes in internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

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We are, from time to time, involved in various legal proceedings in the ordinary course of our business. While it is impossible to predict accurately or to determine the eventual outcome of these matters, the Company believes that the outcome of these proceedings will not have a material adverse effect on the annual financial statements of the Company.

Item 2. Changes in Securities.

Securities, unregistered, were sold by the Company in the first quarter of 2004 under an exemption from registration. The title of these securities was the Common Stock of the Company. They were sold for cash unless otherwise noted in this section. They were sold in private transactions to persons believed to be of a class of private investors acting on their own comprised of "accredited investors" (as such term is defined in Regulation D of the U.S. Securities and Exchange Commission or "SEC") and a limited number of non-accredited investors. All investors, to the best knowledge of the Company, not affiliated with the Company, purchased the shares with apparent investment intent. The Company relied upon, among other possible exemptions, Section 4(2) of the Securities Act of 1933, as amended. It's reliance on said exemption was based upon the fact that no public solicitation was used by the Company in the offer or sale, and that the securities were legended shares, along with a notation at the respective transfer agent, restricting the shares from sale or transfer as is customary with reference to Rule 144 of the SEC.

Management notes that stock was issued as follows during the three months ended March 31, 2004.

No. of shares -----	Issued Pursuant -----	To Price/valuation -----
3,384,591	Sale of restricted stock	\$1,184,590
5,798,645	Subscriptions due at March 31, 2004	\$2,029,543

The total offering price, during the first quarter as to these shares, was \$3,214,133 less expenses, estimated the total to be \$7,000 for printing, legal, postage, and other expenses related to respective offering.

The SEC declared effective the Company's registration statement on Form SB2, Commission Registration No. 333-105818, on June 6, 2004 (as amended and supplemented from time to time, "Registration Statement"). Under the Registration Statement, certain selling shareholders may sell shares of Common Stock, acquired from the Company. The Company will not receive any proceeds from the sale of securities being offered by the selling shareholders under the Registration Statement. The Company registered the shares for sale to provide the selling shareholders with freely tradable securities, but the registration of the shares does not necessarily mean that any of the shares will be offered or sold by the selling shareholders. However, we may receive payments under agreements relating to the shares and may receive proceeds from the exercise of warrants. Such proceeds are intended for use as to working capital and other corporate purposes. The Registration Statement registered a total of 18,125,000 shares (inclusive of the 3,125,000 shares issued to Fusion Capital as a commitment fee) assuming Fusion Capital purchases all \$10.0 million of common stock. The amount of shares sold by the selling shareholders during this quarter is believed to be for aggregate proceeds of \$2,750,000. The Company received, under its agreements as noted above, proceeds of \$2,750,000 and incurred, in connection with the registration, estimated expenses of \$12,000 for legal, printing, and related offering expenses, with net proceeds to the Company of approximately \$2,738,000 used primarily for working capital, legal fees and for payments to Georgetown University (again not from the sale of the securities under the Registration Statement, but from agreements with the selling shareholders).

Item 6. Exhibits and Reports on Form 8-K.

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(b) Exhibits

Exhibit 31.1

Exhibit 31.2

Exhibit 32.1

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SAMARITAN PHARMACEUTICAL, INC

Dated: May 14, 2004

By: /s/ Eugene Boyle

Eugene Boyle,
CFO, COO, Director