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SAMARITAN PHARMACEUTICALS INC

Form 10-K/A

April 27, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 10-K/A

Amendment No.1

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

For the fiscal year ended December 31, 2006

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 0-26775

Samaritan Pharmaceuticals Inc.  
(Exact name of registrant as specified in its charter)

Nevada 88-0431538  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
Incorporation or organization)

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

(702) 735-7001  
Issuer's telephone number

Securities to be registered Pursuant to Section 12(b) of the Act:  
None

Securities Registered Pursuant to Section 12(g) of the Exchange Act:  
Common Stock, \$0.001 par value per share (Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as  
defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports  
pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405  
of Regulation S-K is not contained herein, and will not be contained, to the  
best of registrant's knowledge, in definitive proxy or information statements  
incorporated by reference in Part III of this Form 10-K or any amendment to this  
Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an

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accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of Act). Yes  No

The aggregate market value of Common Stock held by non-affiliates as of June 30, 2006 was \$47,077,301. All executive officers and directors of the registrant have been deemed, solely for the purpose of the foregoing calculation, to be "affiliates" of the registrant.

The Company had 159,422,456 common shares issued and outstanding as of April 4, 2007.

### EXPLANATORY NOTE

Pursuant to Rule 12b-15 of the Securities Exchange Act of 1934, Samaritan Pharmaceuticals, Inc. (the "Company" or "Samaritan") hereby amends its Annual Report on Form 10-K for the year ended December 31, 2006 (the "Original 10-K") to include the information required by Items 10, 11, 12, 13 and 14 of Part III relating to Directors, Executive Officers and Corporate Governance of the Registrant, Executive Compensation, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, Certain Relationships and Related Transactions, and Director Independence, and Principal Accountant Fees and Services, respectively. Certain information required by Part III was to be incorporated by reference to Samaritan's definitive proxy statement for the 2007 Annual Meeting of Shareholders. Samaritan's definitive proxy statement will not be filed with the Securities and Exchange Commission (the "SEC") within 120 days of the fiscal year ended December 31, 2006. Therefore, Part III, Items 10 through 14 of the Company's Original 10-K are hereby amended and restated in their entirety. The Company also inserted a performance graph section in Part II, Item 5. No modification or update to other disclosures as presented in the Original 10-K have been made.

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### FORWARD-LOOKING STATEMENTS

The statements in this annual report that are not descriptions of historical facts may be forward-looking statements. Those statements involve substantial risks and uncertainties. You can identify those statements by the fact that they contain words such as "anticipate," "believe," "estimate," "expect," "intend," "project" or other terms of similar meaning. Those statements reflect management's current beliefs, but are based on numerous assumptions, over which Samaritan Pharmaceuticals may have little or no control and that may not develop as Samaritan expects. Consequently, actual results may differ materially from those projected in the forward-looking statements. Among the factors that could cause actual results to differ materially are the risks, uncertainties and other matters discussed below under Item 1A. Risk Factors, and elsewhere in this report. Samaritan is also developing several products for potential future marketing. There can be no assurance that such development efforts will succeed, that such products will receive required regulatory clearance or that, even if such regulatory clearance is received, such products will ultimately achieve commercial success. Unless otherwise indicated, the information in this annual report is as of December 31, 2006. This annual report will not be updated as a

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result of new information or future events.

### PART I

#### ITEM 1. BUSINESS

Samaritan Pharmaceuticals, Inc. (including the subsidiaries, referred to as Samaritan, the "Company", "its", "we", and "our"), formed in September 1994, is an entrepreneurial biopharmaceutical company, focused on commercializing innovative therapeutic products to relieve the suffering of patients with Alzheimer's disease; cancer; cardiovascular disease, HIV, and Hepatitis C; as well as, commercializing its acquired marketing and sales rights, to sell nine marketed revenue-generating products, in Greece, and/or various Eastern European countries.

Samaritan has partnered its oral entry inhibitor HIV drug SP-01A, a drug that has demonstrated safety and efficacy, in Phase II clinical trials, with Pharmaplaz, Ireland to advance to Phase III clinical trials. In addition, Samaritan aims to commercialize three blockbuster market drug candidates with late-stage preclinical development programs. Samaritan is evaluating the use of Caprospinol, SP-233 in Alzheimer's disease patients; the use of SP-1000 with acute coronary disease patients; and the use of SP-10 as an "oral treatment" for Hepatitis C patients.

#### Business Model

Our commercialization business model is focused dually on, the partnering of our promising innovative products to pharmaceutical companies; and the acquisition of the marketing and sales rights to revenue-generating marketed products for sales in Greece and Eastern Europe. This model allows Samaritan to focus on our core competencies in drug discovery and drug development. Samaritan partners promising innovative therapeutics anywhere in the early "human" clinical trial stage, i.e. late-stage preclinical studies, Phase I Clinical trials, or proof of concept, Phase II clinical trials, with the objective of partnering before costly Phase III clinical trials. Potential revenue streams with this model could include up-front fees, milestone payments, and participation in the marketing success of partnered products through royalties. In addition, Samaritan is enhancing and strengthening its sales and marketing force, in Greece and Eastern Europe, to allow for the significant economics gained by advancing the commercialization of its contracted marketed products. Our business model is entirely focused on achieving growth and maximizing value for the benefit of our investors.

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#### Marketed Products

Samaritan has also entered into strategic collaborative relationships with other pharmaceutical companies to commercialize branded approved prescription products in selected niche territories, such as, in Greece, Albania, Bosnia, Bulgaria, Croatia, Cyprus, Czech Republic, Egypt, FYROM, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia, Slovenia, Syria and Turkey. We use our expertise to register approved drugs with regulatory agencies in the country we have acquired the rights for; and then, upon regulatory approval, we distribute, market and sell these products. Currently, we have in-licensed the rights to sell nine drugs, Amphocil from Three Rivers Pharmaceuticals, Elaprase from Shire Pharmaceuticals, Infasurf from Ony, Inc, and Mepivamol, Methadone, Morphine Sulphate, Naloxone, Naltrexone, and Oramorph from Molteni Farmaceutici. Our efforts are focused on specialist physicians in private practice or at hospitals and major medical centers in our territories. Below is a description of our in-licensed products.

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### AMPHOCIL(R)

AMPHOCIL(R) is a lipid form of amphotericin B indicated for the treatment of invasive aspergillosis, a life threatening systemic fungal infection. AMPHOCIL(R) is indicated for the treatment of severe systemic and/or deep mycoses in cases where toxicity or renal failure precludes the use of conventional amphotericin B in effective doses, and in cases where prior systemic antifungal therapy has failed. Fungal infections successfully treated with AMPHOCIL(R) include disseminated candidiasis and aspergillosis. AMPHOCIL(R) has been used successfully in severely neutropenic patients.

AMPHOCIL(R) is an approved FDA prescription product owned by Three Rivers Pharmaceuticals, Inc. and marketed by Three Rivers Pharmaceuticals, Inc. in the US. Samaritan signed an exclusive distribution deal for Greece and Cyprus with Three Rivers on December 14, 2005.

In April 2006, Samaritan was granted marketing authorization for AMPHOCIL(R) in Greece; however Samaritan needed to apply for a price increase for it to be profitable, which we received in March 2007. Samaritan expects to launch AMPHOCIL(R) in Greece in April 2007. Marketing authorization for AMPHOCIL(R) is pending in Cyprus.

### ELAPRASE(R)

ELAPRASE(R) is a human enzyme replacement therapy for the treatment of Hunter syndrome, also known as Mucopolysaccharidosis II (MPS II). Hunter syndrome is a rare, life-threatening genetic condition that results from the absence or insufficient levels of the lysosomal enzyme iduronate-2-sulfatase. Without this enzyme, cellular waste products accumulate in tissues and organs, which then begin to malfunction.

ELAPRASE(R) was granted marketing authorization for the long-term treatment of patients with Hunter's disease by the European Commission in January 2007. ELAPRASE(R) is the first, and only, enzyme replacement therapy for Hunter's disease patients and was launched in the U.S. in July 2006.

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ELAPRASE(R) will be sold and distributed by Samaritan on a named patient basis until the pricing and the reimbursement of ELAPRASE(R) is established in Greece and Cyprus, with the relevant regulatory authorities. Samaritan expects to launch ELAPRASE(R) in Greece and Cyprus in the second quarter of 2007. Samaritan signed an exclusive licensing agreement with Shire Pharmaceuticals for the marketing and sale of ELAPRASE(R) in Greece and Cyprus which became effective March 1, 2007.

### INFASURF(R)

INFASURF(R) treats and prevents Respiratory Distress Syndrome (RDS). This syndrome occurs when infants lack surfactant, a natural substance normally produced in the body, which is necessary for lungs to function normally. INFASURF(R) is used exclusively in hospitals with a neonatal intensive care unit (NICU) and is administered by neonatologists, neonatal nurses, neonatal nurse practitioners and respiratory therapists.

On January 16, 2007, Samaritan signed an exclusive agreement with Siraeo, Ltd for the marketing and distribution of the product INFASURF(R) in Turkey, Serbia, Bosnia, Macedonia, Albania, Egypt and Syria. INFASURF(R) is an approved FDA prescription product owned by ONY, Inc. and marketed by Forest Laboratories in the US.

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Currently, Samaritan Pharmaceuticals is utilizing the US FDA approved regulatory file in preparing marketing applications for INFASURF(R) with regulatory authorities in Turkey, Serbia, Bosnia, F.Y.R.O.M., Albania, Egypt and Syria to gain country marketing authorization drug approval.

### MEPIVAMOL(R)

MEPIVAMOL(R) (Mepivacaine) is an effective and reliable local anesthetic of intermediate duration and low systemic toxicity. It is widely used for regional anesthetic procedures such as IVRA, infiltration, epidural blockade, plexus and peripheral nerve blockade. MEPIVAMOL(R) is approved by the Italian Ministry of Health (The equivalent to the US FDA) and is owned by Molteni Farmaceutici, Inc. and marketed by Molteni Farmaceutici, Inc. in Italy.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of MEPIVAMOL(R) in the countries of Greece and Cyprus. Currently, Samaritan Pharmaceuticals is utilizing the Italian Ministry of Health approved regulatory file in preparing marketing applications for MEPIVAMOL(R) with regulatory authorities in Greece and Cyprus to gain country marketing authorization drug approval.

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### METHADONE HCL(R)

METHADONE HCL(R) is an opiate agonist. METHADONE HCL(R) prevents heroin or morphine from interacting with receptors for natural painkillers called endorphins, blocking the effects of the addictive drugs and reducing the physical cravings. METHADONE HCL(R) is approved by the Italian Ministry of Health (The equivalent to the US FDA) and is owned by Molteni Pharmaceuticals, Inc. and marketed by Molteni Farmaceutici, Inc. in Italy.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of METHADONE HCL(R) in the countries of Greece and Cyprus.

Currently, METHADONE HCL(R) can only be sold in Greece and Cyprus via a centralized government tender. Samaritan is preparing a tender application for the next request by Greek authorities for applications.

### MORPHINE SULPHATE(R)

MORPHINE SULPHATE(R) (Injectable Formulation) relieves moderate to severe pain by binding to brain receptors. Morphine Sulphate may be used to control the pain following surgery, child birth, and other procedures. It may also be used to treat the pain associated with cancer, heart attacks, sickle cell disease and other medical conditions.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of MORPHINE SULPHATE(R) in the countries of Greece and Cyprus.

Currently, MORPHINE SULPHATE(R) can only be sold in Greece and Cyprus via a centralized government tender. Samaritan is preparing a tender application for the next request by Greek authorities for applications.

### NALOXONE MOLTENI(R)

NALOXONE MOLTENI(R) is an opioid antagonist which reverses the effects of opioid overdose, for example heroin and morphine overdose. Specifically, Naloxone is

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used in opioid overdoses for countering life-threatening depression of the central nervous system and respiratory system.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of NALOXONE MOLTENI (R) in the countries of Greece and Cyprus.

Currently, NALOXONE (R) will be sold and distributed by Samaritan on a named patient basis until the pricing and the reimbursement of NALOXONE (R) is established in Greece and Cyprus, with the relevant regulatory authorities.

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### NALTREXONE MOLTENI (R)

NALTREXONE MOLTENI (R) is an opioid antagonist which is used to help people who have a narcotic or alcohol addiction stay drug free. NALTREXONE MOLTENI (R) is used after the patient has stopped taking drugs or alcohol. It works by blocking the effects of narcotics or by decreasing the craving for alcohol.

NALTREXONE MOLTENI (R) is approved by the Italian Ministry of Health (The equivalent to the US FDA) and is owned by Molteni Farmaceutici, Inc. and marketed by Molteni Farmaceutici, Inc. in Italy.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of NALTREXONE MOLTENI (R) in the countries of Greece and Cyprus.

Currently, Samaritan Pharmaceuticals is utilizing the Italian Ministry of Health approved regulatory file in preparing marketing applications for NALTREXONE MOLTENI (R) with regulatory authorities in Greece and Cyprus to gain country marketing authorization drug approval.

### ORAMORPH (R)

ORAMORPH (R) is morphine sulphate in an oral solution and is used for managing moderate to severe chronic pain for more than a few days. It works by dulling the pain perception center in the brain. ORAMORPH (R) is approved by the Italian Ministry of Health (The equivalent to the US FDA) and is marketed by Molteni in Italy.

ORAMORPH (R) is approved by the Italian Ministry of Health (The equivalent to the US FDA) and is owned by Molteni Farmaceutici, Inc. and marketed by Molteni Farmaceutici, Inc. in Italy.

On January 1, 2007, Samaritan entered into an exclusive licensing agreement with Molteni Farmaceutici for the marketing and distribution of ORAMORPH (R) in the countries of Greece and Cyprus.

Currently, Oramorph has a Greek marketing authorization. Oramorph can only be sold in Greece via a centralized government tender. Samaritan is preparing a tender application for the next request by Greek authorities for applications.

### Sales and Marketing

We in-license products that focus on targeting healthcare providers, managed healthcare organizations, specialty distribution companies, government purchasers and payers.

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### Product Candidates

A significant portion of our operating expenses are related to the research and development of investigational-stage product candidates. Research and development expenses were \$4,667,053 in 2006, \$3,456,301 in 2005, and \$1,543,921 in 2004.

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We currently focus our research and development efforts in the therapeutic areas of Alzheimer's, Cancer, Cardiovascular and Infectious Diseases. Any of our programs in these disease areas could become more significant to us in the future, but there can be no assurance that any program in development or investigation will generate viable marketable products. As such, we continually evaluate all product candidates and may, from time to time, discontinue the development of any given program and focus our attention and resources elsewhere. We may choose to address new opportunities for future growth in a number of ways including, but not limited to, internal discovery and development of new products, out-licensing and in-licensing of products and technologies, and/or acquisition of companies with products and/or technologies. Any of these activities may require substantial research and development efforts and expenditure of significant amounts of capital. The following summarizes our current product candidate programs with relevant out-licensing deals that the Company has completed.

#### Alzheimer's disease

##### SP-233

Caprospinol (SP-233) is a novel Alzheimer's drug candidate that Samaritan believes has the potential to clear beta-amyloid plaques from the brain; a problem that most researchers today believe, is the cause of Alzheimer's. Samaritan filed an IND application for Caprospinol on October 30, 2006 and was subsequently granted an IND number by the FDA. Samaritan believes that Caprospinol could be a significant breakthrough in the treatment of Alzheimer's, Samaritan plans to provide the information requested by the FDA as quickly as possible, in order to continue moving our Caprospinol development program forward.

On December 7, 2006, Samaritan announced that the U.S. Food and Drug Administration (FDA) has completed its regulatory review of our IND (Investigational New Drug) application for Caprospinol and has requested that additional information be submitted in support of the safety of Caprospinol, prior to initiating Samaritan's proposed Phase I clinical study. Currently, Samaritan has entered into a service agreement with Advinus Therapeutics Ltd, India to provide the additional studies requested by the FDA.

#### Cardiovascular

##### SP-1000

SP-1000 is a peptide that can be used to clean the blood of excessive cholesterol in acute high cholesterol conditions. SP-1000 plays a role in transformation and binding of LDL cholesterol and raising HDL, the good cholesterol, with immediate results.

To this end, Samaritan's collaborating scientists developed SP-1000 to be a potential hypocholesterolemic agent that acts through a new and novel mechanism of action that is quite distinct to the mechanism mediating the effects of statins.



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The effectiveness of SP-1000 peptide treatment has been demonstrated in two validated hypercholesterolemia animal models, a genetically engineered mouse model mimicking familial hypercholesterolemia, and in diet-induced hypercholesterolemia in guinea pigs.

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Based on the study results, Samaritan collaborative scientists believe that the SP-1000 peptide could have the following pharmacological activities:

- o SP-1000 peptide will not interfere with cholesterol metabolism and disposition
- o SP-1000 peptide will increase HDL while decreasing serum free cholesterol and total bile cholesterol
- o SP-1000 peptide will be effective in removing atheromas and preventing plaque formation
- o SP-1000 peptide will protect against high cholesterol-induced neurological, cardiac and muscular suffering, and gross liver morphology

Taken together, these data on classic animal models of familial and dietary hypercholesterolemia show that SP-1000 is an interesting new and novel lipid lowering drug with a strong patent position that represents a competitive advantage over currently available therapeutic options whether marketed alone and/or in combination with another cholesterol lowering drug.

### Infectious Diseases

#### SP-01A

SP-01A is an HIV oral entry inhibitor drug. In order for viruses to reproduce, they must infect or hi-jack a cell, and use it to make new viruses. Just as your body is constantly making new skin cells, or new blood cells, each cell often makes new proteins in order to stay alive and to reproduce itself. Viruses hide their own DNA in the DNA of the cell, and then, when the cell tries to make new proteins, it accidentally makes new viruses as well. HIV mostly infects cells in the immune system.

Clinical studies to date suggest that SP-01A prevents HIV from entering cells by inhibiting HIV-1 viral replication through a novel mechanism that is unique to any antiviral drug. SP-01A reduces intracellular cholesterol and corticosteroid biosynthesis, which causes the inability of lipid rafts in the cellular membrane to organize, ultimately preventing fusion of an HIV receptor and both the CCR5 and CXCR4 cellular receptors.

On March 28, 2007, Samaritan and Pharmaplaz, announced that they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor that has demonstrated safety and efficacy in Phase II human clinical trials.

Under the terms of the agreement, Samaritan receives \$10 million upfront in two payments. The first payment of \$1.4 million was received by Samaritan, and the remaining \$8.6 million is payable on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50 in its revenue royalty stream.

#### SP-10

SP-10 has demonstrated promise in preclinical studies as an antiviral therapeutic in the treatment of Hepatitis C (HCV) as well as a therapeutic adjuvant in the treatment of HIV. SP10 offers several distinctive competitive advantages as a potential adjuvant therapeutic in the treatment of HCV infected individuals. SP10 is uniquely different from other inhibitors of viral replication in that it appears to condition the cell. This unique multiple target mechanism of action provides several advantages.

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1. In HCV infected individuals, SP10 uses its unique mechanism to build a fence around the cell and prevent viral entry. Consequently, HCV is unable to replicate or mutate and is eventually eradicated by the immune system.
2. Because SP10's targets belong to the host cell and not to the virus itself, SP10 may not be susceptible to the development of resistance.
3. SP10 does not appear to be contraindicated with any other currently approved ARV or HCV treatments.

Therefore, based on its favorable in-vitro inhibition data, Samaritan is developing a Phase I clinical study protocol for SP10 as a potential adjuvant therapeutic in the treatment of HCV infected individuals.

#### Other Products

##### SP-6300

SP-6300 is a new and novel approach for the treatment of Cushing's syndrome, also known as exogenous hypercortisolism. Cushing's syndrome affects adults 20 to 50 with an estimated 10 to 15 of every million people affected each year. Hypercortisolism occurs when the body's tissues are exposed to excessive levels of cortisol for long periods of time.

Many people suffer the symptoms of exogenous hypercortisolism because they take glucocorticoid hormones such as prednisone, dexamethasone (Decadron) and methylprednisolone (Medrol), for asthma, rheumatoid arthritis, lupus and other inflammatory diseases or for immunosuppression after transplantation. People can also develop exogenous hypercortisolism from injectable corticosteroids -- for example, repeated injections for joint pain, bursitis and back pain. While certain inhaled steroid medicines (taken for asthma) and steroid skin creams (for skin disorders such as eczema) are in the same general category of drugs, they're generally not implicated in hypercortisolism unless taken in very high doses.

People also develop endogenous hypercortisolism because of overproduction of cortisol by the body. Normally, the production of cortisol follows a precise chain of events. First, the hypothalamus sends corticotrophin releasing hormone (CRH) to the pituitary gland. CRH causes the pituitary to secrete ACTH (adrenocorticotropin), a hormone that stimulates the adrenal glands. When the adrenals receive the ACTH, they respond by releasing cortisol into the bloodstream. Cortisol performs vital tasks in the body. It helps maintain blood pressure and cardiovascular function, reduces the immune system's inflammatory response, balances the effects of insulin in breaking down sugar for energy, and regulates the metabolism of proteins, carbohydrates, and fats. When the amount of cortisol in the blood is adequate, the hypothalamus and pituitary release less CRH and ACTH. This ensures that the amount of cortisol released by the adrenal glands is precisely balanced to meet the body's daily needs.

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### Other Non Drug Products

#### Alzheimer's Diagnostic

Our Alzheimer's diagnostic is a simple blood test which can be used as an alternative or supplement to spinal taps or expensive MRIs currently used by competitors.

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#### Breast Cancer Diagnostic

Our non-invasive blood test could be the first diagnostic tool to predict if a breast tumor is cancerous, with the added possibility to detect one single aggressive cancer cell out of a million blood cells. This tool could also be used as a monitoring tool to measure the success of chemotherapy, radiation and other drug treatments for aggressive cancer and ultimately allow patients to avoid the high costs and negative effects of unnecessary chemotherapy.

#### Alzheimer's Rat Model

We have developed an animal model that mimics the human phenotype of Alzheimer's disease pathology. We believe this Alzheimer's Rat Model will likely provide pharmaceutical companies the means to rapidly screen and develop therapeutics to control Alzheimer's disease.

### Collaborations, Alliances, and Investments

#### Georgetown University

On June 8, 2001, Samaritan executed research collaboration (the "Research Collaboration") with Georgetown University to further develop Samaritan's pipeline. Commencing on April 1, 2004, the Research Collaboration term was extended to 2014 and the budget has been increased to \$1,000,000 per year. The \$1,000,000 paid by Samaritan over four (4) quarterly payments of \$250,000 is unallocated and covers the general research and development effort.

Under the Research Collaboration, Samaritan receives worldwide exclusive rights to any novel therapeutic agents or diagnostic technologies that may result from the Research Collaboration. Dr. Vassilios Papadopoulos and Dr. Janet Greeson lead our team of eight (8) research professionals (including five (5) 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 University any milestone payments. Georgetown University is entitled to receive royalties based on our revenue from product sales and sublicenses, if any. Samaritan has assumed responsibility, at its own expense, 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 responsibility for the prosecution and maintenance in respect to any patent rights related to the licensed technology. In the second quarter of 2007, we plan to terminate the Georgetown University research collaboration; however, Samaritan's existing worldwide exclusive rights to licensed technologies with Georgetown will remain in force under the terms of their license agreements. Samaritan is currently negotiating a research collaboration with McGill University, Montreal, which we plan to initiate in the third quarter of 2007.

#### Advinus Therapeutics Ltd

On March 5, 2007, the Company announced that it had signed a service agreement

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with Advinus Therapeutics Limited, India, to perform validating preclinical studies for Caprospinol (SP-233), the Company's lead Alzheimer's drug. Samaritan has completed a series of studies that suggests Caprospinol offers a new and novel neuroprotective treatment that could potentially protect the memory of Alzheimer's patients. Promising preclinical studies have shown that Caprospinol directly targets the amyloid peptide which is commonly thought to be the cause of Alzheimer's. Advinus will perform studies to validate Samaritan's previous findings; and in addition, Samaritan's strategy is to perform extensive preclinical studies with the intention of out-licensing Caprospinol to a major pharmaceutical company; and concurrently, expand Samaritan's investigational new drug application (IND) to the FDA, to enter Phase I human clinical trials.

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Advinus is located in Bangalore, India, with capabilities in drug discovery and contract services for pharmaceutical companies.

### Pharmaplaz, LTD

On March 28, 2007, Samaritan and Pharmaplaz announced they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor, which has demonstrated safety and efficacy in Phase II human clinical trials. Under the terms of the agreement, Pharmaplaz is required to pay Samaritan \$10 million upfront. The first payment of \$1.4 million was received on March 28, 2007, and the remaining \$8.6 million is required to be paid on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50, in its revenue royalty stream. Samaritan is responsible for all patent expenses, including filing, prosecution, and enforcement expenses.

Pharmaplaz is a fully integrated pharmaceutical company located in Athlone, Ireland. Pharmaplaz develops patented pharmaceutical technologies and products, and has expertise in initial research, process development, clinical trials, regulatory submissions and product manufacturing. Pharmaplaz, in addition, offers facilities for the development of products and processes in life sciences, and can also provide additional support with government grant aid and regulatory affairs.

### Shire Pharmaceuticals

On March 1, 2007, Samaritan executed a two-year exclusive licensing deal with Shire Pharmaceuticals for the marketing of Elaprase in Greece and Cyprus. The product shall be supplied on a named patient basis until the conclusion of the negotiations relating to the pricing and reimbursement of Elaprase in the territories with the relevant regulatory authorities.

Founded in 1986, Shire is a global specialty pharmaceutical company marketing products to defined customer groups (specialist doctors). Sales and marketing is a core Shire competence, where effective targeting of prescribers allows maximization of sales by a relatively small but high quality sales force.

Shire's strategic goal is to become the leading specialty pharmaceutical company that focuses on meeting the needs of the specialist physician. Shire focuses its business on attention deficit and hyperactivity disorder (ADHD), human genetic therapies (HGT), gastrointestinal (GI) and renal diseases. The structure is sufficiently flexible to allow Shire to target new therapeutic areas to the extent opportunities arise through acquisitions. Shire believes that a carefully selected portfolio of products with a strategically aligned and relatively small-scale sales force will deliver strong results. Shire's in-licensing, merger and acquisition efforts are focused on products in niche markets with

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strong intellectual property protection either in the US or Europe.

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### Three Rivers Pharmaceuticals(R)

On December 12, 2005, Samaritan signed a ten-year (with five-year automatic renewals) exclusive licensing agreement with Three Rivers Pharmaceuticals, Inc. for the marketing of Amphocil, a prescription drug in Greece; authorization is pending for Cyprus.

Established in 2000, Three Rivers Pharmaceuticals(R) devotes its efforts and resources to developing, manufacturing, and marketing pharmaceutical therapies which are indicated for diseases/medical conditions requiring specialized treatment. Currently, Three Rivers Pharmaceuticals markets prescription drugs in both the U.S. and internationally, in the therapeutic categories of antiviral and antifungal agents.

Three Rivers has continued to expand its product line into the branded market with the acquisition of AMPHOTEC/AMPHOCIL(R) in May of 2005. This product is currently being marketed in over 40 countries worldwide.

### Molteni Farmaceutici

On January 1, 2007, Samaritan executed a four-year (with two-year automatic renewals) exclusive licensing agreement with Molteni Farmaceutici for the marketing of Mepivamol, Methadone, Morphine Sulphate, Naloxone, Naltrexone, and Oramorph in Greece and Cyprus.

Molteni is rich in history with over a century of experience beginning with the opening of its manufacturing facility at the Molteni Pharmacy Laboratory located in the historic center of Florence, Italy. The strategic therapeutic areas on which Molteni makes an effort for trading new alliances are concentrated on Analgesia, Anesthesia and Drug Addition Therapy.

### Siraeo, Ltd.

On December 28, 2006, Samaritan signed a ten-year (with three-year automatic renewals) exclusive licensing agreement with Siraeo, Ltd for the marketing of Infasurf in Turkey, Serbia, Bosnia, Macedonia, Albania, Egypt and Syria. Infasurf is an approved FDA prescription product owned by Ony, Inc. and marketed by Forest Laboratories in the US.

### Metastatin Pharmaceuticals

On March 1, 2007, Samaritan announced that we had completed our acquisition of Metastatin Pharmaceuticals, a biopharmaceutical company engaged in the development of cytostatic and anti-metastatic therapies for the management of cancer. As part of the acquisition of Metastatin, Samaritan acquired the following patent rights:

| Patent No. | Description   |
|------------|---|
| 08/400,084 | Methods and Compositions for Inhibiting Metastasis of Epithelial Cell-Derived Cancers (US)          |
| 122266     | Method and a Kit for Determining Metastatic Potential of a Tumor of Epithelial Cell Origin (Israel) |
| 08/486,203 | Determining Evasiveness of Prostatic Adenocarcinoma (US)  |
| 08/658,796 | Methods and Compositions for Inhibiting Metastasis of Epithelial                                    |

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Cell-Derived Cancer (US)

08/966,196 Kit for Identifying Prostatic Intraepithelial Neoplasia (PIN) (US)  
09/512,385 Uteroglobin Therapy for Epithelial Cell Cancer (US)  
09/556,468 Non-Steroidal Anti-Inflammatory Agent Therapy for Epithelial Cell Cancer (US)

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09/556,467 Uteroglobin Gene Therapy for Epithelial Cell Cancer (US)  
09/433,092 Pharmaceutical Compositions, Methods and Kits for Treatment and Diagnosis of Breast Cancer (US)  
08/987,502 Methods for Inhibiting Metastasis (US)  
08/987,505 Pharmaceutical Compositions, Methods and Kits for Treatment and Diagnosis of Lung Cancer (US)

### Patents, Licenses and Proprietary Rights

The products and product candidates currently being developed or considered for development by Samaritan are in the area of biotechnology, an area in which there are extensive patent filings. We rely on patent protection against use of our proprietary products and technologies by competitors. The patent positions of biotechnology firms generally are highly uncertain and involve complex legal and factual questions. To date, no consistent policy has emerged regarding the breadth of claims allowed in biotechnology patents. We currently own or in-license patents related to our products or product candidates and own or in-license additional applications for patents that are currently pending. In general, when we in-license intellectual property from various third parties, we are required to pay royalties to the parties on product sales.

Our marketed products, AMPHOCIL(R), ELAPRASE(R), INFASURF(R), MEPIVAMOL(R), METHADONE(R), MORPHINE SULPHATE(R), NALOXONE(R), NALTREXONE(R), and ORAMORPH(R), are covered by trademark registrations and pending applications for registration by their respective owners. Trademark protection continues in some countries for as long as the mark is used and, in other countries, for as long as it is registered. Registrations generally are for fixed, but renewable, terms.

The protection of our unpatented confidential and proprietary information and materials is important to us. To protect our trade secrets, materials and other confidential information, we generally require our employees, consultants, scientific advisors, and parties to collaboration and licensing agreements to execute confidentiality agreements upon the commencement of employment, the consulting relationship, or the collaboration or licensing arrangement with us. However, others could either develop independently the same or similar information or obtain access to our information.

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PATENT SUMMARY TABLE

TRADEMARK SUMMARY TABLE

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| Item            | Issued | Pending | Total | Item               | Issued | Pending |
|-----------------|--------|---------|-------|--------------------|--------|---------|
| US Patents      | 12     | 27      | 39    | US Trademarks      | 3      | 3       |
| Foreign Patents | 4      | 63      | 67    | Foreign Trademarks | 1      | 1       |
| Total           | 16     | 90      | 106   | Total              | 4      | 4       |

Our trademarks for our marketed products are not included in the above list, since they are trademarked by our partners.

### Government Regulation

The research, development, manufacture and sale of our products are subject to numerous complex laws and statutes as well as regulations promulgated by the applicable governmental authorities, principally the FDA in the U.S. and similar authorities in other countries. While there is considerable time and expense associated with complying with these requirements, knowledge of and experience with these matters also yields benefits to Samaritan. For example, the more knowledgeable we are about these matters, the more we are able to design our research, development and manufacturing strategies in a manner that is calculated to obtain regulatory approval to market our products in the applicable countries. Moreover, the complexity of these matters can have the effect of delaying or limiting the number of competing products that can successfully be brought to market. In addition, certain regulatory approval pathways, for example, orphan drug designation in the U.S. for marketing products applicable to rare diseases or small populations, can also have the effect of limiting the number of competing products available in the market.

### Competition

The biotechnology and pharmaceutical industries are characterized by rapidly evolving technology and intense competition. Our competitors include pharmaceutical, chemical and biotechnology companies, many of which have financial, technical and marketing resources significantly greater than ours. In addition, many specialized biotechnology companies have formed collaborations with large, established companies to support research, development and commercialization of products that may be competitive with ours. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through collaboration arrangements.

We expect our products to compete primarily on the basis of product efficacy, safety, patient convenience, reliability and patent position. In addition, the first product to reach the market in a therapeutic or preventive area is often at a significant competitive advantage relative to later entrants to the market. Our competitive position will also depend on our ability to attract and retain qualified scientific and other personnel, develop effective proprietary products, implement product and marketing plans, obtain patent protection and secure adequate capital resources.

### Employees

As of the date of this Form 10-K, we have sixteen (16) employees consistent of fifteen (15) full-time employees and one part time employee. Ten (10) employees are engaged in our research, development, clinical and manufacturing efforts;

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four (4) employees perform regulatory, general administration, financial and investor relations functions and; two (2) Information Technology employees (one full time and one part time). Additionally, Samaritan has eight (8) research professionals (including five (5) Ph.D. level research scientists) who work under the Research Collaboration with Georgetown University. Further, we make extensive use of another fifteen (15) consultants including Dr. Papadopoulos, our Key Scientific Consultant.

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A significant number of our management and professional employees have had experience with pharmaceutical, biotechnology or medical product companies. While we have been successful in attracting skilled and experienced scientific personnel, there can be no assurance that we will be able to attract or retain the necessary qualified employees and/or consultants in the future. None of our employees are covered by collective bargaining agreements and we consider relations with our employees to be good.

### ITEM 1A. RISK FACTORS

You should carefully consider the risks described below before purchasing our Common Stock. Our most significant risks and uncertainties are described below; however, they are not the only risks we face. If any of the following risks actually occur, our business, financial condition, or results of operations could be materially adversely affected, the trading of our Common Stock could decline, and you may lose all or part of your investment therein. You should acquire shares of our Common Stock only if you can afford to lose your entire investment.

#### Risks Associated With our Business

We Have A Limited Operating History With Significant Losses And Expect Losses To Continue In The Near Future

We have yet to establish any history of profitable operations. We have incurred annual operating losses of \$7,572,746 and \$5,557,559 during the years ended December 31, 2006 and 2005 respectively. As a result, at December 31, 2006, we had an accumulated deficit of \$41,309,142. To date, our revenues have not been sufficient to sustain our operations. Our profitability will require the successful commercialization of one or more drugs for our territories in Eastern Europe as well as the out-licensing of our internal development programs in Alzheimer's, Cancer Cardiovascular disease and Infectious Diseases. Currently, the Company has in-licensed nine products to be marketed and distributed in our Eastern Europe territories. No assurances can be given when this will occur or when we will become profitable.

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We Will Require Additional Financing To Sustain Our Operations And Without It We May Not Be Able To Continue Operations. We Cannot Currently Access Funds Under The Purchase Agreement II.

We had an operating cash flow deficit of \$6.25 million for the year ended December 31, 2006 and \$4.64 million for the year ended December 31, 2005.

The availability of funds under the Purchase Agreement II with Fusion Capital is subject to many conditions, some of which are predicated on events that are not within our control. Accordingly, we cannot guarantee that these capital resources will be sufficient to fund our business operations.

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Fusion Capital shall not have the right nor the obligation to purchase any shares of our Common Stock on any trading days that the market price of our Common Stock is less than \$0.25. Accordingly, if the stock price is below \$0.25, the Company cannot access funds under the Purchase Agreement II. If we are unable to access funds under the Purchase Agreement II, we may need to sell additional equity securities in private placements. As of March 30, 2007, with 2,209,372 remaining available under the Registration Statement, the selling price of our Common Stock to Fusion Capital will have to average at least \$16.16 per share for us to receive the remaining proceeds of \$35,700,000 without registering additional shares of Common Stock. Shares issued to date under the Common Stock Purchase Agreement are 12,790,628, with proceeds of \$4,300,000. Assuming a minimum purchase price of \$0.25 per share and the purchase by Fusion Capital of the full 2,209,372 remaining shares under the Purchase Agreement II, the remaining proceeds to us would be \$552,343 unless we choose to register more than 2,209,372 shares, which we have the right, but not the obligation, to do. In the event we elect to sell more than the 2,209,372 shares, we will be required to file a new Registration Statement and have it declared effective by the U.S. Securities & Exchange Commission. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the Purchase Agreement II. We have the right to receive \$40,000 per trading day under the Purchase Agreement II, unless our stock price equals or exceeds \$1.50, in which case the daily amount may be increased under certain conditions as the price of our Common Stock increases.

The extent to which 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, which as of March 30, 2007, was \$0.27, and the extent to which we are able to secure working capital from other sources, such as through the sale of our products. If obtaining sufficient financing from Fusion Capital were to prove unavailable or prohibitively dilutive and if we are unable to sell enough of our products, we may need to secure another source of funding in order to satisfy our working capital needs. Even if we are able to access the remaining \$35,700,000 under the Purchase Agreement II with Fusion Capital, we may still need additional capital to fully implement our business, operating and development plans. Should the financing we require to sustain our working capital needs be unavailable or prohibitively expensive when we require it, we could be forced to curtail or cease our business operations.

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The Sale Of Our Common Stock To Fusion Capital May Cause Dilution And The Sale Of The Shares Of Common Stock Acquired By Fusion Capital And Other Shares Registered for Selling Stockholders Could Cause The Price Of Our Common Stock To Decline

In connection with entering into the Purchase Agreement II with Fusion Capital, we authorized the sale to Fusion Capital of up to 26,643,100 shares of our Common Stock and registered 16,700,000. The number of shares ultimately offered for sale by Fusion Capital is dependent upon the number of shares purchased by Fusion Capital under the agreement. The purchase price for the Common Stock to be sold pursuant to the Purchase Agreement II will fluctuate based on the price of our Common Stock. Depending upon market liquidity at the time, a sale of shares by Fusion Capital at any given time could cause the trading price of our Common Stock to decline. Fusion Capital may ultimately purchase all, some or none of the 16,700,000 shares of Common Stock being registered under the Purchase Agreement II. Further, the lower the stock price, the more shares we would have to sell to Fusion Capital to receive the same proceeds. After it has acquired such shares, it may sell all, some or none of such shares registered under the accompanying Registration Statement. Therefore, sales to Fusion Capital by us under the Purchase Agreement II may result in substantial dilution

to the interests of other holders of our Common Stock. The sale of a substantial number of shares of our Common Stock by Fusion Capital, or anticipation of such sales, could make it more difficult for us to sell equity or equity-related securities in the future at a time and at a price that we might otherwise wish to effect sales. However, we have the right to control the timing and amount of any sales of our shares of Common Stock to Fusion Capital and the Purchase Agreement II may be terminated by us at any time at our discretion without any cost to us.

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Further, the sale by Fusion Capital of our Common Stock will increase the number of our publicly traded shares, which could depress the market price of our Common Stock. Moreover, the mere prospect of resales by Fusion Capital and other selling stockholders as contemplated in the prospectus filed January 26, 2007 could depress the market price for our Common Stock. The issuance of shares to Fusion Capital under the Purchase Agreement II, will dilute the equity interest of existing stockholders and could have an adverse effect on the market price of our Common Stock.

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The Company's License Agreements May Be Terminated In The Event Of A Breach

The license agreements pursuant to which the Company has licensed its core technologies for its potential drug products permit the licensors, including Georgetown University, to terminate such agreements under certain circumstances, such as the failure by the licensee to use its reasonable best efforts to commercialize the subject drug or the occurrence of any uncured material breach by the licensee. The license agreements also provide that the licensor is primarily responsible for obtaining patent protection for the licensed technology, and the licensee is required to reimburse the licensor for costs it incurs in performing these activities. The license agreements also require the payment of specified royalties. Any inability or failure to observe these terms or pay these costs or royalties may result in the termination of the applicable license agreement in certain cases. The termination of any license agreement could force us to curtail our business operations.

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Protecting Our Proprietary Rights Is Difficult and Costly

The patent positions of pharmaceutical companies can be highly uncertain and involve complex legal and factual questions. The license agreements also provide that the licensor is primarily responsible for obtaining patent protection for the licensed technology, and the licensee is required to reimburse the licensor for costs it incurs in performing these activities. Accordingly, we cannot predict the breadth of claims allowed in these companies' patents or whether the Company may infringe or be infringing on these claims. Patent disputes are common and could preclude the commercialization of our products. Patent litigation is costly in its own right and could subject us to significant liabilities to third parties. In addition, an adverse decision could force us to either obtain third-party licenses at a material cost or cease using the technology or product in dispute.

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Our Success Will Depend On Our Ability To Attract And Retain Key Personnel

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In order to execute our business plan, we need to attract, retain and motivate a significant number of highly qualified managerial, technical, financial and sales personnel. If we fail to attract and retain skilled scientific and marketing personnel, our research and development and sales and marketing efforts will be hindered. Our future success depends to a significant degree upon the continued services of key management personnel, including Dr. Janet Greeson, our Chief Executive Officer, President and Chairman of the Board of Directors, and Dr. Vassilios Papadopoulos, Chief Scientist of the Science of Technology Advisory Committee and our key consultant. We do not maintain key man insurance on either of these individuals. The loss of their services could delay our product development programs and our research and development efforts at Georgetown University. In addition, the loss of Dr. Greeson is grounds for our Research Collaboration with Georgetown University to terminate. In addition, competition for qualified employees among companies in the biotechnology and biopharmaceutical industry is intense and we cannot be assured that we would be able to recruit qualified personnel on commercially acceptable terms, or at all, to replace them.

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We Are Forming A New Collaboration with McGill University and Our Success Is Dependent Upon A Smooth Transition from Our Long Term Collaboration with Georgetown University.

Dr. Vassilios Papadopoulos, the lead scientist in the Georgetown University/Samaritan research collaboration, has been appointed as the new Director of the Research Institute of the McGill University Health Centre (MUHC) in Montreal, Canada. Dr. Papadopoulos has an international reputation as a scientist and a proven track record of leadership in biomedical research and administration. Dr. Papadopoulos will assume his new role officially on July 1, 2007. Between now and then he expects to be at the Research Institute of the MUHC on a regular basis, working on development and operational issues.

Each license granted or to be granted from Georgetown to Samaritan shall not be terminated or any way affected if the research collaboration between Georgetown and Samaritan is terminated. Each such license has its own termination provisions as set forth in the respective license.

Samaritan has the right to terminate the Georgetown research collaboration under this Agreement upon a 60-day notice in the event that Dr. Papadopoulos' ceases to be the Principal Investigator or have responsibility for directing our collaborated research. Samaritan intends to transfer our research collaboration with Georgetown to MUHC and expects to initiate a research collaboration with McGill officially in the third quarter of 2007.

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We Are Faced With Intense Competition And Industry Changes, Which May Make It More Difficult For Us To Achieve Significant Market Penetration.

The pharmaceutical and biotech industry generally is characterized by rapid technological change, changing customer needs, and frequent new product introductions. If our competitors' existing products or new products are more effective than or considered superior to our products, the commercial opportunity for our products will be reduced or eliminated. We face intense competition from companies in our marketplace as well as companies offering other treatment options. Many of our potential competitors are significantly larger than we are and have greater financial, technical, research, marketing, sales, distribution and other resources than we do. We believe there will be intense price competition for products developed in our markets. Our competitors may develop or market technologies and products that are more effective or

commercially attractive than any that we are developing or marketing. Our competitors may obtain regulatory approval, and introduce and commercialize products before we do. These developments could force us to curtail or cease our business operations. Even if we are able to compete successfully, we may not be able to do so in a profitable manner.

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If We Are Unable To Continue Product Development, Our Business Will Suffer

Our growth depends in part on continued ability to successfully develop our products. We may experience difficulties that could delay or prevent the successful development and commercialization of these products. Our products in development may not prove safe and effective in clinical trials. Clinical trials may identify significant technical or other obstacles that must be overcome before obtaining necessary regulatory or reimbursement approvals. In addition, our competitors may succeed in developing commercially viable products that render our products obsolete or less attractive. Failure to successfully develop and commercialize new products and enhancements would likely have a significant negative effect on our financial prospects.

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There Is No Assurance That Our Products Will Have Market Acceptance

The success of the Company will depend in substantial part on the extent to which a drug product, once approved, achieves market acceptance. The degree of market acceptance will depend upon a number of factors, including (a) the receipt and scope of regulatory approvals, (b) the establishment and demonstration in the medical community of the safety and efficacy of a drug product, (c) the product's potential advantages over existing treatment methods and (d) reimbursement policies of government and third party payers. We cannot predict or guarantee physicians, patients, healthcare insurers, maintenance organizations, or the medical community in general, will accept or utilize any drug product of the Company. If our products do not develop market acceptance, we will be forced to curtail or cease our business operations.

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There Is Uncertainty Relating To Third-Party Reimbursement, Which Is Critical To Market Acceptance Of Our Products.

International market acceptance of our products may depend, in part, upon the availability of reimbursement within prevailing health care payment systems. Reimbursement and health care payment systems in international markets vary significantly by country, and include both government sponsored health care and private insurance. We may not obtain international reimbursement approvals in a timely manner, if at all. Our failure to receive international reimbursement approvals may negatively impact market acceptance of our products in the international markets in which those approvals are sought and could force us to curtail or cease our business operations.

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From time to time significant attention has been focused on reforming the health care system in the United States and other countries. Any changes in Medicare, Medicaid or third-party medical expense reimbursement, which may arise from health care reform, may have a material adverse effect on reimbursement for our

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products or procedures in which our products are used and may reduce the price we are able to charge for our products. In addition, changes to the health care system may also affect the commercial acceptance of products we are currently developing and products we may develop in the future.

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If We Fail To Protect Our Licensed Intellectual Property Rights, Our Competitors May Take Advantage Of Our Ideas And Compete Directly Against Us.

Our success will depend to a significant degree on our ability to secure and protect intellectual property rights and to enforce patent and trademark protections relating to our technology which we license. From time to time, litigation may be advisable to protect our intellectual property position. However, these legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep any competitive advantage. Any litigation in this regard could be costly, and it is possible that we will not have sufficient resources to fully pursue litigation or to protect our other intellectual property rights. It could result in the rejection or invalidation of our existing and future patents. Any adverse outcome in litigation relating to the validity of our patents, or any failure to pursue litigation or otherwise to protect our patent position, could force us to curtail or cease our business operations. Also, even if we prevail in litigation, the litigation would be costly in terms of management distraction as well as in terms of money. In addition, confidentiality agreements with our employees, consultants, customers, and key vendors may not prevent the unauthorized disclosure or use of our technology. It is possible that these agreements could be breached or that they might not be enforceable in every instance, and that we might not have adequate remedies for any such breach. Enforcement of these agreements may be costly and time consuming. Furthermore, the laws of foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States.

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We May Be Sued For Allegedly Violating The Intellectual Property Rights Of Others.

The pharmaceutical industry has in the past been characterized by a substantial amount of litigation and related administrative proceedings regarding patents and intellectual property rights. In addition, major pharmaceutical companies have used litigation against emerging growth companies as a means of gaining or preserving a competitive advantage.

Should third parties file patent applications or be issued patents claiming technology also claimed by us in pending applications, we may be required to participate in interference proceedings in the United States Patent and Trademark Office to determine the relative priorities of our inventions and the third parties' inventions. We could also be required to participate in interference proceedings involving our issued patents and pending applications of another entity. An adverse outcome in an interference proceeding could require us to cease using the technology or to license rights from prevailing third parties and force us to curtail or cease our business operations.

Third parties may claim we are using their patented inventions and may go to court to stop us from engaging in our normal operations and activities. These lawsuits are expensive to defend and conduct and would also consume and divert the time and attention of our management. A court may decide that we are infringing a third party's patents and may order us to cease the infringing

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activity. A court could also order us to pay damages for the infringement. These damages could be substantial and could have a material adverse effect on our business, financial condition, results of operations and cash flows. An adverse outcome on an infringement claim could force us to curtail or cease our business operations.

If we are unable to obtain any necessary license following an adverse determination in litigation or in interference or other administrative proceedings, we would have to redesign our products to avoid infringing a third party's patent and could temporarily or permanently have to discontinue manufacturing and selling some of our products. If this were to occur, it would negatively impact future sales and, in turn, our business, financial condition, results of operations and cash flows, which could force us to curtail or cease our business operations.

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If We Fail To Obtain Or Maintain Necessary Regulatory Clearances Or Approvals For Products, Or If Approvals Are Delayed Or Withdrawn, We Will Be Unable To Commercially Distribute And Market Our Products Or Any Product Modifications.

Government regulation has a significant impact on our business. Government regulation in the United States and other countries is a significant factor affecting the research and development, manufacture and marketing of our products. In the United States, the Food and Drug Administration (FDA) has broad authority under the federal Food, Drug and Cosmetic Act to regulate the distribution, manufacture and sale of pharmaceutical products. The process of obtaining FDA and other required regulatory clearances and approvals is lengthy and expensive. We may not be able to obtain or maintain necessary approvals for clinical testing or for the manufacturing or marketing of our products. Failure to comply with applicable regulatory approvals can, among other things, result in fines, suspension or withdrawal of regulatory approvals, product recalls, operating restrictions, and criminal prosecution. In addition, governmental regulations may be established which could prevent, delay, modify or rescind regulatory approval of our products. Any of these actions by the FDA, or change in FDA regulations, could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Regulatory approvals, if granted, may include significant limitations on the indicated uses for which our products may be marketed. In addition, to obtain such approvals, the FDA and foreign regulatory authorities may impose numerous other requirements on us. FDA enforcement policy prohibits the marketing of approved medical devices for unapproved uses. In addition, product approvals can be withdrawn for failure to comply with regulatory standards or unforeseen problems following initial marketing. We may not be able to obtain or maintain regulatory approvals for our products on a timely basis, or at all, and delays in receipt of or failure to receive such approvals, the loss of previously obtained approvals, or failure to comply with existing or future regulatory requirements could have a material adverse effect on our business, financial condition, results of operations and cash flows, which could force us to curtail or cease our business operations.

Positive Results In Preclinical And Early Clinical Trials Do Not Ensure Future Clinical Trials Will Be Successful Or Drug Candidates Will Receive Any Necessary Regulatory Approvals For The Marketing, Distribution Or Sale Of Such Drug Candidates.

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Success in preclinical and early clinical trials does not ensure that large-scale clinical trials will be successful. Clinical results are frequently susceptible to varying interpretations, delaying, limiting or preventing regulatory approvals. The length of time necessary to complete clinical trials and submit an application for marketing approval for a final decision by a regulatory authority varies significantly and may be difficult to predict.

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If We Become Subject To Product Liability Claims, We May Be Required To Pay Damages That Exceed Our Insurance Coverage.

Our business exposes us to potential product liability claims that are inherent in the testing, production, marketing and sale of pharmaceuticals products. While we maintain a commercial general liability policy for \$2 million, we may not be able to maintain insurance in amounts or scope sufficient to provide us with adequate coverage. A claim in excess of our insurance coverage would have to be paid out of cash reserves, which could have a material adverse effect on our business, financial condition, results of operations and cash flows and force us to curtail or cease our business operations. In addition, any product liability claim likely would harm our reputation in the industry and our ability to develop and market products in the future.

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Insurance Coverage Is Increasingly More Difficult To Obtain or Maintain

Obtaining insurance for our business, property and products is increasingly more costly and narrower in scope, and we may be required to assume more risk in the future. If we are subject to third party claims or suffer a loss or damage in excess of our insurance coverage, we may be required to share that risk in excess of our insurance limits. Furthermore, any first-or-third-party claims made on any of our insurance policies may impact our ability to obtain or maintain insurance coverage at reasonable costs or at all in the future.

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We Are Dependent On Third Parties For A Significant Portion Of Our Bulk Supply And The Formulation, Fill And Finish Of Our Product Candidates.

We currently produce a substantial portion of clinical product candidates' supply at our collaborative partner's Ireland manufacturing facility. However, we also depend on third parties for a significant portion of our product candidates' bulk supply as well as for some of the formulation, fill and finish of product candidates that we manufacture. Pharmaplaz is our third-party contract manufacturer of product candidates' bulk drug; accordingly, our clinical supply of product candidates is currently significantly dependent on Pharmaplaz's production schedule for product candidates. We would be unable to produce product candidates in sufficient quantities to substantially offset shortages in Pharmaplaz's scheduled production if Pharmaplaz or other third-party contract manufacturers used for the formulation, fill and finish of product candidates bulk drug were to cease or interrupt production or services or otherwise fail to supply materials, products or services to us for any reason, including due to labor shortages or disputes, regulatory requirements or action or contamination of product lots or product recalls. We cannot guarantee that an alternative third-party contract manufacturer would be available on a timely basis or at all. This in turn could materially reduce our ability to satisfy demand for product candidates, which could materially and adversely affect our operating results.

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Our Corporate Compliance Program Cannot Guarantee That We Are In Compliance With All Potentially Applicable U.S. Federal And State Regulations And All Potentially Applicable Foreign Regulations.

The development, manufacturing, distribution, pricing, sales, marketing and reimbursement of our products, together with our general operations, is subject to extensive federal and state regulation in the United States and to extensive regulation in foreign countries. While we have developed and instituted a corporate compliance program based on what we believe to be current best practices, we cannot assure you that we or our employees are or will be in compliance with all potentially applicable U.S. federal and state regulations and/or laws or all potentially applicable foreign regulations and/or laws. If we fail to comply with any of these regulations and/or laws a range of actions could result, including, but not limited to, the termination of clinical trials, the failure to approve a product candidate, restrictions on our products or manufacturing processes, including withdrawal of our products from the market, significant fines, exclusion from government healthcare programs or other sanctions or litigation.

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Risks Associated With An Investment In Our Common Stock

The Market Price Of Our Common Stock Is Highly Volatile.

The market price of our Common Stock has been and is expected to continue to be highly volatile. Various factors, including announcements of technological innovations by us or other companies, regulatory matters, new or existing products or procedures, concerns about our financial position, operating results, litigation, government regulation, developments or disputes relating to agreements, patents or proprietary rights may have a significant impact on the market price of our stock. If our operating results are below the expectations of securities analysts or investors, the market price of our Common Stock may fall abruptly and significantly.

Future sales of our Common Stock, including shares issued upon the exercise of outstanding options and warrants or hedging or other derivative transactions with respect to our stock, could have a significant negative effect on the market price of our Common Stock. These sales also might make it more difficult for us to sell equity securities or equity-related securities in the future at a time and price that we would deem appropriate.

We entered into registration rights agreements in connection with certain financings pursuant to which we agreed to register for resale by the investors the shares of Common Stock issued. Sales of these shares could have a material adverse effect on the market price of our shares of Common Stock.

If We Do Not Show Progress Consistent With Our Compliance Plan, There Is No Assurance That Our Stock Will Not Be Delisted From The American Stock Exchange ("AMEX", the "Exchange").

On April 3, 2007, the American Stock Exchange ("AMEX") notified Samaritan Pharmaceuticals, Inc. that its listing on the AMEX exchange is being continued pursuant to an extension with a plan completion date of May 31, 2007, which



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encompasses the due date for Samaritan's quarterly Report (Form 10-Q) for the period ending March 31, 2007 to demonstrate that it has regained compliance with the continued listing standards in Section 1003(a)(ii) and (iii) of the AMEX Company Guide. The Company must also address Section 1003(f)(v) of the AMEX Company Guide.

Previously on November 6, 2006 and on January 30, 2007, the AMEX Listing Qualifications staff notified the Company it no longer complies with the Exchange's continued listing standard due to its shareholder's equity of less than \$4 million and losses from continuing operations and/or losses in three out of its four most recent fiscal years, as set forth in Section 1003(a)(ii) of the Company Guide; with its shareholder's equity of less than \$6 million from continuing operations and/or net losses in its five most recent fiscal years, as set forth in Section 1003(a)(iii) of the Company Guide; and with its low selling price, as set forth in Section 1003(f)(v) of the Company Guide.

The Company is required by the AMEX to provide periodic reports showing progress consistent with the Company's compliance plan. If the Company does not show progress consistent with our compliance plan, the Staff will review the circumstances and may immediately commence delisting proceedings. Thus, there is no assurance that the Company will be able to maintain continued listing on the AMEX.

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Under Provisions Of The Company's Articles Of Incorporation, Bylaws And Nevada Law, The Company's Management May Be Able To Block Or Impede A Change In Control

The issuance of blank check preferred stock, where the Board of Directors can designate rights or preferences, may make it more difficult for a third party to acquire, or may discourage a third party from acquiring, a majority of our voting stock. These and other provisions in our Articles of Incorporation (restated as last amended June 10, 2005) and in our Bylaws (restated as last amended April 18, 2005), as well as certain provisions of Nevada law, could delay or impede the removal of incumbent directors and could make it more difficult to effect a merger, tender offer or proxy contest involving a change of control of the Company, even if such events could be beneficial to the interest of the shareholders as a whole. Such provisions could limit the price that certain investors might be willing to pay in the future for our Common Stock.

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Officers and Directors Liabilities Are Limited Under Nevada Law

Pursuant to the Company's Articles of Incorporation (restated as last amended June 10, 2005) and Bylaws (restated as last amended April 18, 2005), and as authorized under applicable Nevada law, Directors are not liable for monetary damages for breach of fiduciary duty, except in connection with a breach of the duty of loyalty for (a) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (b) for dividend payments or stock repurchases illegal under applicable Nevada law or (c) any transaction in which a Director has derived an improper personal benefit. The Company's Articles of Incorporation (restated as last amended June 10, 2005) and Bylaws (restated as last amended April 18, 2005) provide that the Company must indemnify its officers and Directors to the fullest extent permitted by applicable Nevada law for all expenses incurred in the settlement of any actions against such persons in connection with their having served as officers or Directors.

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### ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

### ITEM 2. PROPERTIES

The Company's executive offices are currently located at 101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109. On October 3, 2005, the Company expanded its premises to a 2,601 square foot office space which is rented at a base rent of \$4,681.80 per month. In addition, pursuant to a research collaboration, Georgetown University provides office and laboratory space at the Samaritan Research Laboratories, Biochemistry and Molecular Biology Dept., Med/Dent Bldg #SE101A, 3900 Reservoir Road NW, Washington, D.C. 20057.

### ITEM 3. LEGAL PROCEEDINGS

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 the outcome of these proceedings will not have an adverse material effect on the financial statements of the Company. Other than routine litigation incidental to our business, there are no legal proceedings or actions pending at this time.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of 2006.

## PART II

### ITEM 5. MARKET FOR SAMARITAN'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's Common Stock is traded on the American Stock Exchange under the symbol "LIV". As of December 31, 2006, there were approximately nine hundred (900) holders of record of Common Stock. Certain of the shares of Common Stock are held in street names and may, therefore, be held by numerous beneficial owners. The Company has never paid a cash dividend on its Common Stock. The payment of dividends may be made at the discretion of the Board of Directors of the Company and will depend upon, among other things, the Company's financial condition, results of operations, and other factors the Board of Directors may consider. The following table sets forth the range of high and low bid prices for our Common Stock for each quarter within the last three (3) fiscal years. Such quotes reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions. The quotations may be rounded for presentation.

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|                | FISCAL YEAR ENDED |        |                   |        |                   |        |
|----------------|-------------------|--------|-------------------|--------|-------------------|--------|
|                | December 31, 2006 |        | December 31, 2005 |        | December 31, 2004 |        |
|                | High              | Low    | High              | Low    | High              | Low    |
| First Quarter  | \$0.91            | \$0.30 | \$1.14            | \$0.45 | \$0.72            | \$0.33 |
| Second Quarter | \$0.71            | \$0.36 | \$0.92            | \$0.35 | \$1.69            | \$0.51 |
| Third Quarter  | \$0.56            | \$0.29 | \$0.71            | \$0.33 | \$1.40            | \$0.77 |
| Fourth Quarter | \$0.34            | \$0.17 | \$0.57            | \$0.38 | \$1.17            | \$0.80 |

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### Dividends

We have not paid any dividends on our Common Stock and do not anticipate paying any cash dividends in the near future. We intend to retain any earnings to finance the growth of the business. We make no assurances we will ever pay cash dividends. Whether we pay any cash dividends in the future will depend on the Company's financial condition, results of operations and other factors the Board of Directors will consider.

### Recent Sales of Unregistered Securities

The following discussion sets forth securities sold by the Company in the last three (3) fiscal years. These securities were shares of Common Stock of the Company. They were sold for cash and, unless otherwise noted, sold in private transactions to persons believed to be of a class of accredited investors not affiliated with the Company unless otherwise noted and purchasing the shares with an investment intent, and the Company relied upon, among other possible exemptions, Section 4(2) of the Securities Act of 1933, as amended. The Company's reliance on said exemption was based upon the fact no public solicitation was used by the Company in the offer or sale, and the securities were legend 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.

During the fiscal year ending December 31, 2006, the Company exchanged 7,212,500 shares of the Company Stock for \$2,045,000. The Company also issued 450,926 shares upon the exercise of stock options and the receipt of \$64,500.

During the fiscal year ending December 31, 2005, the Company issued an aggregate of 398,900 shares of Common Stock in consideration of services rendered or to be rendered to the Company. Such shares were valued at an aggregate of \$197,184 ranging from \$0.41 - \$0.72 per share, representing the fair value of the shares issued. The issuances were recorded as non-cash compensation expense and deferred compensation. The unamortized balance of deferred compensation at December 31, 2005 is \$40,034.

During the fiscal year ending December 31, 2004, the Company issued an aggregate of 2,081,249 shares of Common Stock in consideration of services rendered or to be rendered to the Company. Such shares were valued at an aggregate of \$1,790,478 ranging from \$0.16-\$1.19 per share, representing the fair value of the shares issued. The issuances were recorded as non-cash compensation expense. During the year ending December 31, 2004, the Company exchanged 11,426,733 shares of the Company Stock for \$4,300,938.

### Performance Graph

The following graph sets forth the cumulative total stockholder return (assuming reinvestment of dividends) to the Company's stockholders during the five-year period ended December 31, 2006, as well as an overall stock market index (AMEX Market Index) and the Company's peer group index (AMEX Biotech Index):

COMPARE 5-YEAR CUMULATIVE TOTAL RETURN  
AMONG SAMARITAN PHARMACEUTICALS,  
AMEX MARKET INDEX AND AMEX BIOTECH INDEX (1)

[The following information was depicted as a line chart in the printed material]

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| Company/Index        | Base Period |            |            | Year Ending |            |
|----------------------|-------------|------------|------------|-------------|------------|
|                      | 12/31/2001  | 12/31/2002 | 12/31/2003 | 12/31/2004  | 12/31/2005 |
| AMEX : LIV           | 100         | \$123.08   | \$284.62   | \$753.85    | \$300.00   |
| AMEX Biotech Index   | 100         | \$58.26    | \$84.42    | \$93.74     | \$110.00   |
| Amex Composite Index | 100         | \$97.26    | \$138.45   | \$169.22    | \$200.00   |

1) Assumes \$100 Invested On December 31, 2001, Assumes Dividend Reinvested, Fiscal Year Ending December. 31, 2006

The information under "Performance Graph" is not deemed filed with the Securities and Exchange Commission and is not be incorporated by reference in any filing of Samaritan under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this 10-K and irrespective of any general incorporation language in those filings.

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ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial data presented under the caption "Consolidated Balance Sheet Data" as of December 31, 2006, 2005, 2004, 2003, and 2002 and under the caption "Consolidated Statement of Operations Data" for the years ending December 31, 2006, 2005, 2004, 2003, and 2002 are derived from our consolidated financial statements which have been audited. The data set forth below should be read in conjunction with the sections entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations", and the "Consolidated Financial Statements" and the Notes thereto and other financial information included elsewhere in the report.

| Consolidated Statement<br>of Operations Data | For the Year Ended December 31 |                    |                    |                    |
|--|--------------------------------|--------------------|--------------------|--------------------|
|  | 2006                           | 2005               | 2004               | 2003               |
| <b>REVENUES:</b>                             |                                |                    |                    |                    |
| Consulting                                   | \$ -                           | \$ -               | \$ -               | \$ 2,100,000       |
| Governmental Research Grants                 | 32,379                         | 256,847            | -                  | 2,100,000          |
|  |                                | 256,847            | -                  | 2,100,000          |
| <b>EXPENSES:</b>                             |                                |                    |                    |                    |
| Research and development                     | 4,667,053                      | 3,456,301          | 1,543,921          | 8,100,000          |
| Interest, net                                | (31,795)                       | (60,021)           | (36,730)           | -                  |
| General and administrative                   | 2,812,934                      | 2,320,011          | 3,561,302          | 4,100,000          |
| Depreciation and amortization                | 156,933                        | 98,115             | 27,218             | -                  |
| Other income                                 | -                              | -                  | (231,350)          | -                  |
|  | 7,605,125                      | 5,814,406          | 4,864,361          | 5,700,000          |
| <b>NET LOSS</b>                              | <b>(7,572,746)</b>             | <b>(5,557,559)</b> | <b>(4,864,361)</b> | <b>(5,500,000)</b> |

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|  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
| Other Comprehensive Income                     |                |                |                |                |
| Unrealized loss on marketable securities       | 3,933          | 12,648         | (16,580)       |                |
| Foreign translation adjustment                 | 77,141         | (20,540)       | -              |                |
| Total Comprehensive Income                     | \$ (7,491,672) | \$ (5,565,451) | \$ (4,880,941) | \$ (5,565,451) |
| Loss per share, basic                          | \$ (.05)       | \$ (0.04)      | \$ (0.04)      | \$ (0.04)      |
| Weighted average number of shares outstanding: |                |                |                |                |
| Basic & diluted                                | 147,058,648    | 134,560,596    | 124,483,372    | 79,700,000     |

Consolidated Balance Sheet Data

|   | At December 31, |              |              |              |
|---|-----------------|--------------|--------------|--------------|
|   | 2006            | 2005         | 2004         | 2003         |
| Cash and equivalents and Short-term investments | \$ 742,075      | \$ 952,531   | \$ 3,929,263 | \$ 3,929,263 |
| Working capital                                 | (\$445,644)     | \$ 745,036   | \$ 3,835,445 | \$ 3,835,445 |
| Total assets                                    | \$ 2,499,467    | \$ 2,237,459 | \$ 5,249,159 | \$ 6,000,000 |
| Long-term obligations                           | \$ -            | \$ -         | \$ -         | \$ -         |
| Stockholders' equity (deficit)                  | \$979,902       | \$ 1,675,399 | \$ 5,078,992 | \$ 2,000,000 |

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

General

Samaritan Pharmaceuticals, Inc. (including the subsidiaries, referred to as Samaritan, the "Company", "it", "we", and "our"), formed in September 1994, is an entrepreneurial biopharmaceutical company, focused on commercializing innovative therapeutic products to relieve the suffering of patients with Alzheimer's disease; cancer; cardiovascular disease, HIV, and Hepatitis C; as well as, commercializing its acquired marketing and sales rights to sell nine marketed revenue-generating products in Greece and/or various Eastern European countries.

Samaritan has partnered its oral entry inhibitor HIV drug SP-01A, a drug that has demonstrated safety and efficacy, in Phase II clinical trials, with Pharmaplaz, Ireland to advance to Phase III clinical trials. In addition, Samaritan aims to commercialize three blockbuster market drug candidates with late-stage preclinical development programs. Samaritan is evaluating the use of Caprospinol, SP-233 in Alzheimer's disease patients; the use of SP-1000 with acute coronary disease patients; and the use of SP-10 as an "oral treatment" for Hepatitis C patients.

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### Business Model

Our commercialization business model is focused dually on, the partnering of our promising innovative products to pharmaceutical companies; and the acquisition of the marketing and sales rights to revenue-generating marketed products for sales in Greece and Eastern Europe. This model allows Samaritan to focus on our core competencies in drug discovery and drug development. Samaritan partners promising innovative therapeutics anywhere in the early "human" clinical trial stage, i.e. late-stage preclinical studies, Phase I Clinical trials, or proof of concept, Phase II clinical trials, with the objective of partnering before costly Phase III clinical trials. Potential revenue streams with this model could include up-front fees, milestone payments, and participation in the marketing success of partnered products through royalties. In addition, Samaritan is enhancing and strengthening our sales and marketing force in Greece and Eastern Europe to allow for the significant economics gained by advancing the commercialization of our contracted marketed products. Our business model is entirely focused on achieving growth and maximizing value for the benefit of our investors.

### Licensing and Collaborative Agreements

To build, advance and promote our product portfolio, Samaritan often seeks to augment our own internal programs and capabilities with collaborative projects with a number of outside partners. For our marketed products, we have established certain license agreements, co-promotion arrangements, manufacturing, supply and co-development alliances with pharmaceutical and other biotechnology companies, academic institutions and government laboratories to which we currently pay royalties. For more information on these collaborations, please see Item 1, "Business" section. Similarly, for product candidates now in development, we have secured licenses to certain intellectual property and entered into strategic alliances with third parties for various aspects of research, development, manufacturing and commercialization, pursuant to which we will owe or receive future royalties if the product candidates are licensed and commercialized.

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Pharmaplaz, LTD. On March 28, 2007, Samaritan and Pharmaplaz announced they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor, which has demonstrated safety and efficacy in Phase II human clinical trials. Under the terms of the agreement, Samaritan is to receive \$10 million dollars upfront in two payments, \$1.4 million was received on March 28, 2007, and the remaining \$8.6 million on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50, in its revenue royalty stream.

Shire Pharmaceuticals. On March 1, 2007, Samaritan executed an exclusive licensing deal with Shire Pharmaceuticals for the marketing of Elaprase in Greece and Cyprus.

Three Rivers Pharmaceuticals(R). On December 12, 2005, Samaritan signed an exclusive licensing agreement with Three Rivers Pharmaceuticals, Inc. for the marketing of Amphocil, a prescription drug in Greece; authorization is pending for Cyprus.

Molteni Farmaceutici. On January 1, 2007, Samaritan executed an exclusive licensing agreement with Molteni Farmaceutici for the marketing of Mepivamol, Methadone, Morphine Sulphate, Naloxone, Naltrexone, and Oramorph in Greece and Cyprus.

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Siraeo, Ltd. On December 28, 2006, Samaritan signed an exclusive licensing agreement with Siraeo, Ltd for the marketing of Infasurf in Turkey, Serbia, Bosnia, Macedonia, Albania, Egypt and Syria. Infasurf is an approved FDA prescription product owned by Ony, Inc. and marketed by Forest Laboratories in the US.

Metastatin Pharmaceuticals. On March 1, 2007, Samaritan announced that we had completed our acquisition of Metastatin Pharmaceuticals.

### Plan and Results of Operations

We have used the proceeds from private placements of our capital stock, primarily to expand our preclinical and clinical efforts, as well as for general working capital.

The net loss since our inception on September 5, 1994 through December 31, 2006 was \$41,309,142. We expect losses to continue for the near future, and such losses will likely increase as human clinical trials are undertaken in the United States. Future profitability will be dependent upon our ability to complete the development of our pharmaceutical products, obtain necessary regulatory approvals and effectively market such products. In addition, future profitability will require the Company to establish agreements with other parties for clinical testing, manufacturing, commercialization and sale of its products.

### Liquidity and Capital Resources

The following table sets forth our consolidated net cash provided by (used in) operating, investing and financing activities for each of the years in the three-year period ending December 31, 2006:

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|                             | 2006          | 2005          | 2004          |
|-----------------------------|---------------|---------------|---------------|
| Cash provided by (used in): |               |               |               |
| Operating activities        | \$(6,248,128) | \$(4,635,947) | \$(3,287,896) |
| Investing activities        | \$44,223      | \$972,460     | \$(2,495,178) |
| Financing activities        | \$6,489,517   | \$1,681,500   | \$7,850,940   |

As of December 31, 2006, the Company's cash position was \$742,075. We are continuing efforts to raise additional capital and to execute our research and development plans. Even if we are successful in raising sufficient money to carry out these plans, additional clinical development is necessary to bring our products to market, which will require a significant amount of additional capital.

On March 28, 2007, Samaritan and Pharmaplaz, announced that they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor that has demonstrated safety and efficacy in Phase II human clinical trials. Under the terms of the agreement, Samaritan receives \$10 million upfront in two payments. The first payment of \$1.4 million was received by Samaritan, and the remaining \$8.6 million is payable on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50 in its revenue royalty stream.

Cash provided by investing activities was \$44,223 for the twelve (12) month period ending December 31, 2006, as compared to \$972,460 for the twelve (12) month period ending December 31, 2005. Each period reflects proceeds from the liquidation of certificates of deposit offset by investing activity such as the purchase of equipment and patent registration costs. During 2006, there were

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fewer marketable securities to liquidate and we increased the rate of investments in patent costs and technology rights which resulted in the decline in cash flows from 2005 to 2006.

Cash provided by financing activities was \$6,489,517 for the twelve (12) month period ending December 31, 2006, as compared to \$1,681,500 for the twelve (12) month period ending December 31, 2005, an increase of \$4,808,017 or two-hundred eighty-six percent (286%). This year's results include proceeds of \$2,045,000 from private placements, and \$64,500 from the exercise of warrants. Furthermore, proceeds from the equity financing agreement increased this year through December 31 by \$2,591,033.

Cash used in operating activities during the twelve month (12) period ending December 31, 2006 was \$(6,248,128), as compared to \$(4,635,947) for the twelve (12) month period ending December 31, 2005. This increase is primarily attributable to (a) additional expenses related to development of SP-01A and (b) the initiation of our clinical trial, including payments to Pharmaplaz, LTD for performing work to complete the chemistry and manufacturing and controls (CMC) information for SP-01A.

Current assets as of December 31, 2006 were \$1,073,921 as compared to \$1,307,096 as of December 31, 2005. This decrease of \$233,175, or eighteen percent (18%), is primarily attributable to the use of cash to fund drug development activities. Augmenting the private placement funds are the increased proceeds received through our equity financing arrangement with Fusion Capital as offset by the increased research expenditures. Current liabilities as of December 31, 2006 were \$1,519,565 as compared to \$562,060 as of December 31, 2005, an increase of \$957,505 or one hundred seventy percent (170%). Such increase is the result of increased spending on patent costs, and the acquisition of technology rights.

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On May 12, 2005, we entered into the Purchase Agreement II with Fusion Capital, pursuant to which Fusion Capital has agreed to purchase our Common Stock from time to time, at our option, up to an aggregate amount of \$40,000,000 over fifty (50) months commencing on the date the SEC declared effective our Registration Statement on December 29, 2005 (Commission Registration No. 333-130356), the Registration Statement on Form SB-2 was declared effective by the SEC. Samaritan filed a post effective amendment on Form S-1 to the above Registration Statement No. 333-130356 on January 9, 2007. The SEC declared it effective on February 6, 2007. The number of registered, yet not issued shares remaining under that Registration Statement as of March 30, 2007, was 2,209,372.

We believe that existing balances of cash, cash equivalents, marketable securities, cash generated from operations (out-licensing of SP-01A to Pharmaplaz and future cash derived from marketed products), and funds potentially available to us under Purchase Agreement II are sufficient to finance our current operations and working capital requirements on both a short-term and long-term basis. However, we cannot predict the amount or timing of our need for additional funds under various circumstances, which could include a significant acquisition of a business or assets, new product development projects, expansion opportunities, or other factors that may require us to raise additional funds in the future. We cannot provide assurance that funds will be available to Samaritan when needed on favorable terms, or at all.

On March 28, 2007, Samaritan and Pharmaplaz, announced that they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor that has demonstrated safety and efficacy in Phase II human clinical trials.

Under the terms of the agreement, Samaritan receives \$10 million upfront in two



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payments. The first payment of \$1.4 million was received by Samaritan, and the remaining \$8.6 million is payable on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50 in its revenue royalty stream.

We will continue to have significant general and administrative expenses, including expenses related to clinical studies, our research collaboration with universities and patent registration costs. Except for our Purchase Agreement with Fusion Capital, no commitment exists for continued investments, or for any underwriting.

In addition to our financing arrangements with Fusion Capital (as discussed above), we may require substantial additional funds to sustain our operations and to grow our business. The amount will depend, among other things, on (a) the rate of progress and cost of our research and product development programs and clinical trial activities; (b) the cost of preparing, filing, prosecuting, maintaining and enforcing patent claims and other intellectual property rights; and (c) 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 which may be expected to utilize \$5 to \$20 million over a three (3) to six (6) year development cycle. We may also need to obtain additional funds to develop our therapeutic 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.

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The extent to which 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 (which must exceed \$0.25 per share) and the extent to which we are able to secure working capital from other sources. Even if we are able to access the full amounts under Purchase Agreement II 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 selected 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. However, any of these options might have a material adverse effect upon the Company. 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 have a material adverse effect on our business, operating results, financial condition and prospects.

We have been able to meet our cash needs during the past twelve (12) months through a combination of funds received through private placements and funds received under the Purchase Agreements. Currently, we have out-licensed our SP-01A and in-licensed the rights to sell nine drugs, Amphocil from Three Rivers Pharmaceuticals, Elapraxe from Shire Pharmaceuticals, Infasurf from Ony, Inc, and Mepivamol, Methadone, Morphine Sulphate, Naloxone, Naltrexone, and Oramorph from Molteni Pharmaceuticals to meet our cash needs. We intend to continue to explore avenues to obtain additional capital through private placements and by the sale of our shares of Common Stock to Fusion Capital.

Results of Operations For The Twelve (12) Months Ending December 31, 2006 As Compared To The Twelve (12) Months Ending December 31, 2005

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During the years ending December 31, 2006 and 2005, we incurred research expenditures pursuant to grants we received from the U.S. Department of Health and Human Services. We recognized grant revenue of \$32,379 and \$256,847, the extent of such qualifying expenditures for 2006 and 2005, respectively.

We incurred research and development expenses of \$4,667,053 for the year ended December 31, 2006, as compared to \$3,456,301 for the year ended December 31, 2005. This increase of \$1,210,752, or thirty-five percent (35%), was primarily attributable to (a) the continuation of our Phase IIb HIV clinical trial, (b) our increase in financial commitment with Georgetown University, (c) additional expenses incurred to development of SP-01A, including payments to Pharmaplaz, LTD for the manufacturing of SP-01A and (d) for performing the work necessary to complete the chemistry, manufacturing and controls (CMC) section of New Drug Application for the FDA, which will be submitted with studies conducted under the IND for SP-01A. We expect that research and development expenditures relating to drug discovery and development will increase in 2007 and into subsequent years due to FDA clinical trials which include the continuation and expansion of clinical trials (i) our Alzheimer's drug program, (ii) the initiation of trials for other potential indications and (iii) additional study expenditures for potential pharmaceutical candidates. Research and development expenses may fluctuate from period to period depending upon the stage of certain projects and the level of preclinical testing and clinical trial-related activities.

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### Research and Development Expense

Research and development expenses consist of the costs associated with our research activities, as well as the costs associated with our drug discovery efforts, conducting preclinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings. Our research and development expenses consist of:

- external research and development expenses incurred under agreements with third-party contract research organizations and investigative sites, third-party manufacturing organizations and consultants;
- employee-related expenses, which include salaries and benefits for the personnel involved in our drug discovery and development activities.

We use our employee across multiple research projects, including our drug development programs. We track direct expenses related to our clinical programs on a per project basis. Accordingly, we allocate internal employee-related, as well as third-party costs, to each clinical program. We do not allocate expenses related to preclinical programs.

The following table summarizes our principal product development programs, including the related stages of development for each product candidate in development and the research and development expenses allocated to each clinical product candidate. The information in the column labeled "Estimated Completion of Current Trial" is our estimate of the timing of completion of the current clinical trial or trials for the particular product candidate. The actual timing of completion could differ materially from the estimates provided in the table.

| Product Candidate | Phase of Indication | Estimated Completion of Current Development Trial | Research and Development Expenses Year Ended December 31, |      |      |
|-------------------|---------------------|---|---|------|------|
|                   |                     |   | 2004  | 2005 | 2006 |
|                   |                     |   |   |      |      |

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|                          |     |         |      |    |           |             |              |
|--------------------------|-----|---------|------|----|-----------|-------------|--------------|
| Clinical Development     |     |         |      |    |           |             |              |
| SP-01A**                 | HIV | Phase 2 | 2006 | \$ | 836,424   | \$2,263,903 | \$ 2,534,856 |
| Research and preclinical |     |         |      | \$ | 707,497   | \$1,192,398 | \$ 2,132,197 |
|                          |     |         |      |    |           |             |              |
|                          |     |         |      | \$ | 1,543,921 | \$3,456,301 | \$ 4,667,053 |
|                          |     |         |      |    |           |             |              |

\*\*On March 28, 2007, Samaritan entered into an agreement in which Pharmaplaz will bear the expense of the development of SP-01A going forward.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of, or the period, if any, in which material net cash inflows may commence from, SP-01A or any of our preclinical product candidates. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- the scope, rate of progress and expense of our clinical trials and other research and development activities;
- the potential benefits of our product candidates over other therapies;
- our ability to market, commercialize and achieve market acceptance for any of our product candidates that we are developing or may develop in the future;
- future clinical trial results;
- the terms and timing of regulatory approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

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A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authority were to require us to conduct clinical trials beyond those which we currently anticipate will be required for the completion of clinical development of a product candidate or if we experience significant delays in enrollment in any our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

General and administrative expenses increased to \$2,812,934 for the year ended December 31, 2006, as compared to \$2,320,011 for the year ended December 31, 2005. This increase of \$492,923 or twenty-one percent (21%) was primarily attributable to increases in payroll and advertising.

Depreciation and amortization amounted to \$156,933 for the year ended December 31, 2006, as compared to \$98,115 for the year ended December 31, 2005. This increase of \$58,818 (60%) was primarily attributable to research equipment purchases during the second quarter of 2005 and amortization of patent registration costs of \$55,458 for the year ended December 31, 2006.

Net interest (income) expense amounted to \$(31,795) and \$(60,021) for the years ending December 31, 2006 and 2005, respectively. The credit balance in the interest expense account is due to offsetting interest earned from holding our cash in marketable securities and certificates of deposits. During 2006, a

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certificate of deposit was liquidated to provide operating capital. Therefore, interest earnings declined from 2005 to 2006.

Other comprehensive income (loss) is comprised of two components. The Company invests in marketable securities to earn a return on cash not needed in the short-term. Temporary, unrealized gains and losses are recorded to reflect changes in the market value of the temporary investments as they occur. At December 31, 2006, such market fluctuations totaled \$3,933. During 2006, there was a realized loss of \$3,160 on the liquidation of the CD. The other component of comprehensive income is due to the payment in foreign currency of operations that occur in Ireland and Greece. The amount of the gain or loss is a function of the relative strength of the American dollar to the Euro. At December 31, 2006, the balance of the foreign currency translation gain was \$77,141.

We had a net loss of \$7,572,746 for the year ended December 31, 2006, as compared to \$5,557,559 for the year ended December 31, 2005. The loss per share for the yearly periods was \$0.05 and 0.04 per share, respectively, for 2006 and 2005 per share. The increased loss of \$2,015,187, relates primarily to increased expenses, particularly in research, as described above.

Results of Operations For The Twelve (12) Months Ending December 31, 2005 As Compared To The Twelve (12) Months Ending December 31, 2004

During the year ending December 31, 2005, we incurred research expenditures pursuant to a grant we received from the U.S. Department of Health and Human Services. We recognized grant revenue of \$256,847, the extent of such qualifying expenditures.

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We incurred research and development expenses of \$3,456,301 for the year ended December 31, 2005, as compared to \$1,543,921 for the year ended December 31, 2004. This increase of \$1,912,381, or one hundred twenty-four percent (124%), was primarily attributable to (a) the continuation of our Phase IIb HIV clinical trial, (b) our increase in financial commitment with Georgetown University, (c) additional expenses incurred to development of SP-01A, including payments to Pharmaplaz, LTD for the manufacturing of SP-01A and (d) for performing the work necessary to complete the chemistry, manufacturing and controls (CMC) section of New Drug Application for the FDA, which was submitted with studies conducted under the IND for SP-01A. We expect that research and development expenditures relating to drug discovery and development will increase in 2006 and into subsequent years due to FDA clinical trials which include the continuation and expansion of clinical trials (i) for our HIV drug program, (ii) our Alzheimer's drug program, (iii) the initiation of trials for other potential indications and (iv) additional study expenditures for potential pharmaceutical candidates. Research and development expenses may fluctuate from period to period depending upon the stage of certain projects and the level of preclinical testing and clinical trial-related activities. On June 1, 2004, we also hired a Chief Drug Development Officer at an annual salary of \$300,000, plus benefits.

General and administrative expenses decreased to \$2,320,011 for the year ended December 31, 2005, as compared to \$3,561,302 for the year ended December 31, 2004. This decrease of \$1,241,291 or thirty-five percent (35%) was primarily attributable to a decrease in amortization of fees with third party agreements.

Depreciation and amortization amounted to \$98,115 for the year ended December 31, 2005, as compared to \$27,218 for the year ended December 31, 2004. This increase of \$70,897 (260%) was primarily attributable to research equipment purchases during the second quarter of 2005 and amortization of patent registration costs of \$34,268 for the year ended December 31, 2006.

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Net interest (income) expense amounted to \$(60,021) and \$(36,730) for the years ending December 31, 2005 and 2004, respectively. The credit balance in the interest expense account is due to offsetting interest earned from holding our cash in marketable securities and certificates of deposits. Most of the initial investment in marketable securities was made during the quarter ended September 30, 2004. Therefore, 2004 lacks the first six months of earnings reflected in 2005.

Other comprehensive income (loss) is comprised of two components. The Company invests in marketable securities to earn a return on cash not needed in the short-term. Temporary, unrealized gains and losses are recorded to reflect changes in the market value of the temporary investments as they occur. At December 31, 2005 and 2004, such market fluctuations totaled \$12,648 and \$(16,580), respectively. There have been no realized losses since to date investments have been held to maturity. The other component of the comprehensive loss is due to the payment in foreign currency of operations that occur in Ireland and Greece. The amount of the loss is a function of the relative strength of the American dollar to the Euro. At December 31, 2005, the balance of the foreign currency translation loss was \$(20,540).

We had a net loss of \$5,557,559 for the year ended December 31, 2005, as compared to \$4,864,361 for the year ended December 31, 2004. The loss per share for both yearly periods was \$0.04 per share. The increased loss of \$693,198, relates primarily to increased expenses as described above, offset by grant revenue of \$256,847.

### Results of Operations From September 5, 1994 Through December 31, 2006

The net loss since our inception on September 5, 1994 through December 31, 2006 was \$41,309,142. We expect losses to continue for the near future, and such losses will likely increase as human clinical trials are undertaken. Future profitability will be dependent upon our ability to complete the development of our pharmaceutical products, obtain necessary regulatory approvals and effectively market such products. In addition, future profitability will require the Company establish agreements with other parties for the clinical testing, manufacturing, commercialization and sale of its products.

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### Contractual Obligations

The following table summarizes our significant contractual obligations and commercial commitments as of December 31, 2006.

|                             | Total               | Less than<br>Year   | 1-3<br>Years        | 4-5<br>Years        | More than<br>5 years |
|-----------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Operating lease obligations | \$ 166,935          | \$ 59,940           | \$ 106,996          | -                   |                      |
| Other (1)                   | \$ 7,500,000        | \$ 1,000,000        | \$ 2,000,000        | \$ 2,000,000        | \$ 2,500,000         |
| <b>Total</b>                | <b>\$ 7,666,935</b> | <b>\$ 1,059,940</b> | <b>\$ 2,106,996</b> | <b>\$ 2,000,000</b> | <b>\$ 2,500,000</b>  |

(1) Samaritan has a research collaboration (the "Research Collaboration") with

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Georgetown University to further develop Samaritan's pipeline. Commencing on April 1, 2004, the Research Collaboration term was extended to 2014 with a budget of \$1,000,000 per year. The \$1,000,000 paid by Samaritan over four (4) quarterly payments of \$250,000 is unallocated and covers the general research and development effort. In the second quarter of 2007, we plan to terminate the Georgetown University research collaboration, however, Samaritan is currently negotiating a research collaboration with McGill University, Montreal, under the same terms as the Georgetown University agreement which we plan to initiate in the third quarter of 2007.

### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We do not engage in trading market-risk sensitive instruments and do not purchase hedging instruments or other than trading instruments that are likely to expose us to market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk. We have no outstanding debt instruments, have not entered into any forward or future contracts, and have purchased no options and entered into no swaps. We have no credit lines or other borrowing facilities, and do not view ourselves as subject to interest rate fluctuation risk at the present time.

### ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Samaritan Pharmaceuticals, Inc. financial statements, schedules and supplementary data, appear in a separate section of this report beginning with page F-1.

### ITEM 9A. CONTROLS AND PROCEDURES

(A) Evaluation of Disclosure Controls and Procedures. As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of the Company's Principal Executive Officer and Principal Financial Officer of the effectiveness of the design and operation of the Company's disclosure controls and procedures. The Company's disclosure controls and procedures are designed to provide a reasonable level of assurance of achieving the Company's disclosure control objectives. The Company's Principal Executive Officer and Principal Financial Officer have concluded that the Company's disclosure controls and procedures are, in fact, effective at this reasonable assurance level as of the end of the period covered. In addition, the Company reviewed its internal controls, and there have been no significant changes in our internal controls or in other factors that could significantly affect those control to the date of their last evaluation or from the end of the reporting period to the date of the Annual Report on Form 10-K.

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(B) Changes In Internal Controls. In connection with the evaluation of the Company's internal controls during the Company's fiscal year ended December 31, 2006, the Company's Principal Executive Officer and Principal Financial Officer have determined that there were no changes to the Company's internal controls over financial reporting that have materially affected, or are reasonably likely to materially effect, the Company's internal controls over financial reporting during the fiscal year ended December 31, 2006, or subsequent to the date of their last evaluation, or from the end of the reporting period to the date of this Annual Report on Form 10-K.

### ITEM 9B. OTHER INFORMATION

None.

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## PART III

### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and position of our executive officers, directors, key employees and key consultants as of the date hereof:

| Name                                    | Age | Served Since | Position(s) with Company            |
|---|-----|--------------|-------------------------------------|
| Dr. Janet R. Greeson (2) (3)            | 63  | 10/19/1997   | CEO, President and Chairman of the  |
| Mr. Eugene J. Boyle (4)                 | 41  | 05/20/2000   | CFO, COO and Director               |
| Dr. Thomas Lang                         | 55  | 06/20/2004   | Chief Drug Development Officer      |
| Ms. Kristi C. Eads                      | 37  | 11/20/2000   | VP Business Development, Corporate  |
| Mr. George Weaver                       | 41  | 07/20/2003   | Regulatory Affairs Officer          |
| Dr. Laurent Lecanu (2) (5)              | 38  | 06/10/2005   | Director                            |
| Mr. Douglas D. Bessert (5) (6)          | 49  | 03/20/2001   | Director                            |
| Dr. Erasto R. C. Saldi (1) (2) (3)      | 47  | 05/20/2003   | Director                            |
| Mr. Welter Holden (1) (3) (7)           | 75  | 10/19/1997   | Director                            |
| Mr. H. Thomas Winn (5) (6)              | 66  | 03/19/1999   | Director                            |
| Ms. Cynthia C. Thompson (1) (4) (6) (7) | 47  | 03/19/1999   | Director                            |
| Dr. Vassilios Papadopoulos (2)          | 46  | 03/20/2001   | Chief Scientist and Key Consultant  |
| Dr. Christos Dakas                      | 45  | 06/29/2005   | Managing Director, Samaritan Europe |
| Ms. Dianne Thompson                     | 44  | 10/01/2006   | Comptroller                         |

- (1) Member of the Nominating Committee.
- (2) Member of the Science and Technology Advisory Committee.
- (3) Class I Director, term expires 2007.
- (4) Class II Director, new term expires 2009.
- (5) Class III Director, term expires 2008.
- (6) Member of the Audit and Finance Committee.
- (7) Member of the Compensation and Governance Committee.

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Dr. Janet R. Greeson. Dr. Greeson has served as the Company's CEO, President and Chairman of the Board since October 30, 2000 and has led the bold initiative that transformed Samaritan from a "one drug" Company to an innovative "Drug Development Pipeline" Biopharmaceutical Company. Dr. Greeson is a successful healthcare professional with over two (2) decades of corporate experience focused on emerging growth situations, leadership development, and mergers and acquisitions. Dr. Greeson has worked with Samaritan for ten (10) years, and has served as CEO for the past five (5) years. As CEO she has demonstrated a relentless perseverance and determination to succeed in the face of unrelenting change. She is extremely motivated and equipped to attack problems and seize realistic opportunities, with capability, courage and confidence. Dr. Greeson is a co-inventor of eighteen (18) patent applications, and presently has nine "peer reviewed" journal publications.

She currently fulfills her altruistic energies with the Samaritan Innovative Science Foundation. Dr. Greeson holds a BA, from Florida Technological University in 1978; an MA from Rollins College in 1979; and a Ph.D. from Columbia Pacific University in 1987.

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Mr. Eugene J. Boyle. Eugene Boyle has served as Chief Financial Officer, Chief Operations Officer, and a Director of Samaritan Pharmaceuticals since June 16, 2000. Mr. Boyle received a BSE in Computer Engineering and Applied Mathematics from Tulane University, served in the US Navy as a Lt. during the Gulf War and then went on to get his MBA from Babson College and JD from Concord University. Mr. Boyle is a registered patent agent and admitted to practice before the United States Patent and Trademark Office (USPTO) in all matters relating to patents. He also served on Nevada Gold & Casino's (AMEX:UWN) Advisory Board from 1999 to 2003.

Dr. Thomas Lang. Dr. Lang has served as the Chief Drug Development Officer for Samaritan since 2004. Prior to joining the Company he was the former Vice Chairman and President of Serono Inc., the U.S. Company of Serono, S.A. Dr. Lang holds technical degrees in Chemistry and Pharmacy, an MBA degree, a Ph.D. degree and is a registered pharmacist in the State of New Jersey.

Ms. Kristi C. Eads. Kristi Eads, J.D., Vice President of Business Development, joined Samaritan Pharmaceuticals in 2000, and has functioned as Vice President of Samaritan since January of 2004. Ms. Eads works with Samaritan's business development team to optimize Samaritan's licensing and partnering opportunities by executing business development initiatives and assisting with strategic planning. Ms. Eads obtained her juris doctorate from Concord University and has a bachelor of arts from the University of Oregon.

Mr. George Weaver. Mr. Weaver has served as the Regulatory Affairs Officer for Samaritan since 2003. Mr. Weaver majored in chemistry and minored in business economics at UCLA. After working as an environmental toxicology consultant for two (2) years, Mr. Weaver earned a Bachelor's of Science in Environmental Engineering and assumed an appointed position as Chair of Industry Waste Classification and Toxicology Focus Group under the California Department of Toxic Substances Control Regulatory Structure Update.

Dr. Laurent Lecanu. Dr. Lecanu has served as a director since June 10, 2005. He serves on the Nominating and Corporate Governance and Science and Technology committees of Samaritan. Dr. Lecanu received his D.Pharm. in pharmaceutical chemistry and his Ph.D. in neuropharmacology from the School of Pharmaceutical and Biological Sciences at University of Paris (V), Paris, France. Dr. Lecanu is also a former Intern of Paris Hospitals, France, where he demonstrated excellence in the management and performance of clinical trials for new medications.

Mr. Douglas D. Bessert. Mr. Bessert has served as a director since 2001 and currently serves on the Company's Audit Committee. Currently, Mr. Bessert is the Vice President of Sales and Marketing of Southview Properties, LLC, a land development company. From April 2001 to February 2004, Mr. Bessert was the Vice President of Investor Relations with Samaritan. Mr. Bessert received his BS in Marketing from the University of Wyoming.

Dr. Erasto R. C. Saldi. Dr. Saldi has served as a director of the Company since 2003. Currently, Dr. Saldi serves as the Company's Chief Medical Officer and Clinical Study Director, overseeing the clinical site's Principal Investigators that run the Company's FDA clinical trials. From 1999 to 2004, Dr. Saldi was the Medical Director of Fremont Medical Clinic, Desert Lane Care Center, and Cheyenne Care Center, where he improved physician compliance and formulated patient care protocols. From 1996 to 1997, he was Chief Resident, Internal Medicine and from 1997 to 1998 he served as Assistant Clinical Professor, Internal Medicine at the University of Nevada School of Medicine, Las Vegas, Nevada. Dr. Saldi, as an Internist, has extensive experience as a Principal Investigator and manager of clinical research trials.



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Mr. Welter "Budd" Holden. Mr. Holden is a co-founder, has served as a director since 1997, is the Chairman of the Nominating and Corporate Governance Committee, and serves on the Compensation Committee. Mr. Holden has assisted the Company in recruiting and networking patients for clinical trials. He is a well-known designer who has consulted with the rich and famous throughout his whole life. He is a renowned networker and has presented Samaritan to many of his past clients and venture capital groups, including principals of pharmaceutical companies. Mr. Holden is the Chairman of our Business Advisory Board and acts as liaison to the "Samaritan Innovative Science Foundation". He received his B.A. in architectural and interior design from the Pratt Institute in New York, New York.

Mr. H. Thomas Winn. Mr. Winn has served as a Director since 1999 and is the Chairman of the Audit Committee. Mr. Winn is founder and Chairman of Nevada Gold & Casinos, Inc. (AMEX:UWN). Since 1983, he has served as President of Aaminex Capital Corporation, a financial consulting and venture capital firm. Mr. Winn has formed numerous investment limited partnerships and capital formation ventures ranging from mining projects, renewable energy, commercial real estate and motion pictures.

Ms. Cynthia C. Thompson. Cynthia C. Thompson has been a director since March 31, 1999. She is the Chairman of the Compensation Committee and serves on the Audit Committee. Ms. Thompson founded Quest Entertainment, Inc., a gaming technology company, in August of 2003 and serves as the Chairman of the Board and is the President/Chief Executive Officer. Since 1998, she has served as President/CEO of Intuitive Solutions International, Inc., a consulting firm offering corporate support services, including financing and financial structures, strategic planning and partnering, marketing and investor relations.

Dr. Vassilios Papadopoulos, D.Pharm., Ph.D. Dr. Papadopoulos served as a director from 2001 through June 2005 and currently serves as the Principal Investigator for Samaritan Research Laboratories at Georgetown University. Dr. Papadopoulos has over twenty (20) years of experience and over one hundred forty (140) peer review article publications in the Biopharmaceutical field and numerous patents in the field of steroid biosynthesis, Alzheimer's disease and cancer. Dr. Papadopoulos has been appointed as the new Director of the Research Institute of the McGill University Health Centre in Montreal, Canada. Dr. Papadopoulos will assume his new role officially on July 1, 2007.

Dr. Christos Dakas, D.Pharm., Ph.D. Dr. Christos Dakas, joined Samaritan in June 2005 to oversee European operations, including Samaritan Ireland Pharmaceuticals, Limited. Prior to joining Samaritan, Dr. Dakas had a successful career in various executive positions with Gerolymatos, Genesis Pharma, and most recently Arriani Pharmaceuticals. A pharmaceutical chemist by training with a number of published papers, he holds degrees from the University of Toronto, Kings College of University of London, and the University of Wales in Cardiff.

Dianne Thompson. Ms. Thompson is the Comptroller of Samaritan Pharmaceuticals, and the Senior V.P. of Public Affairs & Development for the Samaritan Innovative Science Foundation. Ms. Thompson received her BS in Business Administration and Economics from the College of Notre Dame, Belmont, California, and her MBA from Pepperdine University, Malibu, California. Ms. Thompson founded her own business management consulting company in 1998 and has had a vast array of clients in both the for-profit and nonprofit sectors.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Exchange Act requires our officers and directors, and

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persons who own more than ten percent of a registered class of equity securities, to file reports with the Securities and Exchange Commission reflecting their initial position of ownership on Form 3 and changes in ownership on Form 4 or Form 5. Based solely on a review of the copies of such Forms received by us, we believe that, during the fiscal year ended December 31, 2006, all of our officers, directors and ten percent stockholders complied with all applicable Section 16(a) filing requirements on a timely basis.

### Standards of Business Conduct and Ethics

The Board has adopted Standards of Business Conduct and Ethics that are applicable to all employees and directors, including our Chief Executive Officer, Chief Financial Officer, other executive officers and senior financial personnel. A copy of our Standards of Business Conduct and Ethics is available on our website at [www.samaritanpharma.com](http://www.samaritanpharma.com). Information on our website is not incorporated by reference. We intend to post any waiver of, or material changes to, these Standards, if any, to our website within four business days of such event.

### The Board of Directors and Committees

The Board held in person meetings, conference calls or unanimous consents thirty (30) times during the fiscal year ended December 31, 2006, of which twenty-seven (27) were unanimous actions adopted by the Board. All of our directors attended one hundred percent (100%) of the aggregate of the total number of meetings of the Board. The Company has formed, by determination of the Board, an Audit Committee, with Mr. H. Thomas Winn as Chairman, who is an independent director and a financial expert as used in Item 7(d)(3)(iv) of Schedule 14 A (240.14a-101 of this chapter) under the Exchange Act. The Audit Committee held seven (7) meetings during the fiscal year ended December 31, 2006. The Compensation Committee, with Independent Director Ms. Cynthia C. Thompson as Chairman, held two (2) meetings during the fiscal year ended December 31, 2006. The Nomination Committee, with Independent Director Mr. Walter "Budd" Holden as Chairman held one (1) meeting during the fiscal year ended December 31, 2006.

Class I directors shall serve until the 2007 annual meeting, Class II directors shall serve until the 2009 annual meeting and Class III directors shall serve until the 2008 annual meeting. Each director elected shall serve until his successor is elected and duly qualified.

The Board currently does have a Nominating Committee that believes members of the Board must possess certain basic personal and professional qualities in order to properly discharge their fiduciary duties to stockholders, provide effective oversight of the management of the Company and monitor the Company's adherence to principles of sound corporate governance. Board nominations must be selected by the Nomination Committee, which is comprised solely of independent directors. Although there are formal procedures for you to nominate persons to serve as directors, the Board will consider recommendations from you, which should be addressed to Samaritan Pharmaceuticals, Inc., 101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109. Our officers are elected by our Board and serve until the earlier of their resignation or removal, or until their successors have been duly elected and qualified.

### Committees of the Board of Directors

The Board of Directors has established four committees: an Audit Committee, a Compensation Committee, a Nominating and Corporate Governance Committee, and Scientific and Technology Advisory Committee. Each of these committees has two or more members who serve at the discretion of the Board of Directors. The Audit Committee has a written charter approved by the Board of Directors and can be found under the "Investor Relations" section of our website at [www.samaritanpharma.com](http://www.samaritanpharma.com). The members of the committees are identified in the

paragraphs that follow.

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Audit Committee. Thomas Winn (Chairman), Cynthia Thompson and Douglas Bessert currently serve on the Audit Committee. Consistent with SEC rules regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Compensation Committee. Cynthia Thompson (Chairman), Welter "Budd" Holden, and Dr. Erasto Saldi currently serve on the Compensation Committee. The Compensation Committee administers our executive compensation program. Each member of the Committee is a non-employee and an independent director. The Compensation Committee is responsible for establishing salaries and administering the incentive programs for our Chief Executive Officer and other executive officers. The Compensation Committee has designed the Company's compensation program based on the philosophy that all of our executives are important to our success, with our executive officers setting the direction of our business and having overall responsibility for our results. As with other pharmaceutical companies, we operate in a highly competitive and difficult economic environment. Accordingly, the Compensation Committee has structured the Company's compensation to accomplish several goals: (a) to attract and retain very talented individuals, (b) to reward creativity in maximizing business opportunities and (c) to enhance stockholder value by achieving our short-term and long-term business objectives.

Nominating and Corporate Governance Committee. Welter "Budd" Holden (Chairman), Dr. Erasto Saldi, and Dr. Laurent Lecanu currently serve on the Nominating Committee. The nominating committee is responsible for overseeing corporate governance matters, reviewing possible candidates for Board membership and recommending nominees for election. The Committee is also responsible for evaluating the function and performance of the Board and overseeing the process for performance evaluation of the Committees of the Board. Additionally, the Committee reviews the Company's management succession plans and executive resources.

Science and Technology Advisory Committee. Dr. Erasto Saldi (Chairman), Dr. Laurent Lecanu, and Dr. Vassilios Papadopoulos currently serve on the Science and Technology Advisory Committee. It advises the Board on scientific matters that include major internal projects, interaction with academic and other outside research organizations, and the acquisition of technologies and products.

#### ITEM 11. EXECUTIVE COMPENSATION

##### Compensation Discussion and Analysis

Overview. The Compensation Committee administers our executive compensation program. Each member of the Compensation Committee is a non-employee and an independent director. The Compensation Committee is responsible for establishing salaries, administering the incentive programs, and determining the total compensation for our Chief Executive Officer and other executive officers. The Compensation Committee seeks to achieve the following goals with the Company's executive compensation programs: to attract, motivate and retain key executives and to reward executives for value creation. The Compensation Committee seeks to foster a performance-oriented environment by tying a significant portion of each executive's cash and equity compensation to the achievement of performance targets that are important to the Company and its stockholders. The Company's

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executive compensation program has three principal elements: base salary, cash bonuses and equity incentives under the Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Incentive Plan and Samaritan Pharmaceuticals, Inc. 2005 Stock Incentive Plan.

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We conducted an annual benchmark review of the aggregate level of our executive compensation, as well as the mix of elements used to compensate our executive officers. This review is based on a survey of executive compensation, "BioWorld Executive Compensation Report", conducted by an independent third party, Thomson BioWorld.

Compensation Philosophy. The Compensation Committee has designed the Company's compensation program based on the philosophy that all of our executives are important to our success, with our executive officers setting the direction of our business and having overall responsibility for our results. As with other pharmaceutical companies, we operate in a highly competitive and difficult economic environment. Accordingly, the Compensation Committee has structured the Company's compensation to accomplish several goals: (a) to attract and retain very talented individuals, (b) to reward creativity in maximizing business opportunities and (c) to enhance stockholder value by achieving our short-term and long-term business objectives.

### Elements of Compensation

Executive compensation consists of the following elements:

Base Salary. The Compensation Committee considers peer data as well as individual performance when approving base salaries for executive officers. The Compensation Committee evaluates individual performance based on the achievement of corporate or divisional operating goals and subjective criteria, as well as the Chief Executive Officer's evaluation of the other executive officers. No specific weight is assigned to any particular factor. The Company is currently negotiating new agreements with the Dr. Janet Greeson and Mr. Eugene Boyle. Dr. Thomas Lang and Dr. Christos Dakas each have employment agreements negotiated at arm's length with the Compensation Committee, and each such agreement provides for a minimum annual base salary. In setting base salaries, the Board has considered (a) the contributions made by each executive to our Company, (b) compensation paid by peer companies to their executive officers and (c) outside compensation reports. In 2006, all executive officers received salary increases of approximately five percent (5%) reflecting competitive trends, general economic conditions as well as a number of factors relating to the particular individual, including the performance of the individual executive, and level of experience, ability and knowledge of the job.

Bonuses. The Compensation Committee has the authority to award discretionary bonuses to our executive officers. The incentive bonuses are intended to compensate officers for achieving financial and operational goals and for achieving individual annual performance objectives. These objectives vary depending on the individual executive, but relate generally to strategic factors such as a) initial signing of an employment agreement; b) upon acceptance of filing of a new drug application by the FDA; c) the FDA approval to move from one phase to the next phase in the FDA application process; d) pharmaceutical sales goals achieved e) completion of an in-licensing contract; f) completion of an out-licensing contract; and g) increases in market capitalization. The Compensation Committee did not make any cash bonuses to the executive officers in 2006.

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Long-Term Incentive Program. We believe that long-term performance is achieved through an ownership culture that encourages such performance by our executive officers through the use of stock and stock-based awards. Our stock compensation plans have been established to provide certain of our employees, including our executive officers, with incentives to help align those employees' interests with the interests of stockholders. The compensation committee believes that the use of stock and stock-based awards offers the best approach to achieving our compensation goals. We have not adopted stock ownership guidelines and our stock compensation plans have provided the principal method for our executive officers to acquire equity or equity-linked interests in our Company. We believe that the annual aggregate value of these awards should be set near competitive median levels for comparable companies. However, due to the early stage of our business, we expect to provide a greater portion of total compensation to our executives through our stock compensation plans than through cash-based compensation. The Compensation Committee makes stock awards to executive officers and this type of award may occur in future years, based on the Compensation Committee's assessment of the Company's needs and objectives, which are as follows.

Stock Options. Our Compensation Committee is the administrator of the stock option plan. Stock option grants are made at the commencement of employment and, occasionally, following a significant change in job responsibilities or to meet other special retention or performance objectives. The Plans are designed to (a) reward executives for achieving long-term financial performance goals over a three (3) year to ten (10) year period, (b) provide retention incentives for executives and (c) tie a significant portion of an executive's total compensation to our long-term performance. Periodic stock option grants are made at the discretion of the Compensation Committee to eligible employee and, in appropriate circumstances, the Compensation Committee considers the recommendations of members of management, such as Dr. Janet Greeson, our Chief Executive Officer, and Eugene Boyle, Chief Financial Officer. In 2006, certain named executive officers were awarded stock options in the amounts indicated in the sections entitled "Summary Compensation Table" and "Grants of Plan Based Awards". The short and long-term compensation program includes stock options granted under the Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Incentive Plan and the Samaritan Pharmaceuticals, Inc. 2005 Stock Incentive Plan (together, the "Plans") as well as non-qualified stock options. Stock options for our executive officers, key employees and key consultants are part of our incentive program and link the enhancement of shareholder value directly to their total compensation. The Compensation Committee determines the number of stock options granted based upon several factors: (a) level of responsibility, (b) expected contribution towards our performance and (c) total compensation strategy for mix of base salary, short-term incentives and long-term incentives.

Our Plans authorize us to grant options to purchase shares of common stock to our employees, directors and consultants. Stock options granted by us typically have an exercise price equal to the fair market value of our common stock on the day of grant, and typically vest twenty-five percent (25%) over a particular period, and generally expire between three and ten years after the date of grant. Incentive stock options also include certain other terms necessary to assure compliance with the Internal Revenue Code of 1986, as amended.

Stock Appreciation Rights. Our Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Incentive Plan and the Samaritan Pharmaceuticals, Inc. 2005 Stock Incentive Plan authorizes us to grant stock appreciation rights, or SARs. A SAR represents a right to receive the appreciation in value, if any, of our common stock over the base value of the SAR. The base value of each SAR equals the value of our common stock on the date the SAR is granted. Upon surrender of each

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SAR, unless we elect to deliver common stock, we will pay an amount in cash equal to the value of our common stock on the date of delivery over the base price of the SAR. SARs typically vest based upon continued employment on a pro-rata basis over a four-year period, and generally expire ten years after the date of grant. Our Compensation Committee is the administrator of our stock appreciation rights plan. To date, no SARs have been awarded to any of our executive officers.

Restricted Stock Grants. Our Compensation Committee has and may in the future elect to make grants of restricted stock to our executive officers.

Other Compensation. The amounts shown in the Summary Compensation Table under the heading "Other Compensation" represent the value of Company matching contributions to the executive officers' 401(k) accounts and the taxable value of certain life insurance benefits. Executive officers did not receive any other perquisites or other personal benefits or property.

Chief Executive Officer Compensation. The Compensation Committee uses the same factors in determining the compensation of the Chief Executive Officer as it does for the executive officers. The Chief Executive Officer's base salary for Fiscal 2006 was \$482,434, and as of December 31, 2006, the Chief Executive Officer has accrued compensation of \$335,846 which could be converted into restricted shares, at the executive's option. The Chief Executive Officer received other compensation as indicated in the Summary Compensation Table.

The Compensation Committee is mindful of the potential impact upon the Company of Section 162(m) of the Code, which provides that compensation in excess of \$1,000,000 paid to the President and CEO or to any of the other four most highly compensated executive officers of a public company will not be deductible for federal income tax purposes unless such compensation satisfies one of the enumerated exceptions set forth in Section 162(m) of the Code. The Compensation Committee has reviewed our compensation plans and programs with regard to the deduction limitation set forth in Section 162(m) of the Code. Based on this review, the Compensation Committee anticipates that the annual bonus, long term incentive plan bonus and gain, if any, recognized by our President and CEO and named executive officers upon the exercise of stock options or SARs meet the requirements for deductibility under Section 162(m) of the Code.

### Compensation Committee Report

The Compensation Committee of the Board is composed of three (3) independent directors. The Compensation Committee does not have a written charter. The Compensation Committee is responsible for overseeing the Company's compensation process on behalf of the Board. The members of the Compensation Committee consist of independent directors Ms. Cynthia C. Thompson, Chairman, Welter "Budd" Holden, and Dr. Erasto Saldi.

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The Compensation Committee has reviewed and discussed this Compensation Discussion & Analysis (CD&A) with management. Based on the review and discussions, the Compensation Committee recommended to the Board that the CD&A be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC and as applicable, the Company's proxy or information statement.

The foregoing report is provided by the following directors, who constitute the Compensation Committee:

The Compensation Committee:

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Ms. Cynthia C. Thompson (Chairman)  
 Mr. Welter "Budd" Holden  
 Dr. Erasto Saldi

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### Summary Compensation Table

| Name And Principal Position   | Year | Salary<br>\$ | Bonus<br>\$ | Restricted<br>Stock Awards<br>\$ | Option<br>Awards (6)<br>\$ | Non-Equity<br>Incentive<br>Plan<br>Compensation<br>\$ |
|---|------|--------------|-------------|----------------------------------|----------------------------|---|
| Dr. Janet R. Greeson<br>CEO, President and<br>Chairman of the Board (1),<br>(2) | 2006 | 482,434      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2005 | 459,461      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2004 | 437,582      | -0-         | -0-                              | -0-                        | -0-   |
| Mr. Eugene J. Boyle<br>CFO and COO (1), (3)                                     | 2006 | 321,622      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2005 | 306,307      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2004 | 291,721      | -0-         | -0-                              | -0-                        | -0-   |
| Dr. Thomas Lang<br>Chief Drug Development<br>Officer (4)                        | 2006 | 324,188      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2005 | 308,750      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2004 | 173,538      | -0-         | -0-                              | -0-                        | -0-   |
| Dr. Christos Dakas<br>Managing Director -<br>Samaritan Europe(5)                | 2006 | 136,075      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2005 | 68,038       | -0-         | -0-                              | -0-                        | -0-   |
| Mr. George Weaver(1)<br>Regulatory Affairs                                      | 2006 | 129,675      | -0-         | -0-                              | 10,428                     | -0-   |
|   | 2005 | 123,500      | -0-         | -0-                              | -0-                        | -0-   |
|   | 2004 | 120,000      | -0-         | -0-                              | -0-                        | -0-   |

- 1) The following executives have accrued compensation as of December 31, 2006, Janet Greeson, \$335,846, Eugene Boyle, \$170,506, George Weaver, \$91,686 and Thomas Lang, \$7,234. Each executive has the option to convert their respective accrued compensation into restricted shares. In 2006, George Weaver exercised his option and the Board of Directors approved the conversion of \$90,000 into restricted shares. As of December 31, 2006, the restricted shares have not been issued, since the Company was awaiting an additional share application approval from the AMEX. Subsequently, the shares were issued in the 1st Quarter 2007.
- 2) The Company and Dr. Greeson have entered into an employment agreement, a copy of which is attached as Exhibit 10.9 to the Company's Quarterly Report on Form 10-QSB as filed with the SEC on August 14, 2002. The agreement filed on August 14, 2002 expired as of December 31, 2005. The Company is currently negotiating a new agreement with the Dr. Greeson.
- 3) The Company and Mr. Boyle have entered into an employment agreement, a

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copy of which is attached as Exhibit 10.8 to the Company's Quarterly Report on Form 10-QSB as filed with the SEC on August 14, 2002. The agreement filed on August 14, 2002 expired as of December 31, 2005. The Company is currently negotiating a new agreement with Mr. Boyle.

- 4) On June 1, 2004, the Company entered into an employment agreement with Dr. Thomas Lang pursuant to which Dr. Lang shall serve as the Company's Chief Drug Development Officer for a term of four (4) years. Dr. Lang is entitled to a base salary of \$300,000 per year which may be paid in stock pursuant to a formula as set forth in the agreement. Dr. Lang is entitled to receive bonus payments of \$50,000 for each Investigational New Drug Applications "granted" by the FDA. Dr. Lang has received a one-time signing bonus of 100,000 options to purchase our Common Stock at \$1.00 per share, such options to expire after three (3) years. Dr. Lang is entitled to moving expenses up to \$30,000. Dr. Lang shall receive a grant of 1,200,000 options, one-quarter (1/4) of which shall vest each year. The price of the options shall be \$1.08 with a term of ten (10) years. Upon termination of the employment agreement, such 1,200,000 options (vested and non-vested) shall expire within thirty (30) days thereafter. Dr. Lang shall have the opportunity to participate in all of the Company's qualified defined benefit and defined contribution retirement plans (subject to eligibility requirements in such plans), three (3) weeks paid vacation (and paid holidays observed by the Company).

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- 5) On June 29, 2005 the Company entered into an employment arrangement with Christos Dakas to serve as the European Business Development and Managing Director of Samaritan Pharmaceuticals S.A. in Greece, once such entity is established ("Samaritan Pharmaceuticals Europe"). Dr. Dakas shall receive a base salary of (Euro) 105,280 per year, a car allowance equal to (Euro) 12,852 per year and a performance based bonus to be awarded annually at the discretion of the CEO of the Company. Dr. Dakas also is entitled to receive 100,000 Company stock options priced at one hundred ten percent (110%) of the market price effective July 11, 2005 and said options expire after three (3) years, or after thirty (30) days after Dr. Dakas leaves his employ with Samaritan Pharmaceuticals Europe. Dr. Dakas is entitled to health insurance and other benefit programs per Samaritan Pharmaceuticals Europe. The amounts shown in this column cover amounts for the payment of Medicare/Social Security taxes, life insurance premiums and life annuity premiums for the benefit of the particular employee, and the employers matching contribution to the particular employees 401(k).
- 6) Effective January 1, 2006, the Company has fully adopted the provisions of SFAS No. 123R and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of the grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively. Had the Company applied this statement retrospectively, the amount in this column for fiscal year 2005, Eugene Boyle would have been \$1,297,831, and Dr. Christos Dakas would have been \$14,320; the amount for fiscal year 2004, Dr. Janet Greeson would have been \$2,024,871, Eugene Boyle would have been \$912,069, Dr. Thomas Lang would have been \$1,114,625 and George Weaver would have been \$5,660. These amounts represent the estimated present value of these stock options at the respective date of grant, calculated using the Black-Scholes option pricing model, based on the following assumptions used in developing the grant valuations: an volatility of 110% for options granted for 2006; an average volatility of 41% for options granted during 2005 and an average volatility of 82% for options



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granted during 2004; a risk-free interest rate of 5% per year for options granted in 2006, 2005 and 2004; and a dividend yield of 0% for options granted in years 2006, 2005 and 2004. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of the Common Stock exceeds the exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance.

- 7) The amounts shown in this column cover amounts for the payment of medical and dental insurance, short and long term disability insurance, Medicare/Social Security taxes, car allowances, life insurance premiums, life annuity premiums and accidental death and dismemberment insurance for the benefit of the particular employee, and the employers matching contribution to the particular employees 401(k).
- 8) We adopted a tax-qualified employee savings and retirement plan, or 401(k) plan, covering our full-time employees located in the United States. The 401(k) plan is intended to qualify under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Code"), so that contributions to the 401(k) plan by employees, and the investment earnings thereon, are not taxable to employees until withdrawn from the 401(k) plan. Under the 401(k) plan, employees may elect to reduce their current compensation up to the statutorily prescribed annual limit and have the amount of such contribution contributed to the 401(k) plan. The 401(k) plan does permit additional matching contributions to the 401(k) plan by us on behalf of participants in the 401(k).

### Grants of Plan-Based Awards

Options to purchase 60,000 shares of the Company's common stock were granted under the Option Plan to the executive officers named in the Summary Compensation Table during fiscal 2006. The following table shows the number of options granted and the exercise price per share.

| Name                  | Grant Date | Number of Securities Underlying Options | Exercise or Base Price of Option | Expiration Date |
|-----------------------|------------|---|----------------------------------|-----------------|
| Dr. Janet R. Greeson  | N/A        | -0-                                     | -0-                              | -0-             |
| Mr. Eugene J. Boyle   | N/A        | -0-                                     | -0-                              | -0-             |
| Mr. Thomas Lang       | N/A        | -0-                                     | -0-                              | -0-             |
| Dr. Christos Dakas    | N/A        | -0-                                     | -0-                              | -0-             |
| Mr. George Weaver (1) | 12/15/2006 | 60,000                                  | .25                              | 12/15/2011      |

1) In December 2006, the Compensation Committee evaluated George Weaver and awarded 60,000 stock options which vest in equal quarterly installments beginning on March 15, 2007. The Compensation Committee determines the number of stock options granted based upon several factors: (a) level of responsibility, (b) expected contribution towards our performance and (c) total compensation strategy for mix of base salary, short-term incentives and long-term incentives.

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### Outstanding Equity Awards at Fiscal Year-End

The following table sets forth information with respect to the unexercised options to purchase shares of the Company's common stock granted under the Option Plan to the executive officers named in the Summary Compensation Table and held by them at December 31, 2006.

| Name           | Number of Securities Underlying Unexercised Options # Exercisable | Number of Securities Underlying Unexercised Options # Unexercisable | Option Exercise Price | Option Expiration Date |
|----------------|---|---|-----------------------|------------------------|
| Janet Greeson  | 1,532,210   | -0-   | .58                   | 12/31/2011             |
|                | 1,532,210   | -0-   | .58                   | 01/02/2012             |
|                | 1,779,684   | -0-   | .58                   | 04/25/2012             |
|                | 2,582,238   | -0-   | .58                   | 01/15/2013             |
|                | 2,807,350   | -0-   | .34                   | 01/02/2014             |
|                | 1,446,210   | -0-   | .58                   | 01/02/2014             |
| Eugene Boyle   | 766,105   | -0-   | .58                   | 12/31/2011             |
|                | 766,104   | -0-   | .58                   | 01/02/2012             |
|                | 444,921   | -0-   | .58                   | 04/25/2012             |
|                | 1,291,118   | -0-   | .58                   | 01/15/2013             |
|                | 1,590,085   | -0-   | .34                   | 01/02/2014             |
|                | 536,695   | -0-   | .58                   | 01/02/2014             |
| Thomas Lang    | 25,000  | -0-   | .50                   | 10/09/2008             |
|                | 600,000   | 600,000   | 1.08                  | 06/01/2014             |
|                | 100,000   | -0-   | 1.00                  | 06/01/2007             |
| Christos Dakas | 100,000   | -0-   | .49                   | 07/11/2008             |
| George Weaver  | 50,000  | -0-   | .34                   | 01/02/2014             |

### Option Exercises and Stock Vested

The following table sets forth information with respect to the option exercises and stock vested as of December 31, 2006:

| Name of Executive Officer | Option Awards                           | Stock Awards                            |   |                               |
|---------------------------|---|---|---|-------------------------------|
|                           | Number of Shares Acquired On Exercise # | Number of Shares Acquired On Exercise # | Number of Shares Acquired on Vesting \$ | Value Realized on Exercise \$ |
| Janet Greeson             | -0-                                     | -0-                                     | -0-                                     | -0-                           |
| Eugene Boyle              | -0-                                     | -0-                                     | -0-                                     | -0-                           |
| Thomas Lang               | -0-                                     | -0-                                     | -0-                                     | -0-                           |
| Christos Dakas            | -0-                                     | -0-                                     | -0-                                     | -0-                           |

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George Weaver

-0-

-0-

-0-

-0-

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Retirement Plan Potential Annual Payments and Benefits

None of our named executives participate in or have account balances in qualified or non-qualified defined benefit plans sponsored by us. The Compensation Committee, which is solely comprised of "outside directors" as defined for purposes of Section 162(m) of the Code, may elect to adopt qualified or non-qualified defined benefit plans if the Compensation Committee determines that doing so is in our best interests.

Nonqualified Defined Contribution and Other Deferred Compensation Plans

The Company has established "Rabbi Trust" agreements for the benefit of select management and highly-compensated employees and has appointed a trustee that is a non-director and officer providing for the payment out of the assets of the Rabbi Trust agreements accrued under the Company's various employment agreements and other employment arrangements as the Company may specify from time to time. The Rabbi Trust agreements would become irrevocable upon a change of control of Samaritan. The Company may make contributions to the Rabbi Trust agreements from time to time, and additional funding may be required upon a change of control. To the extent funded, the Rabbi Trust agreements are to be used, subject to their terms and to the claims of the Company's general creditors in specified circumstances, to make payments under the terms of the benefit plans, employment agreements and other employment arrangements as the Company may specify from time to time. To date, only restricted shares have been deferred into the nonqualified deferred compensation plan, thus the plan will be settled in restricted shares.

| Name                  | Executive Contributions in Last FY<br>\$ | Registrant Contributions in Last FY<br>\$ | Aggregate Earnings in Last FY<br>\$ | Aggregate Withdrawals/ Distributions (3)<br>\$ |
|-----------------------|--|---|-------------------------------------|--|
| Janet Greeson (1)     | -0-                                      | -0-                                       | -0-                                 | 540,000  |
| Eugene Boyle (1)      | -0-                                      | -0-                                       | -0-                                 | -0-  |
| Thomas Lang (1)       | -0-                                      | -0-                                       | -0-                                 | -0-  |
| Christos Dakas        | -0-                                      | -0-                                       | -0-                                 | -0-  |
| George Weaver (1)     | -0-                                      | -0-                                       | -0-                                 | -0-  |
| Doug Bessert (1), (2) | -0-                                      | -0-                                       | -0-                                 | 231,081  |

- 1) As of April 6, 2007, the Company has issued 22,764,894 shares into the Rabbi Trust with the following credit allocation: Dr. Janet Greeson 9,298,509; Mr. Eugene J. Boyle 10,425,186; Dr. Vassilios Papadopoulos 1,497,845; Mr. George Weaver 825,117; Mr. Welter "Budd" Holden 518,237; Ms. Cynthia C. Thompson 100,000; Mr. H. Thomas Winn 80,000; and Dr. Erasto R. C. Saldi 20,000.
- 2) In February 2004, Doug Bessert, left the Company for personal reasons but remains a Member of the Board of Directors. Under his agreement, a voluntary resignation entitles him to retain all benefits which vested prior to his voluntary resignation in accordance with the rules and procedures then in effect with respect to vesting.

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- 3) The \$0.27 price per share of the Company's securities is the closing market price as of October 17, 2006.
- 4) The \$0.21 price per share of the Company's securities is the closing market price as of December 29, 2006.

### Discussion of Director Compensation

Directors who are employees of the Company do not receive additional compensation for serving as directors. Each director who is not an employee of the Company receives a grant of a non-qualified stock option to purchase 10,000 shares of our common stock, annually as compensation for his or her services as a member of the Board of Directors. Non-employee directors receive no additional fee for meetings of the Board of Directors attended in person by such director or for each telephone meeting in which such director participates. Non-employee directors who serve on a committee of the Board receive a grant of a non-qualified stock option to purchase 10,000 shares of our common stock, annually as compensation for his or her services as a member of such committee. Chairmen of the committees receive a grant of a non-qualified stock option to purchase 20,000 shares of our common stock annually as compensation for his or her services as a chairman of such committee. All directors of the Company are reimbursed for out-of-pocket expenses incurred in attending meetings of the Board or committees thereof, and for other expenses incurred in their capacities as directors of the Company.

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The following director compensation table sets forth the total annual compensation paid or accrued by the Company to or for the account of each member of the Board of the Company except the Chief Executive Officer, Dr. Janet Greeson, and Chief Financial Officer, Mr. Eugene Boyle, who receive no additional compensation in their individual capacity as Board members:

Director Compensation Table

| Name                 | Fees<br>Earned or     |                       |                           | Non-Stock<br>Incentive Plan<br>Compensation | All O<br>Compens<br>\$ |
|----------------------|-----------------------|-----------------------|---------------------------|---|------------------------|
|                      | Paid in<br>Cash<br>\$ | Stock<br>Awards<br>\$ | Option<br>Awards(1)<br>\$ |   |                        |
| Thomas Winn          | -0-                   | -0-                   | 16,240                    | -0-   | -0                     |
| Cynthia Thompson     | -0-                   | -0-                   | 24,360                    | -0-   | -0                     |
| Welter "Budd" Holden | -0-                   | -0-                   | 16,240                    | -0-   | -0                     |
| Doug Bessert         | -0-                   | -0-                   | 6,090                     | -0-   | -0                     |
| Erasto Saldi         | -0-                   | -0-                   | 16,240                    | -0-   | -0                     |
| Laurent Lecanu       | -0-                   | -0-                   | 16,240                    | -0-   | -0                     |

- 1) Effective January 1, 2006, the Company has fully adopted the provisions of SFAS No. 123R and related interpretations as provided by SAB 107. As such, compensation represents the estimated present value of these stock options at the respective date of grant, calculated using the Black-Scholes option pricing model, based on the following assumptions used in developing the grant valuations an volatility of 98% for options granted; a risk-free interest rate of 5% per year for options; and a dividend yield of 0% for options granted in years 2006. The actual value of the options, if any, realized by an officer will depend on the extent to which the market value of the Common Stock exceeds the

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exercise price of the option on the date the option is exercised. Consequently, there is no assurance that the value realized by an officer will be at or near the value estimated above. These amounts should not be used to predict stock performance.

### Change of Control Plan

On May 30, 2006 the Board approved and adopted the Change in Control Severance Plan for Certain Covered Executives and Employees of Samaritan Pharmaceuticals (the "Change in Control Plan"), effective May 30, 2006. The Change in Control Plan is intended to help avoid the loss and distraction of certain key employees of the Company in the event of a change in control. The Plan has an initial term of three (3) years with automatic three-year extensions, unless terminated by the Board at least six (6) months prior to the end of the then current term.

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Senior Vice Presidents, Vice Presidents, and Directors are eligible to participate in the Change in Control Plan, and the Board may designate other employees of the Company as Plan participants. The Company shall pay or cause to be paid to the participant a cash severance calculated based on a multiplier of four (4) months of base salary for every year of service up to maximum in of either twenty four (24) months or thirty six (36) months depending on the participants job title or job category. The severance amount equals the applicable multiplier times the sum of (A) the participant's highest annual rate of base salary as reported on the participant's W-2 for employee or on the participant's 1099 for directors within the thirty six (36) month period immediately preceding the Effective Date of the change in control and (B) the participant's maximum annual target bonus in effect upon the date of the change in control under the Company's bonus plan or the Participant's actual earned commission incentive for the last two quarters, which will be annualized, prior to the change in Control, not to exceed the target at 100% of achievement as defined in the Company's Sales Incentive Plan in effect upon the date of the change in control.

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The Change in Control Plan provides that, if, within three years following a "change in control" (as defined in the Change in Control Plan), a participant's employment is terminated by the Company without "cause" (as defined in the Plan) or by the participant for "good reason" (as defined in the Change in Control Plan), the participant is eligible for severance benefits equal to a multiple of the sum of the participant's base salary and the higher of the participant's target bonus opportunity during the year in which the change in control occurs or his or her target bonus opportunity following the change in control. Each participant will also receive his or her salary through the date of termination, a pro rata target bonus payment for the year in which the termination occurs, a pro rata long-term incentive payment to the extent provided in the Company's Long Term Incentive Plan, and any earned but unpaid long-term incentive payments or annual bonuses. In the event that a participant becomes subject to an excise tax under section 280G of the Internal Revenue Code of 1986, as amended, the participant will generally be entitled to receive an additional amount such that the participant is placed in the same after-tax position as if no excise tax had been imposed. The Change in Control Plan may be amended by the Board at any time, except that no amendment that adversely affects the rights or potential rights of a participant will be effective in the event that a change in control occurs within three (3) year of such amendment.

In the event the named executive officers were terminated without "cause" or they terminated their employment for "good reason" following a change of control, the named executive officers would receive the following severance payments (based on current salary rates, the average bonuses of the named

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executive officers for the last three fiscal years as the highest bonus and additional retirement benefits). Assuming the employment of our executive officers were to be terminated without cause (whether through constructive termination or otherwise) on December 31, 2006, the following individuals would be entitled to payments in the amounts set forth: Dr. Janet Greeson, \$1,286,496; Eugene Boyle, \$643,248; Dr. Thomas Lang, \$244,970; Dr. Christos Dakas, \$68,037; and George Weaver, \$130,731. The foregoing does not include any amounts that would be payable under the "gross-up" provisions of the change of control employment agreements, or any amounts attributable to the accelerated vesting of equity awards upon a change of control.

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### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDERS MATTERS.

#### Equity Compensation Plan Information

| Name Of Plan   | Number Of Securities To Be Issued Upon Exercise Of Outstanding Options, Warrants And Rights | Weighted Average Exercise Price Of Outstanding Warrants And Rights |
|--|---|--|
| Equity compensation plans approved by security holders (1) (2) | 25,718,518  | \$0.6  |
| Equity compensation plans not approved by security holders (3) | 29,094,894  | \$0.2  |
| Total  | 54,813,412  |  |

1) The Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Incentive Plan was filed as Exhibit 4.2 to the Company's Quarterly Report on Form 10-QSB, as filed with the SEC on August 16, 2004.

2) The Samaritan Pharmaceuticals, Inc. 2005 Stock Incentive Plan was filed with the SEC on Schedule 14A as filed with the SEC on April 29, 2005.

3) Samaritan has entered into "Rabbi Trust" agreements to fund deferred compensation benefits, with an institutional trustee providing for the payment out of the assets of the trusts of benefits accrued under our various benefit plans, employment agreements and other employment arrangements as the Company specifies from time to time. To the extent not already irrevocable, the trusts would become irrevocable upon a change of control of Samaritan. The Company may contribute to the trusts from time to time, and additional funding could be required upon a change of control. The Rabbi Trust agreements are subject to their terms and to the claims of our general creditors in specified circumstances, to make payments under the terms of the benefit plans, employment agreements and other employment arrangements from time to times specified by the Company.

Beneficial ownership is determined in accordance with the rules of the SEC. Except as indicated by footnote, to our knowledge, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Options to purchase shares of the our common stock that are exercisable within sixty (60) days of April 25,

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2007 are deemed to be beneficially owned by the person holding such options for the purpose of computing ownership of such person, but are not treated as outstanding for the purpose of computing the ownership of any other person. Applicable percentage of beneficial ownership is based on 159,422,456 shares of common stock outstanding as of April 25, 2007.

The following table sets forth information we know with respect to the beneficial ownership of our common stock as of April 25, 2007, for each person or group of affiliated persons, whom we know to beneficially own more than 5% of our common stock. The table also sets forth such information for our directors and executive officers, individually and as a group. The address for each listed stockholder is: c/o Samaritan Pharmaceuticals, Inc., 101 Convention Center Drive, Suite 310, Las Vegas, Nevada 89109.

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| Beneficial Owner<br>-----   | Number of<br>Shares<br>Beneficially<br>Owned<br>----- | Number of<br>Options<br>Beneficially<br>Owned<br>----- | Total Number of<br>Options and<br>Shares<br>Beneficially<br>Owned (1)<br>----- |
|---|---|--|--|
| Dr. Janet R. Greeson  | 6,447,642   | 11,679,902   | 18,127,544   |
| Mr. Eugene J. Boyle   | 2,007,106   | 8,036,116  | 10,043,222   |
| Dr. Thomas Lang   | 107,143   | 1,325,000  | 1,432,143  |
| Ms. Kristi C. Eads  | 345,000   | 60,000   | 405,000  |
| Mr. George Weaver   | -0-   | 110,000  | 110,000  |
| Dr. Laurent Lecanu  | 50,000  | 80,000   | 130,000  |
| Mr. Douglas D. Bessert  | 4,855,855   | 30,000   | 4,885,855  |
| Dr. Erasto R.C. Saldi   | 46,380  | 80,000   | 126,380  |
| Mr. Welter "Budd" Holden  | 2,635,147   | 80,000   | 2,715,147  |
| Mr. H. Thomas Winn  | 100,000   | 80,000   | 180,000  |
| Ms. Cynthia C. Thompson   | 743,555   | 120,000  | 863,555  |
| All Executive officers and directors<br>as a group (eleven persons) | 17,337,828  | 21,681,018   | 39,018,846   |
| Dr. Vassilios Papadopoulos (2)                                      | 100,000   | 1,750,000  | 1,850,000  |
| Dr. Christos Dakas (3)  | -0-   | 100,000  | 100,000  |

\*Less tha

- 1) If an officer or director had previously elected to exercise options or deferred compensation through a program that involves the crediting of deferred shares of the Company's Common Stock held pursuant to the Trust under Samaritan Pharmaceuticals, Inc. Executive Benefit Plan (the "Rabbi Trust") for distribution to the executive after termination of employment, the shares were excluded from the above calculation. As of April 6, 2007, the Company has issued 22,764,894 shares into the Rabbi Trust with the following credit allocation: Dr. Janet Greeson 9,298,509; Mr. Eugene J. Boyle 10,425,186; Dr. Vassilios Papadopoulos 1,497,845; Mr. George Weaver 825,117; Mr. Welter "Budd" Holden 518,237; Ms. Cynthia C. Thompson 100,000; Mr. H. Thomas Winn 80,000; and Dr. Erasto R. C. Saldi 20,000.
- 2) Dr. Vassilios Papadopoulos is a key consultant for Samaritan and a former officer and director.
- 3) Dr. Christos Dakas is an executive of our subsidiary, Samaritan Europe.

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### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

We have entered into indemnity agreements with all directors, and officers and certain employees, which provide, among other things, that we will indemnify such officer or director, under the circumstances and to the extent provided for in the agreements, for expenses, damages, judgments, fines and settlements he or she may be required to pay in actions or proceedings which he or she is or may be made a party to by reason of his or her position as a director, officer or other agent of the Company, and otherwise to the full extent permitted under Nevada law and our bylaws. The Company filed a form of the agreement as Exhibit 10.17 to the Company's Quarterly Report on Form 10-Q as filed with the SEC on August 14, 2006.

#### Policies and Procedures for Approval of Related Person Transactions

Our policy and procedures with respect to any related person transaction between the Company and any related person requiring disclosure under Item 404(a) of Regulation S-K under the Securities Exchange Act of 1934, is that such transaction is consummated only if the Audit Committee approves or ratifies such transaction; the disinterested members of the Board of Directors approves or ratifies such transaction; or the transaction involves compensation approved or ratified by the Compensation Committee.

#### Director Independence

The Company's Board of Directors is made up of the following members: Dr. Janet Greeson, Mr. Eugene Boyle, Mr. Thomas H. Winn, Ms. Cynthia Thompson, Mr. Welter "Budd" Holden, Mr. Doug Bessert, Dr. Erasto Saldi and Dr. Lecanu Laurent. The Board has determined that a majority of the Company's directors and all current members of the Audit, Compensation, and Nominating Committees are "independent" under Section 121A of the American Stock Exchange ("AMEX") Company Guide. The Board has also determined that the members of the Audit Committee meet the additional independence standards set forth by Rule 10A-3 under the Securities Exchange Act of 1934 and Section 121B of the AMEX Company Guide. The independent directors are Mr. Thomas H. Winn, Ms. Cynthia Thompson, Mr. Welter "Budd" Holden, Mr. Doug Bessert, Dr. Erasto Saldi and Dr. Lecanu Laurent.

There were no undisclosed transactions, relationships or arrangements pursuant to Item 404(a) (related-party transactions) that were considered by the Board under the applicable independence definitions in determining that the director is independent.

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### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

#### Audit and Non-Audit Fees

The following table presents fees for professional audit services rendered by SHERB & CO., LLP for the audit of the Company's annual financial statements for the fiscal years ended December 31, 2006 and December 31, 2005, and fees billed for other services rendered by SHERB & CO LLP during those periods:

|                     | 2006     | 2005     |
|---------------------|----------|----------|
|                     | -----    | -----    |
| Audit fee:          | \$45,000 | \$33,000 |
| Audit-related fees: | \$15,000 | \$ 9,000 |



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|           |          |          |
|-----------|----------|----------|
| Tax fees: | \$ -     | \$ -     |
| Other:    | \$4,025  | \$ 1,385 |
|           | -----    | -----    |
| Total:    | \$64,025 | \$43,385 |

Audit fees consisted principally of audit work performed on the consolidated financial statements and internal control over financial reporting, as well as work generally only the independent registered public accounting firm can reasonably be expected to provide, such as statutory audits. The Company generally does not engage SHERB & CO LLP, for other services, other than Edgar services.

### Policy on Audit Committee Pre-Approval of Audit and Permissible Non-Audit Services of Independent Registered Public Accounting Firm

Consistent with SEC rules regarding auditor independence, the Audit Committee has responsibility for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accounting firm.

Prior to engagement of the independent registered public accounting firm for the next year's audit, management will submit a list of services and related fees expected to be rendered during that year within each of categories of services to the Audit Committee for approval.

Audit services include audit work performed on the financial statements and internal control over financial reporting, as well as work that generally only the independent registered public accounting firm can reasonably be expected to provide, including comfort letters, statutory audits and discussions surrounding the proper application of financial accounting and/or reporting standards.

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Audit-Related services are for assurance and related services that are traditionally performed by the independent registered public accounting firm, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

Tax services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accounting firm's tax personnel, including tax analysis; assisting with coordination of execution of tax-related activities, primarily in the area of corporate development; supporting other tax-related regulatory requirements; and tax compliance and reporting.

All Other services are those services not captured in the audit, audit-related or tax categories.

The Company generally does not request such services from the independent registered public accounting firm. Prior to engagement, the Audit Committee pre-approves independent public accounting firm services within each category and the fees for each category are budgeted. The Audit Committee requires the independent registered public accounting firm and management to report actual fees versus the budget periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accounting firm for additional services not

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contemplated in the original pre-approval categories. In those instances, the Audit Committee requires specific pre-approval before engaging the independent registered public accounting firm.

The Audit Committee may delegate pre-approval authority to one (1) or more of its members. The member to whom such authority is delegated must report, for informational purposes only, any pre-approval decisions to the Audit Committee at its next scheduled meeting.

### Audit Committee Report

The Audit Committee of the Board is composed of three (3) independent directors. The Audit Committee operates under a written charter adopted by the Board and attached as Exhibit A to the proxy statement filed with the SEC on April 3, 2001.

The Audit Committee is responsible for overseeing the Company's financial reporting process on behalf of the Board. The members of the Audit Committee consist of independent directors Mr. H. Thomas Winn, Ms. Cynthia C. Thompson and Mr. Douglas Bessert. Each year, the Audit Committee recommends to the Board, subject to stockholder ratification, the selection of the Company's independent auditors.

Management is responsible for the Company's financial statements and the financial reporting process, including internal controls. The independent auditors are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and for issuing a report thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

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In this context, the Audit Committee has met and held discussions with management and SHERB & CO., LLP. Management represented to the Committee that the Company's consolidated financial statements were prepared in accordance with generally accepted accounting principles, and the Audit Committee has reviewed and discussed the consolidated financial statements with management and the independent auditors. The Audit Committee discussed with SHERB & CO., LLP the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees). These matters included a discussion of SHERB & CO., LLP's judgments about the quality (not just the acceptability) of the Company's accounting principles as applied to financial reporting.

SHERB & CO., LLP also provided the Audit Committee with the written disclosures and letter required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with SHERB & CO., LLP that firm's independence. The Audit Committee further considered whether the provision by SHERB & CO., LLP of the non-audit services described elsewhere in this proxy statement is compatible with maintaining the auditors' independence.

Based upon the Audit Committee's discussion with management and the independent auditors and the Audit Committee's review of the representation of management and the disclosures by the independent auditors to the Audit Committee, the Audit Committee recommended to the Board that the Company's audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, for filing with the SEC. The Audit Committee and the Board have also recommended the selection of SHERB & CO., LLP as the Company's independent auditors for 2007, subject to stockholder ratification.

The Audit Committee Report does not constitute soliciting material, and shall

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not be deemed to be filed or incorporated by reference into any other Company filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates the Audit Committee Report by reference therein.

The Audit Committee:

Mr. H. Thomas Winn (Chairman)  
Ms. Cynthia C. Thompson  
Mr. Douglas Bessert

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### PART IV

#### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Listed below are all exhibits filed as part of this Annual Report on Form 10-K. Some exhibits are filed by the Company with the SEC pursuant to Rule 12b-32 under the Securities Exchange Act of 1934, as amended.

| EXHIBIT NO. | DESCRIPTION  | LOCATION  |
|-------------|--|---|
| 3.1         | Articles of Incorporation, restated as last amended June 10, 2005  | Incorporated by reference to the Company's Current Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on July 1, 2005.   |
| 3.2         | Bylaws, restated as last amended April 18, 2005  | Incorporated by reference to the Company's Current Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on July 1, 2005.   |
| 4.1         | Form of Common Stock Certificate   | Incorporated by reference to the Company's Current Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on July 1, 2005.   |
| 4.2         | Amended Samaritan Pharmaceuticals, Inc. 2001 Stock Option Plan   | Incorporated by reference to the Company's Quarterly Report on Form 10-QSB as filed with the U.S. Securities and Exchange Commission on July 1, 2005.   |
| 4.3         | Samaritan Pharmaceuticals, Inc. 2005 Stock Option Plan   | Incorporated by reference to the Company's Information Statement as filed with the U.S. Securities and Exchange Commission on April 29, 2005 and approved by the shareholders on June 10, 2005. |
| 10.1        | Research, Development and Commercialization Collaboration Agreement for SP-01A dated March 28, 2007 by and between Pharmaplaz and the Company. | Incorporated by reference to the Company's Form 10-K as filed with the U.S. Securities and Exchange Commission on April 13, 2007.   |
| 10.2        | Common Stock Purchase Agreement (Purchase Agreement I), dated April 22, 2003, by and between the Company and Fusion Capital Fund II,           | Incorporated by reference to the Company's Current Report on Form 10-K as filed with the U.S. Securities and Exchange Commission on July 1, 2005.   |

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|       |  |  |
|-------|--|--|
|       | LLC  | Exchange Commission on Apr   |
| 10.3  | Registration Rights Agreement, dated April 22, 2003, by and between the Company and Fusion Capital Fund II, LLC                              | Incorporated by reference to the Company's Current R 8-K as filed with the U.S. Exchange Commission on Apr                   |
| 10.4  | Employment Agreement, dated as of January 1, 2001, by and between Samaritan Pharmaceuticals, Inc. and Mr. Thomas Lang.                       | Incorporated by reference to the Company's Quarterly 10-QSB as filed with the U and Exchange Commission on                   |
| 10.5  | Form of Trust Under Samaritan Pharmaceuticals, Inc. Deferred Compensation Plan   | Incorporated by reference to the Company's Quarterly Re 10-QSB as filed with the U and Exchange Commission on                |
| 10.6  | Master Clinical Trial and Full Scale Manufacturing Agreement, dated October 5, 2004, by and between the Company and Pharmaplaz, LTD          | Incorporated by reference to the Company's Quarterly 10-QSB as filed with the U and Exchange Commission on 2004              |
| 10.7  | Common Stock Purchase Agreement (Purchase Agreement II), dated May 12, 2005, by and between the Company and Fusion Capital Fund II, LLC      | Incorporated by reference to the Company's Quarterly 10-QSB as filed with the U and Exchange Commission on                   |
| 10.8  | Amendment to Common Stock Purchase Agreement, dated December 19, 2005, by and between the Company and Fusion Capital Fund II, LLC            | Incorporated by reference to the Company's Registrat Form SB-2 as filed with th Securities and Exchange Co December 15, 2005 |
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| 10.9  | Registration Rights Agreement, dated May 12, 2005, by and between the Company and Fusion Capital Fund II, LLC                                | Incorporated by reference to the Company's Quarterly 10-QSB as filed with the U and Exchange Commission on                   |
| 10.10 | Norbrook Supply Agreement  | Incorporated by reference to the Company's Current Repo as filed with the U.S. Sec Exchange Commission on Sep                |
| 10.11 | Research Collaboration and Licensing Agreement, dated June 8, 2001, by and between Georgetown University and Samaritan Pharmaceuticals, Inc. | Incorporated by reference to the Company's Registrat Form SB-2 as filed with th Securities and Exchange Co 30, 2003          |
| 10.12 | Change in Control Severance Plan for Certain Covered Executives and Employees of Samaritan Pharmaceuticals, Inc.                             | Incorporated by reference to the Company's Quarterly 10-Q as filed with the U.S Exchange Commission on Aug                   |
| 10.13 | Samaritan Pharmaceuticals, Inc.'s Director/Officer's Indemnification Agreement   | Incorporated by reference to the Company's Quarterly   |

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|       |   |  |
|-------|---|--|
|       |   | 10-Q as filed with the U.S. Exchange Commission on Aug   |
| 10.14 | Stock Purchase Agreement among Samaritan Pharmaceuticals, Metastatin Pharmaceuticals, and the shareholders of Metastatin Pharmaceuticals. | Incorporated by reference to the Company's Quarterly 10-Q as filed with the U.S. Exchange Commission on Nov                  |
| 14.1  | The Samaritan Pharmaceuticals, Inc. Code of Conduct   | Incorporated by reference to the Company's Form 10-K the U.S. Securities and E Commission on April 15, 20                    |
| 16.1  | Letter Regarding Change in Certifying Accountant  | Incorporated by reference to the Company's Current R 8-K as filed with the U.S. Exchange Commission on Sep                   |
| 21    | List of Subsidiaries  | Incorporated by reference the Company's Quarterly Re 10-QSB as filed with the U and Exchange Commission on                   |
| 23.1  | Consent of Independent Registered Public Accounting Firm  | Incorporated by reference to the Company's Registrat Form SB-2 as filed with th Securities and Exchange Co December 15, 2005 |
| 23.2  | Consent of Nevada Counsel   | Incorporated by reference to the Company's Registrat Form SB-2 as filed with th Securities and Exchange Co December 15, 2005 |
| 31.1  | Certification of Chief Executive Officer re: Section 302  | Provided herewith  |
| 31.2  | Certification of Chief Financial Officer re: Section 302  | Provided herewith  |
| 32.1  | Certification of Chief Executive Officer re: Section 906  | Provided herewith  |
| 32.2  | Certification of Chief Financial Officer re: Section 906  | Provided herewith  |

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SIGNATURES

In accordance with Section 13 OR 15 (d) 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: April 27, 2007

By: /s/ Janet Greeson, Ph.D.  
-----

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Janet Greeson, Ph.D.  
President, Chief Executive  
Officer, Chairman

Dated: April 27, 2007

By: /s/ Eugene Boyle  
-----

Eugene Boyle,  
Chief Financial Officer,  
Director

Dated: April 27, 2007

By: /s/ Doug Bessert  
-----

Doug Bessert  
Director

Dated: April 27, 2007

By: /s/ Laurent Lecanu  
-----

Laurent Lecanu  
Director

Dated: April 27, 2007

By: /s/ H. Thomas Winn  
-----

H. Thomas Winn  
Director

Dated: April 27, 2007

By: /s/ Cynthia C. Thompson  
-----

Cynthia C. Thompson  
Director

SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders  
Samaritan Pharmaceuticals, Inc.

We have audited the accompanying consolidated balance sheets of Samaritan

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Pharmaceuticals, Inc. (a development stage company) as of December 31, 2006 and 2005 and the related consolidated statements of operations and comprehensive income, shareholders' equity and cash flows for the years ending December 31, 2006, 2005 and 2003 and for the period from January 1, 2000 through December 31, 2006. The period beginning January 1, 1997 through December 31, 1999 was audited by the predecessor accounting firm. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, the consolidated financial position of Samaritan Pharmaceuticals, Inc. (a development stage company) as of December 31, 2006 and 2005 and the consolidated results of its operations and its cash flows for the years ending December 31, 2006, 2005 and 2004 and for the period from January 1, 2000 through December 31, 2006. The period beginning January 1, 1997 through December 31, 1999 was audited by the predecessor accounting firm, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated cumulative statements of operations and comprehensive income, shareholder's equity and cash flows regarding the period from inception (September 5, 1994) through December 31, 1996, was activity prior to our engagement as auditors upon which we or the predecessor auditor have not performed procedures. Therefore, we do not express an opinion on them.

/s/ Sherb & Co., LLP  
-----  
Sherb & Co., LLP  
Certified Public Accountants

New York, New York  
March 23, 2007

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
  
CONSOLIDATED BALANCE SHEETS

December 31

-----  
2006

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| ASSETS  |    | -----        | ----- |
|---|----|--------------|-------|
| CURRENT ASSETS:   |    |              |       |
| Cash and cash equivalents   | \$ | 742,075      | \$    |
| Grant receivable  |    | -            |       |
| Marketable securities   |    | -            |       |
| Note receivable   |    | 250,000      |       |
| Interest receivable   |    | 71,096       |       |
| Prepaid expenses  |    | 10,750       |       |
|   |    | -----        | ----- |
| TOTAL CURRENT ASSETS  |    | 1,073,921    |       |
| PROPERTY AND EQUIPMENT  |    |              |       |
|   |    | 127,627      |       |
|   |    | -----        | ----- |
| OTHER ASSETS:   |    |              |       |
| Patent registration costs   |    | 1,042,791    |       |
| Purchased technology rights   |    | 252,349      |       |
| Deposits  |    | 2,779        |       |
|   |    | -----        | ----- |
| TOTAL OTHER ASSETS  |    | 1,297,919    |       |
|   |    | -----        | ----- |
|   | \$ | 2,499,467    | \$    |
|   |    | =====        | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY  |    |              |       |
| CURRENT LIABILITIES:  |    |              |       |
| Accounts payable and accrued expenses   | \$ | 414,237      | \$    |
| Accrued officers salaries   |    | 515,271      |       |
| Accounts payable to be settled through issuance of stock  |    | 590,057      |       |
| Common stock to be issued   |    | -            |       |
|   |    | -----        | ----- |
| TOTAL CURRENT LIABILITIES   |    | 1,519,565    |       |
|   |    | -----        | ----- |
| SHAREHOLDERS' EQUITY:   |    |              |       |
| Preferred stock, 5,000,000 shares authorized at \$.001 par value,<br>-0- issued and outstanding at December 31, 2005 and 2004   |    | -            |       |
| Common stock, 250,000,000 shares authorized at \$.001<br>par value, 156,652,708 and 136,866,274 issued and<br>outstanding at December 31, 2006 and 2005, respectively |    | 156,653      |       |
| Additional paid-in capital  |    | 42,094,536   |       |
| Common stock to be issued   |    | 231,502      |       |
| Deferred compensation   |    | -            |       |
| Treasury stock  |    | (250,248)    |       |
| Accumulated other comprehensive loss  |    | 56,601       |       |
| Accumulated deficit during development stage  |    | (41,309,142) |       |
|   |    | -----        | ----- |
| TOTAL SHAREHOLDERS' EQUITY  |    | 979,902      |       |
|   |    | -----        | ----- |
|   | \$ | 2,499,467    | \$    |
|   |    | =====        | ===== |



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See accompanying notes to the consolidated financial statements.

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## SAMARITAN PHARMACEUTICALS, INC. (A DEVELOPMENT STAGE COMPANY)

### CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME

|  | From Jan. 1, 1997<br>To<br>Dec. 31, 2006 | From<br>Inception<br>(September 5, 1994)<br>To<br>Dec. 31, 1996 | For the Year<br>2006  |
|--|--|---|-----------------------|
|  | (Audited)                                | (Unaudited)   |                       |
| <b>REVENUES:</b>                               |  |   |                       |
| Consulting                                     | \$ 300,000                               | \$ -  | \$ -                  |
| Government research grants                     | 289,226                                  | -   | 32,379                |
|  | 589,226                                  | -   | 32,379                |
| <b>EXPENSES:</b>                               |  |   |                       |
| Research and development                       | 14,324,653                               | 82,171  | 4,667,053             |
| Interest, net                                  | (78,540)                                 | -   | (31,795)              |
| General and administrative                     | 24,469,144                               | 2,067,188   | 2,812,934             |
| Depreciation and amortization                  | 1,399,398                                | 3,484   | 156,933               |
| Other income                                   | (369,130)                                | -   | -                     |
|  | 39,745,525                               | 2,152,843   | 7,605,125             |
| <b>NET LOSS</b>                                | <b>(39,156,299)</b>                      | <b>(2,152,843)</b>  | <b>(7,572,746)</b>    |
| <b>Other Comprehensive Income (Loss):</b>      |  |   |                       |
| Unrealized gain on marketable securities       | -  | -   | 3,933                 |
| Foreign translation adjustment                 | 56,601                                   | -   | 77,141                |
| <b>Total Comprehensive Loss</b>                | <b>\$ (39,099,698)</b>                   | <b>\$ (2,152,843)</b>   | <b>\$ (7,491,672)</b> |
| <br>   |  |   |                       |
| Loss per share, basic and diluted              |  |   | \$ (0.05)             |
| <br>   |  |   |                       |
| Weighted average number of shares outstanding: |  |   |                       |
| Basic and diluted                              |  |   | 147,058,648           |

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See accompanying notes to the consolidated financial statements

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)  
FROM INCEPTION (SEPTEMBER 5, 1994) TO December 31, 2006

|  | Number<br>of<br>Shares | Par Value<br>Common<br>Stock | Shares<br>Reserved<br>for<br>Conversion | Additional<br>Paid in<br>Capital | S<br>b |
|--|------------------------|------------------------------|---|----------------------------------|--------|
|  | -----                  | -----                        | -----                                   | -----                            | -----  |
| Inception at September 5, 1994                       | -                      | \$ -                         | \$ -                                    | \$ -                             | \$ -   |
| Shares issued for cash, net of offering costs        | 6,085,386              | 609                          | -                                       | 635,481                          |        |
| Warrants issued for cash                             | -                      | -                            | -                                       | -                                |        |
| Shares issued as compensation for services           | 714,500                | 71                           | -                                       | 1,428,929                        |        |
| Net loss   | -                      | -                            | -                                       | -                                |        |
| December 31, 1996 (Unaudited)                        | 6,799,886              | 680                          | -                                       | 2,064,410                        |        |
| 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 (Audited)                          | 7,689,690              | 7,690                        | 820                                     | 2,474,430                        |        |
| 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 (Audited)                          | 10,004,212             | 10,005                       | 124                                     | 3,953,690                        |        |
| 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                           | -                      | -                            | -                                       | -                                |        |
| Detachable warrants exercised                        | 100,000                | 100                          | -                                       | 148,900                          |        |
| Debentures converted to stock                        | 1,682,447              | 1,682                        | -                                       | 640,438                          |        |
| Net loss   | -                      | -                            | -                                       | -                                |        |
| December 31, 1999 (Audited)                          | 15,443,909             | 15,444                       | 111                                     | 5,276,478                        |        |

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|   |            |        |       |            |
|---|------------|--------|-------|------------|
| 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      |
| Warrants expired                                  | -          | -      | -     | 5,000      |
| Net loss  | -          | -      | -     | -          |
| December 31, 2000 (Audited)                       | 21,534,807 | 21,535 | -     | 9,390,184  |
| 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 (Audited)                       | 37,736,699 | 37,736 | -     | 12,903,173 |

See accompanying notes to the consolidated financial statements.

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)  
FROM INCEPTION (SEPTEMBER 5, 1994) TO December 31, 2006  
CONTINUED

|  | Deferred Compensation | Accumulated Other Comprehensive Income | Stock Subscriptions Receivable | Treasury Shares | Accumulated Deficit |
|--|-----------------------|--|--------------------------------|-----------------|---------------------|
|  | -----                 | -----                                  | -----                          | -----           | -----               |
| Inception at September 5, 1994                       | \$ -                  | -                                      | \$ -                           | \$ -            | \$ -                |
| Shares issued for cash, net of offering costs        | -                     | -                                      | -                              | -               | -                   |
| Warrants issued for cash                             | -                     | -                                      | -                              | -               | -                   |
| Shares issued as compensation for services           | -                     | -                                      | -                              | -               | -                   |
| Net loss   | -                     | -                                      | -                              | -               | (2)                 |
| December 31, 1996 (Unaudited)                        | -                     | -                                      | -                              | -               | (2)                 |
| 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   | -                     | -                                      | -                              | -               | -                   |

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|   |           |   |   |   |      |
|---|-----------|---|---|---|------|
| December 31, 1997 (Audited)                       | -         | - | - | - | (3)  |
| 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)  |
| December 31, 1998 (Audited)                       | -         | - | - | - | (4)  |
| 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)  |
| December 31, 1999 (Audited)                       | -         | - | - | - | (5)  |
| 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)  |
| December 31, 2000 (Audited)                       | (759,560) | - | - | - | (9)  |
| 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)  |
| December 31, 2001 (Audited)                       | (495,036) | - | - | - | (13) |

See accompanying notes to the consolidated financial statements.

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)  
FROM INCEPTION (SEPTEMBER 5, 1994) TO December 31, 2006  
CONTINUED

Shares

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|  | Number<br>of<br>Shares | Par Value<br>Common<br>Stock | Reserved<br>for<br>Conversion | Additional<br>Paid in<br>Capital | S<br>b |
|--|------------------------|------------------------------|-------------------------------|----------------------------------|--------|
|  | -----                  | -----                        | -----                         | -----                            | -----  |
| 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                                      | -                      | -                            | -                             | -                                |        |
| Stock options issued for services  | -                      | -                            | -                             | 225,000                          |        |
| Net loss   | -                      | -                            | -                             | -                                |        |
| December 31, 2002 (Audited)  | 64,549,908             | 64,550                       | -                             | 16,794,240                       |        |
| 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 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 (Audited)  | 106,214,833            | 106,214                      | -                             | 24,852,369                       |        |
| Shares issued for cash, net of offering costs                              | 11,426,733             | 11,427                       | -                             | 4,289,511                        |        |
| Shares issued as compensation, expensed                                    | 2,081,249              | 2,081                        | -                             | 1,788,397                        |        |
| Amortization of deferred compensation                                      | -                      | -                            | -                             | -                                |        |
| Shares issued for previously purchased shares                              | 83,332                 | 83                           | -                             | 12,417                           |        |
| Exercise of stock options  | 16,950,468             | 16,951                       | -                             | 4,841,869                        |        |
| Exercise of warrants   | 635,000                | 635                          | -                             | 449,365                          |        |
| Shares issued in connection with equity financing                          | 8,758,240              | 8,758                        | -                             | 3,091,243                        |        |
| Stock retired in settlement of subscriptions receivable                    | (13,869,656)           | (13,870)                     | -                             | (5,964,798)                      |        |
| Shares reacquired in settlement of judgement                               | (250,000)              | (250)                        | -                             | (231,100)                        |        |
| Stock options issued for services  | -                      | -                            | -                             | 567,771                          |        |
| Other comprehensive income (loss)  | -                      | -                            | -                             | -                                |        |
| Net Loss   | -                      | -                            | -                             | -                                |        |
| December 31, 2004 (Audited)  | 132,030,199            | 132,030                      | -                             | 33,697,043                       |        |
| Shares issued as compensation, expensed                                    | 398,900                | 399                          | -                             | 196,785                          |        |
| Amortization of deferred compensation                                      | -                      | -                            | -                             | -                                |        |
| Exercise of stock options  | 170,000                | 170                          | -                             | 31,330                           |        |
| Shares issued in connection  |                        |                              |                               |                                  |        |

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|   |             |            |       |              |
|---|-------------|------------|-------|--------------|
| with equity financing                             | 4,267,175   | 4,267      | -     | 1,599,473    |
| Stock options issued for services                 | -           | -          | -     | 65,052       |
| Other comprehensive income (loss)                 | -           | -          | -     | -            |
| Net loss  | -           | -          | -     | -            |
|   | -----       | -----      | ----- | -----        |
| December 31, 2005 (Audited)                       | 136,866,274 | 136,866    | -     | 35,589,683   |
| Shares issued for cash, net of offering cost      | 7,212,500   | 7,213      | -     | 2,037,787    |
| Common stock to be issued                         | -           | -          | -     | -            |
| Amortization of deferred compensation             | -           | -          | -     | -            |
| Exercise of stock options                         | 450,926     | 451        | -     | 64,049       |
| Shares issued in connection with equity financing | 12,123,008  | 12,123     | -     | 4,182,651    |
| Stock options issued for services                 | -           | -          | -     | 220,366      |
| Other comprehensive income (loss)                 | -           | -          | -     | -            |
| Net loss  | -           | -          | -     | -            |
|   | -----       | -----      | ----- | -----        |
| December 31, 2006 (Audited)                       | 156,652,708 | \$ 156,653 | \$ -  | \$42,094,536 |
|   | =====       | =====      | ===== | =====        |

See accompanying notes to the consolidated financial statements.

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)  
FROM INCEPTION (SEPTEMBER 5, 1994) TO December 31, 2006  
CONTINUED

|  | Deferred Compensation | Accumulated Other Comprehensive Income | Stock Subscriptions Receivable | Treasury Shares | Acco De |
|--|-----------------------|--|--------------------------------|-----------------|---------|
|  | -----                 | -----                                  | -----                          | -----           | -----   |
| 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               | -                                      | -                              | -               | -       |
| Stock options issued for services  | -                     | -                                      | -                              | -               | -       |
| Net loss   | -                     | -                                      | -                              | -               | (4      |
|  | -----                 | -----                                  | -----                          | -----           | -----   |
| December 31, 2002 (Audited)  | -                     | -                                      | -                              | -               | (17     |
| 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 connection with equity financing                          | -                     | -                                      | -                              | -               | -       |
| Exercise of stock options  | -                     | -                                      | (1,119,848)                    | -               | -       |

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|   |           |           |             |              |         |
|---|-----------|-----------|-------------|--------------|---------|
| Shares reacquired in settlement of judgement            | -         | -         | -           | (250,248)    |         |
| Stock options issued for services                       | -         | -         | -           | -            |         |
| Net loss  | -         | -         | -           | -            | (5,     |
| <hr/>   |           |           |             |              |         |
| December 31, 2003 (Audited)                             | -         | -         | (1,119,848) | (250,248)    | (23,    |
| Shares issued for cash, net of offering costs           | -         | -         | -           | -            |         |
| Shares issued as compensation, expensed                 | (544,416) | -         | -           | -            |         |
| Amortization of deferred compensation                   | 240,000   | -         | -           | -            |         |
| Shares issued for previously purchased shares           | -         | -         | -           | -            |         |
| Exercise of stock options                               | -         | -         | (4,858,820) | -            |         |
| Exercise of warrants                                    | -         | -         | -           | -            |         |
| Shares issued in connection with equity financing       | -         | -         | -           | -            |         |
| Stock retired in settlement of subscriptions receivable | -         | -         | 5,978,668   | -            |         |
| Shares reacquired in settlement of judgement            | -         | -         | -           | -            |         |
| Stock options issued for services                       | -         | -         | -           | -            |         |
| Other comprehensive income (loss)                       | -         | (16,580)  | -           | -            |         |
| Net Loss  | -         | -         | -           | -            | (4,     |
| <hr/>   |           |           |             |              |         |
| December 31, 2004 (Audited)                             | (304,416) | (16,580)  | -           | (250,248)    | (28,    |
| Shares issued as compensation, expensed                 | (128,034) | -         | -           | -            |         |
| Amortization of deferred compensation                   | 392,416   | -         | -           | -            |         |
| Exercise of stock options                               | -         | -         | -           | -            |         |
| Shares issued in connection with equity financing       | -         | -         | -           | -            |         |
| Stock options issued for services                       | -         | -         | -           | -            |         |
| Other comprehensive income (loss)                       | -         | (7,892)   | -           | -            |         |
| Net loss  | -         | -         | -           | -            | (5,     |
| <hr/>   |           |           |             |              |         |
| December 31, 2005 (Audited)                             | (40,034)  | (24,472)  | -           | (250,248)    | (33,    |
| Shares issued for cash, net of offering cost            | -         | -         | -           | -            |         |
| Common stock to be issued                               | -         | -         | -           | -            |         |
| Amortization of deferred compensation                   | 40,034    | -         | -           | -            |         |
| Exercise of stock options                               | -         | -         | -           | -            |         |
| Shares issued in connection with equity financing       | -         | -         | -           | -            |         |
| Stock options issued for services                       | -         | -         | -           | -            |         |
| Other comprehensive income (loss)                       | -         | 81,073    | -           | -            |         |
| Net loss  | -         | -         | -           | -            | (7,     |
| <hr/>   |           |           |             |              |         |
| December 31, 2006 (Audited)                             | \$ -      | \$ 56,601 | \$ -        | \$ (250,248) | \$ (41, |
| <hr/>   |           |           |             |              |         |

See accompanying notes to the consolidated financial statements.

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
CONSOLIDATED STATEMENTS OF CASH FLOWS

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|   | From<br>January 1, 1997<br>To<br>December 31,<br>2006<br>-----<br>(Audited) | From<br>Inception<br>(09/05/1994)<br>To<br>December 31,<br>1996<br>-----<br>(Unaudited) | For the Years<br>Ending<br>2006<br>----- | End<br>2005<br>----- |
|---|---|---|--|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>                                |   |   |  |                      |
| Net loss  | \$ (39,156,299)   | \$ (2,152,843)  | \$ (7,572,746)                           | \$ (5,557,           |
| Adjustments to reconcile net loss to net cash used in operating activities: |   |   |  |                      |
| Depreciation and amortization   | 1,399,398   | 3,484   | 156,933                                  | 98,                  |
| Stock based compensation  | 8,230,280   | 1,429,000   | -  | 69,                  |
| Stock options issued for services   | 1,662,733   | -   | 220,366                                  | 65,                  |
| Amortization of deferred compensation                                       | 1,662,522   | -   | 40,034                                   | 392,                 |
| Foreign currency loss   | 56,601  | -   | 77,141                                   | (20,                 |
| Other income  | (228,190)   | -   | 3,160                                    |                      |
| (Increase) decrease in assets:  |   |   |  |                      |
| Accounts receivable   | (5,584)   | 5,584   | 51,117                                   | (51,                 |
| Interest receivable and prepaids  | (95,086)  | -   | (28,398)                                 | 22,                  |
| Deposits  | 13,724  | (783)   | -  |                      |
| Increase (decrease) in liabilities:   |   |   |  |                      |
| Deferred revenue  | (200,000)   | 200,000   | -  |                      |
| Accounts payable and accrued expenses                                       | 3,151,606   | 29,274  | 804,265                                  | 345,                 |
| <b>NET CASH USED IN OPERATING ACTIVITIES</b>                                | <b>(23,508,295)</b>   | <b>(486,284)</b>  | <b>(6,248,128)</b>                       | <b>(4,635,</b>       |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>                                |   |   |  |                      |
| Purchase of technology rights   | (63,492)  | (95,477)  | (50,000)                                 |                      |
| Purchase of furniture and equipment   | (330,824)   | (12,837)  | (5,165)                                  | (222,                |
| Note receivable   | (250,000)   | -   | -  |                      |
| (Purchase) liquidation of marketable securities                             | (3,160)   | -   | 496,840                                  | 1,500,               |
| Patent registration costs   | (1,117,072)   | (24,866)  | (397,452)                                | (305,                |
| <b>NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES</b>                  | <b>(1,764,548)</b>  | <b>(133,180)</b>  | <b>44,223</b>                            | <b>972,</b>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>                                |   |   |  |                      |
| Proceeds from warrants/options  | 703,125   | -   | 64,500                                   | 31,                  |
| Proceeds from debentures  | 642,120   | -   | -  |                      |
| Proceeds from stock issued for cash   | 13,987,479  | 641,090   | 2,045,000                                |                      |
| Proceeds from equity financing  | 8,898,516   | -   | 4,194,774                                | 1,603,               |
| Common stock to be issued   | 437,552   | -   | 185,243                                  | 46,                  |
| Short-term loan repayments  | (288,422)   | -   | -  |                      |
| Short-term loan proceeds  | 1,612,922   | -   | -  |                      |
| <b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>                            | <b>25,993,292</b>   | <b>641,090</b>  | <b>6,489,517</b>                         | <b>1,681,</b>        |
| <b>CHANGE IN CASH</b>   | <b>720,449</b>  | <b>21,626</b>   | <b>285,612</b>                           | <b>(1,981,</b>       |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>                     | <b>21,626</b>   | <b>-</b>  | <b>456,463</b>                           | <b>2,438,</b>        |
| <b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>                           | <b>\$ 742,075</b>   | <b>\$ 21,626</b>  | <b>\$ 742,075</b>                        | <b>\$ 456,</b>       |



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### NON-CASH FINANCING AND INVESTING ACTIVITIES:

|  |                |              |            |              |
|--|----------------|--------------|------------|--------------|
| Purchase of net, non-cash assets of subsidiary for stock                                   | \$ 195         | \$ -         | \$ -       | \$ -         |
| Short-term debt retired through issuance of stock  | \$ 1,890,695   | \$ -         | \$ -       | \$ -         |
| Issuance of common stock, previously subscribed  | \$ 180,000     | \$ -         | \$ -       | \$ -         |
| Cash paid for interest and taxes   | \$ -           | \$ -         | \$ -       | \$ -         |
| Purchase of technology rights for accounts payable to be settled through issuance of stock | \$ 199,500     | \$ -         | \$ 199,500 | \$ -         |
| Treasury stock acquired through settlement of judgement                                    | \$ 250,248     | \$ -         | \$ -       | \$ -         |
| Stock subscriptions receivable   | \$ 1,119,848   | \$ -         | \$ -       | \$ -         |
| Stock retired in settlement of subscriptions receivable                                    | \$ (5,978,668) | \$ -         | \$ -       | \$ -         |
| Stock received in settlement   | \$ (231,350)   | \$ -         | \$ -       | \$ -         |
| Stock as compensation for services   | \$ 5,175,792   | \$ 1,357,735 | \$ -       | \$ 1,357,735 |
| Stock issued in cancellation of accounts payable   | \$ 4,248,938   | \$ -         | \$ -       | \$ -         |
| Exercise of stock options  | \$ 4,858,820   | \$ -         | \$ -       | \$ -         |

See accompanying notes to the consolidated financial statements

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SAMARITAN PHARMACEUTICALS, INC.  
(A DEVELOPMENT STAGE COMPANY)  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
YEARS ENDED DECEMBER 31, 2006, 2005 AND 2004

#### NOTE 1 - ORGANIZATION AND NATURE OF BUSINESS

Samaritan Pharmaceuticals, Inc. ('the Company') was formed in September 1994 and became public in October 1997. Our principle executive offices are located in Las Vegas, Nevada.

Samaritan Pharmaceuticals, Inc., is an entrepreneurial biopharmaceutical company, focused on commercializing innovative therapeutic products to relieve the suffering of patients with Alzheimer's disease; cancer; cardiovascular disease, HIV, and Hepatitis C; as well as, commercializing its acquired marketing and sales rights, to sell nine marketed revenue-generating products, in Greece, and/or various Eastern European countries.

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### A. Basis of Consolidation

The accompanying financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

##### B. Revenue recognition

The Company follows the guidance of the Securities and Exchange Commission's Staff Accounting Bulletin 104 for revenue recognition. The Company recognizes revenue when persuasive evidence of a final agreement exists, delivery has occurred, the selling price is fixed or determinable and collectability is

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reasonably assured. During 2006 and 2005, revenue consisted of grant income recognized when the qualifying expenditure was incurred. During 2003, revenue consisted of a consulting fee deemed earned since there was no further services under the agreement.

### C. Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less to be cash equivalents.

The Company maintains its cash in bank accounts at high credit quality financial institutions. The balances at times may exceed federally insured limits.

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### D. Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from their equity purchase agreement with Fusion Capital. If Fusion Capital is unable to meet its commitments under the agreement or is unable to sell the stock in the open market, this will have a materially adverse effect on the Company's financial position and its ability to continue its current research.

### E. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

### F. Intangibles

Legal fees associated with filing patents are recorded at cost and amortized over 17 years. We currently own or in-license patents related to our products or product candidates and own or in-license additional applications for patents that are currently pending. In general, when we in-license intellectual property from various third parties, we are required to pay royalties to the parties on product sales. The Company reviews patent costs for impairment by comparing the carrying value of the patents with the fair value. The Company believes it will recover the full amount of the patent costs based on forecasts of sales of the products related to the patents. Patent registration costs are amortized over seventeen (17) years once approved. Patent amortization expense was \$55,458 and \$34,268 during the years ended December 31, 2006 and 2005, respectively. Projected amortization is \$61,341 for 2007 through 2011. Certain U.S. patents may be eligible for patent term extensions under the Hatch-Waxman Act may be available to Samaritan for the lost opportunity to market and sell the invention during the regulatory review process.

Purchased technology rights are recorded at cost and are being amortized using the straight line method over the estimated useful life of the technology. Amortization expense was \$10,896 for the years ending December 31, 2003 to 2005, and \$17,134 for the year ended December 31, 2006. Projected amortization expense associated with these technology rights in the future will be \$23,763 for 2007 and \$14,676 for 2008 through 2011.

### G. Earnings (loss) per share

The Company reports loss per common share in accordance with Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share." The Company has 25,718,518 and 23,856,018 and 20,942,930 options outstanding at December 31, 2006, 2005 and 2004, respectively, which have not been included.

### H. Use of Estimates

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The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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### I. Income Taxes

Pursuant to Statement of Financial Accounting Standards No. 109 ('SFAS 109') Accounting for Income Taxes', the Company accounts for income taxes under the liability method. Under the liability method, a deferred tax asset or liability is determined based upon the tax effect of the differences between the financial statement and tax basis of assets and liabilities as measured by the enacted rates, which will be in effect when these differences reverse.

### J. Research and Development Costs

Research and development costs are expensed when incurred.

### K. Impairment of Long-Lived Assets

The Company reviews long-lived assets and certain identifiable assets related to those on a quarterly basis for impairment whenever circumstances and situations change such that there is an indication that the carrying amounts may not be recovered. At December 31, 2006, the Company does not believe that any impairment has occurred.

### L. Fair Value of Financial Instruments

Statement of Financial Accounting Standard No. 107 Disclosures about Fair Value of Financial Instruments ("SFAS 107") requires the disclosure of fair value information about financial instruments whether or not recognized on the balance sheet, for which it is practicable to estimate the value. Where quoted market prices are not readily available, fair values are based on quoted market prices of comparable instruments. The carrying amount of cash, accounts payable and accrued expenses approximates fair value because of the short maturity of those instruments.

### M. Foreign Currency Translation

Assets and liabilities of subsidiaries operating in foreign countries are translated into U.S. dollars using both the exchange rate in effect at the balance sheet date of historical rate, as applicable. Results of operations are translated using the average exchange rates prevailing throughout the year. The effects of exchange rate fluctuations on translating foreign currency assets and liabilities into U.S. dollars are included in stockholders equity (Accumulated other comprehensive loss), while gains and losses resulting from foreign currency transactions are included in operations.

### N. Stock Based Compensation

In December 2004, the FASB issued SFAS No. 123(R), "Share-Based Payment," which replaces SFAS No. 123 and supersedes APB Opinion No. 25. Under SFAS No. 123(R), companies are required to measure the compensation costs of share-based compensation arrangements based on the grant-date fair value and recognize the costs in the financial statements over the period during which employees are required to provide services. Share-based compensation arrangements include

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stock options, restricted share plans, performance-based awards, share appreciation rights and employee share purchase plans. In March 2005 the SEC issued Staff Accounting Bulletin No. 107, or "SAB 107". SAB 107 expresses views of the staff regarding the interaction between SFAS No. 123(R) and certain SEC rules and regulations and provides the staff's views regarding the valuation of share-based payment arrangements for public companies. SFAS No. 123(R) permits public companies to adopt its requirements using one of two methods. On April 14, 2005, the SEC adopted a new rule amending the compliance dates for SFAS No.

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123(R). Companies may elect to apply this statement either prospectively, or on a modified version of retrospective application under which financial statements for prior periods are adjusted on a basis consistent with the pro forma disclosures required for those periods under SFAS 123. Effective January 1, 2006, the Company has fully adopted the provisions of SFAS No. 123(R) and related interpretations as provided by SAB 107. As such, compensation cost is measured on the date of grant as the excess of the current market price of the underlying stock over the exercise price. Such compensation amounts, if any, are amortized over the respective vesting periods of the option grant. The Company applies this statement prospectively. Prior to January 1, 2006, the Company accounted for stock-based employee compensation plans (including shares issued under its stock option plans) in accordance with APB Opinion No. 25 and followed the pro forma net income, pro forma income per share, and stock-based compensation plan disclosure requirements set forth in the Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS No. 123").

### O. Marketable Securities

At December 31, 2006, the Company held one brokered Certificate of Deposit with a total market value of \$496,068 which was classified as available for sale. The original cost was \$500,000. During 2006, the certificate was redeemed. Unrealized gains and losses, determined by the difference between historical purchase price and the market value at each balance sheet date, are recorded as a component of Accumulated Other Comprehensive loss in Shareholder's Deficit. Realized gains and losses will be determined by the difference between historical purchase price and gross proceeds received when the marketable securities are sold.

At December 31, 2006, the Company did not own any Certificate of Deposits.

### P. Accrued Officers' Compensation

Accrued officers' compensation consists of the unpaid portion of the respective officer's contract salary.

### Q. Unissued Stock

Unissued stock consists of proceeds from private placements received by year-end for stock that had yet to be issued. Such amounts were retired through the issuance of shares subsequent to the balance sheet date.

### R. New Accounting Pronouncements

In February 2006, the FASB issued SFAS 155, which applies to certain "hybrid financial instruments," which are instruments that contain embedded derivatives. The new standard establishes a requirement to evaluate beneficial interests in securitized financial assets to determine if the interests represent freestanding derivatives or are hybrid financial instruments containing embedded derivatives requiring bifurcation. This new standard also permits an election

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for fair value re-measurement of any hybrid financial instrument containing an embedded derivative that otherwise would require bifurcation under SFAS 133. The fair value election can be applied on an instrument-by-instrument basis to existing instruments at the date of adoption and can be applied to new instruments on a prospective basis. The adoption of SFAS No.155 did not have a material impact on the Company's financial position and results of operations.

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In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. The adoption of this statement is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109." This interpretation provides guidance for recognizing and measuring uncertain tax positions, as defined in SFAS No. 109, "Accounting for Income Taxes." FIN No. 48 prescribes a threshold condition that a tax position must meet for any of the benefit of an uncertain tax position to be recognized in the financial statements. Guidance is also provided regarding de-recognition, classification, and disclosure of uncertain tax positions. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. The Company does not expect that this interpretation will have a material impact on its financial position, results of operations, or cash flows.

In September 2006, the FASB issued FASB Statement No. 157. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. This Statement applies under other accounting pronouncements that require or permit fair value measurements, the Board having previously concluded in those accounting pronouncements that fair value is a relevant measurement attribute. Accordingly, this Statement does not require any new fair value measurements. However, for some entities, the application of this Statement will change current practices. This Statement is effective for financial statements for fiscal years beginning after November 15, 2007. Earlier application is permitted provided that the reporting entity has not yet issued financial statements for that fiscal year. Management believes this Statement will have no impact on the financial statements of the Company once adopted.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FAS 115" (Statement 159). Statement 159 allows entities to choose, at specified election dates, to measure eligible financial assets and liabilities at fair value that are not otherwise required to be measured at fair value. If a company elects the fair value option for an eligible item, changes in that item's fair value in subsequent reporting periods must be recognized in current earnings. Statement 159 is effective for fiscal years beginning after November 15, 2007. We are currently evaluating the potential impact of Statement 159 on our financial

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statements. We do not expect the impact will be material.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not expected to have a material impact on the consolidated financial statements upon adoption.

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### NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment, at cost, consist of the following as of December 31:

|                                | Estimated<br>Useful<br>Life | 2005       | 2006       |
|--------------------------------|-----------------------------|------------|------------|
|                                | -----                       | -----      | -----      |
| Furniture and Fixtures         | 3-7                         | \$ 130,828 | \$ 135,248 |
| Software                       | 3                           | 10,392     | 11,137     |
| Lab Equipment                  | 3                           | 197,279    | 197,279    |
|                                |                             | -----      | -----      |
|                                |                             | 338,499    | 343,664    |
|                                |                             | -----      | -----      |
| Less: accumulated depreciation |                             | (131,696)  | (216,037)  |
|                                |                             | -----      | -----      |
| Total                          |                             | \$ 206,803 | \$ 127,627 |
|                                |                             | =====      | =====      |

Depreciation expense for the years ended December 31, 2006, 2005 and 2004 was \$84,342, \$52,951, and \$16,322, respectively.

### NOTE 4 - SHAREHOLDERS' EQUITY

The Company amended its articles of incorporation on June 27, 2003, to increase the authorized number of shares to 250 million and on April 24, 2001, authorized a class of 5 million shares of preferred stock. There are no outstanding preferred stock shares at December 31, 2006.

#### A. Stock Option Plans.

The short and long-term compensation program includes stock options granted under Stock Incentive Plans as well as non-qualified stock options. The Company currently has two stock option plans: The 2005 Stock Option Plan, approved by the shareholders on June 10, 2005 as an additional plan to the Company's 2001 Stock Plan; and the 2001 Stock Option Plan, approved by the shareholders on April 24, 2001. Both option plans are designed to reward executives for achieving long-term financial performance goals over a three-year to ten-year period, provide retention incentives for executives, and tie a significant portion of an executive's total compensation to long-term performance. Stock options for executive officers and key associates are part of the incentive program and link the enhancement of shareholder value directly to their total compensation.

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Shares available under the 2005 Plan: On a calendar year basis, Awards under the Plan may be made for a maximum of ten percent (10%) of the total shares of Common Stock outstanding on a fully diluted basis (without taking into account outstanding Awards at the end of the prior calendar year), less Awards outstanding at the end of the prior calendar year. Notwithstanding this limit,

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not more than three percent (3%) of the total shares of within the plan may be subject to ISO Awards during the term of the Plan, and not more than seven percent (7%) of the total shares within the plan may be subject to Awards in a form other than options and SARs. No director, officer, or employee may be granted options with respect to the total awards available under the plan to more than half of the awards within the Plan, nor more than 5,000,000 shares per fiscal year, subject to a limit of 2,500,000 shares per fiscal year for individuals first hired that year. The number of shares subject to these limits will be adjusted in the event of certain changes in the capitalization of the Company.

Shares Available under the 2001 Plan: The number of awards that may be granted under the 2001 Plan in each calendar year will not exceed twenty percent (20%) of (i) the total shares of common stock outstanding on a fully diluted basis, without taking into account awards outstanding under the 2001 Plan that are exercisable for or convertible into common stock or that are unvested stock awards (referred to as 'outstanding awards'), at the close of business on the last day of the preceding calendar year, less (ii) the number of shares subject to 'outstanding awards' at the close of business on that date.

There were 2,642,500 options granted, 525,000 options exercised, and 255,000 options expired pursuant to both plans. As of December 31, 2006, there were 25,718,518 options remaining outstanding pursuant to both plans. Of the 2,642,500 options granted, 1,030,000 were issued for services and expenses accordingly, and 1,612,500 were issued in association with private placements.

The following table summarizes the Company's stock options outstanding at December 31, 2006, 2005, and 2004:

|   | Shares       | Weighted average<br>exercise price |
|---|--------------|------------------------------------|
|   | -----        | -----                              |
| Outstanding and exercisable<br>at December 31, 2003 | 15,962,258   | \$ .34                             |
| Granted   | 25,000,806   | .51                                |
| Exercised   | (17,585,468) | (.30)                              |
| Expired   | (2,452,666)  | (.51)                              |
|   | -----        | -----                              |
| Outstanding and exercisable<br>at December 31, 2004 | 20,924,930   | .56                                |
| Granted   | 3,201,088    | .88                                |
| Exercised   | (170,000)    | (.19)                              |
| Expired   | (100,000)    | (1.00)                             |
|   | -----        | -----                              |
| Outstanding and exercisable<br>at December 31, 2005 | 23,856,018   | .60                                |
| Granted   | 2,642,500    | .76                                |
| Exercised   | (525,000)    | (.20)                              |
| Expired   | (255,000)    | (1.18)                             |
|   | -----        | -----                              |
| Outstanding and exercisable<br>at December 31, 2006 | 25,718,518   | \$ .62                             |
|   | -----        | -----                              |

Information, at date of issuance, regarding options for the year ended December 31, 2006:

|  |        |                                 |
|--|--------|---------------------------------|
|  | Shares | Weighted<br>Average<br>Exercise |
|--|--------|---------------------------------|

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|  |           |    | Price |    |
|--|-----------|----|-------|----|
| Exercise price exceeds market price      | 2,582,500 | \$ | .77   | \$ |
| Exercise price equals market price       | 60,000    | \$ | .39   | \$ |
| Exercise price is less than market price | -0-       | \$ | -0-   | \$ |

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The Company applies APB No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its stock options. As a result no compensation expense had been recognized for employee and director stock options prior to 2006 when FASB Statement No. 123R, Share-Based Payment, an Amendment of FASB Statement No. 123 (FAS No. 123R) was adopted. Had the Company determined compensation cost based on the fair value at the grant date for its stock options during those years under SFAS No. 123, Accounting for Stock-Based Compensation, the Company's net loss would have been reported as follows:

|  | December 31,   |                |
|--|----------------|----------------|
|  | 2004           | 2005           |
|  | -----          | -----          |
| Net Loss:                                |                |                |
| As reported                              | \$ (4,864,361) | \$ (5,557,559) |
| Pro Forma                                | \$ (8,927,246) | \$ (6,887,390) |
| Basic and diluted loss per common share: |                |                |
| As reported                              | (0.04)         | (0.04)         |
| Pro Forma                                | (0.07)         | (0.05)         |

The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of each individual issuance of options with the following assumptions used for grants during the year ended December 31, 2006, 2005, and 2004. The per-share weighted average fair value of stock options granted during 2006, 2005 and 2004 was \$0.76, \$0.43 and \$0.24, respectively, on the date of grant using the Black Scholes pricing model and the following assumptions for the years ended December 31:

|  | 2004  | 2005  | 2006     |
|--|-------|-------|----------|
|  | ----- | ----- | -----    |
| Expected dividend yield                              | 0%    | 0%    | 0%       |
| Risk-free interest rate                              | 5%    | 5%    | 3.8%     |
| Annualized volatility                                | 82%   | NA    | NA       |
| Average quarterly volatility for applicable quarters |       | 41%   | NA       |
| Volatility calculated by grant date                  |       |       | 86%-110% |

| -----              |   |                           |                                   |                     |                    |
|--------------------|---|---------------------------|-----------------------------------|---------------------|--------------------|
| Calendar Year 2006 |   |                           |                                   |                     |                    |
| -----              |   |                           |                                   |                     |                    |
|                    |   |                           | Options Outstanding               | Options Exercisable |                    |
| -----              |   |                           |                                   |                     |                    |
| Exercise Prices    | Weighted -Average Range of Number Outstanding | Contractual Life (Months) | Remaining Weighted Exercise Price | -Average            | Number Exercisable |



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|               |            |    |         |            |
|---------------|------------|----|---------|------------|
| \$ .15 - .25  | 387,500    | 52 | \$ .22  | 387,500    |
| \$ .26 - .50  | 5,462,435  | 78 | \$ .36  | 5,462,435  |
| \$ .51 - 1.00 | 18,418,583 | 68 | \$ .67  | 18,418,583 |
| Above 1.00    | 1,450,000  | 89 | \$ 1.11 | 1,450,000  |

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C. Stock as compensation and settlement of debt

The Company issues stock as compensation for services valuing such issues premised upon the fair market value of the stock.

During the year ended December 31, 2006, no shares were issued as compensation. During the year ended December 31, 2005, the Company issued an aggregate of 398,900 shares of common stock in consideration of services rendered or to be rendered to the Company. Such shares were valued at an aggregate of \$198,184 ranging from \$.41 - \$.72 per share, representing the fair value of the shares issued. The issuances were recorded as non-cash compensation expense and deferred compensation. The unamortized balance of deferred compensation at December 31, 2005 is \$40,034. During the year ended December 31, 2004, the Company issued an aggregate of 2,081,249 shares of common stock in consideration of services rendered or to be rendered to the Company. Such shares were valued at an aggregate of \$1,790,478 ranging from \$.16 - \$1.19 per share, representing the fair value of the shares issued. The issuances were recorded as non-cash compensation expense and deferred compensation. The unamortized balance of deferred compensation at December 31, 2004 is \$304,416.

During the year ended December 31, 2006, the Company also issued 12,123,008 shares in connection with the common stock purchase agreement with Fusion Capital (Note 11). During the year ended December 31, 2005, the Company also issued 2,567,175 shares in connection with the common stock purchase agreement with Fusion Capital (Note 11). During the year ended December 31, 2004, the Company also issued 8,758,240 shares in connection with the common stock purchase agreement with Fusion Capital (Note 9).

D. Private Placement

During the year ended December 31, 2006, through various private placements, the Company sold 7,212,500 shares for \$2,045,000. During the year ended December 31, 2005, the Company did not offer any private placements. During the year ended December 31, 2004, through various private placements, the Company sold 11,426,733 shares for \$4,300,938.

NOTE 5 - INCOME TAXES

The Company has net operating losses at December 31, 2006 of approximately \$28,448,000 expiring through 2025. Utilization of these losses may be limited by the "change of ownership" rules as set forth in section 382 of the Internal Revenue Code.

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A reconciliation of the statutory U.S. Federal rate thirty-five percent (35%)

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and effective rates is as follows:

|                                 | Years Ended December 31, |                |                |
|---------------------------------|--------------------------|----------------|----------------|
|                                 | 2004                     | 2005           | 2006           |
| Expected income tax (benefit)   |                          |                |                |
| at Federal statutory rate       | \$ (1,702,000)           | \$ (1,945,000) | \$ (2,622,000) |
| State tax (benefit) net of      |                          |                |                |
| Federal effect                  | (243,000)                | (278,000)      | (375,000)      |
| Permanent differences           | 821,000                  | 230,000        | 18,000         |
| Increase in valuation allowance | 1,124,000                | 1,993,000      | 2,979,000      |
|                                 | \$ -                     | \$ -           | \$ -           |
|                                 | =====                    | =====          | =====          |

|                      | December 31, |               |
|----------------------|--------------|---------------|
|                      | 2005         | 2006          |
| Net operating losses | \$ 8,469,000 | \$ 11,360,000 |
| Stock Option Expense |              | 88,000        |
| Valuation allowance  | (8,469,000)  | (11,448,000)  |
|                      | \$ -         | \$ -          |
|                      | =====        | =====         |

The valuation allowances have been established equal to the full amounts of the deferred tax assets, as the Company is not assured that it is more likely than not that these benefits will be realized.

### NOTE 6 - COMMITMENTS AND CONTINGENCIES

A. The Company leases various facilities under operating lease agreements expiring through September 2008. Rental expense for the years ended December 31, 2006, 2005, and 2004 was \$62,115, \$39,708, and \$49,883 respectively. Future minimum annual lease payments under the facilities lease agreements for agreements lasting more than one year are as follows:

|      |          |
|------|----------|
| 2007 | \$56,572 |
| 2008 | \$43,307 |

B. Samaritan has a research collaboration (the "Research Collaboration") with Georgetown University to further develop Samaritan's pipeline. Commencing on April 1, 2004, the Research Collaboration term was extended to 2014 with a budget of \$1,000,000 per year. The \$1,000,000 paid by Samaritan over four (4) quarterly payments of \$250,000 is unallocated and covers the general research and development effort. In the second quarter of 2007, we plan to terminate the Georgetown University research collaboration, however, Samaritan is currently negotiating a research collaboration with McGill University, Montreal, under the same terms as the Georgetown University agreement which we plan to initiate in the third quarter of 2007.

C. The Company has no written employment agreement with the Dr. Janet Greeson and Mr. Eugene Boyle. Dr. Thomas Lang and Dr. Christos Dakas each have employment agreements negotiated at arm's length with the Compensation Committee, and each such agreement provides for a minimum annual base salary. In setting base salaries, the Board has considered (a) the contributions made by

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each executive to our Company, (b) compensation paid by peer companies to their executive officers and (c) outside compensation reports. In 2006, all executive officers received salary increases of approximately 5% reflecting competitive trends, general economic conditions as well as a number of factors relating to the particular individual, including the performance of the individual executive, and level of experience, ability and knowledge of the job.

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The Compensation Committee also has the authority to award discretionary bonuses to our executive officers. The incentive bonuses are intended to compensate officers for achieving financial and operational goals and for achieving individual annual performance objectives. These objectives vary depending on the individual executive, but relate generally to strategic factors such as 1) initial signing of an employment agreement; 2) upon acceptance of filing of a new drug application by the FDA; 3) the FDA approval to move from one phase to the next phase in the FDA application process; 4) pharmaceutical sales goals achieved 5) completion of an in-licensing contract; 6) completion of an out-licensing contract; and 7) increases in market capitalization. The Compensation Committee did not make any cash bonuses to the executive officers in 2006.

### NOTE 7 - RESEARCH AND DEVELOPMENT COSTS

Research and development expenses consist of the costs associated with our research activities, as well as the costs associated with our drug discovery efforts, conducting preclinical studies and clinical trials, manufacturing development efforts and activities related to regulatory filings. Our research and development expenses consist of:

- external research and development expenses incurred under agreements with third-party contract research organizations and investigative sites, third-party manufacturing organizations and consultants;
- employee-related expenses, which include salaries and benefits for the personnel involved in our drug discovery and development activities.

We use our employee across multiple research projects, including our drug development programs. We track direct expenses related to our clinical programs on a per project basis. Accordingly, we allocate internal employee-related, as well as third-party costs, to each clinical program. We do not allocate expenses related to preclinical programs.

The following table summarizes our principal product development programs, including the related stages of development for each product candidate in development and the research and development expenses allocated to each clinical product candidate. The information in the column labeled "Estimated Completion of Current Trial" is our estimate of the timing of completion of the current clinical trial or trials for the particular product candidate. The actual timing of completion could differ materially from the estimates provided in the table.

| Product Candidate    | Completion Phase of Indication | Estimated Research and Development of Current Development | Expenses Trial | Year Ended December 31 |             |              |
|----------------------|--------------------------------|---|----------------|------------------------|-------------|--------------|
|                      |                                |   |                | 2004                   | 2005        | 2006         |
| Clinical Development |                                |   |                |                        |             |              |
| SP-01A**             | HIV                            | Phase 2   | 2006           | \$ 836,424             | \$2,263,903 | \$ 2,534,856 |

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|                          |              |             |              |
|--------------------------|--------------|-------------|--------------|
| Research and preclinical | \$ 707,497   | \$1,192,398 | \$ 2,332,197 |
|                          | -----        | -----       | -----        |
|                          | \$ 1,543,921 | \$3,456,301 | \$ 4,667,053 |
|                          | =====        | =====       | =====        |

\*\*On March 28, 2007, Samaritan entered into an agreement in which Pharmaplaz will bear the expense of the development of SP-01A going forward.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and estimated costs of the efforts that will be necessary to complete the remainder of the development of, or the period, if any, in which material net cash inflows may commence from, SP-01A or any of our preclinical product candidates. This is due to the numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

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- the scope, rate of progress and expense of our clinical trials and other research and development activities;
- the potential benefits of our product candidates over other therapies;
- our ability to market, commercialize and achieve market acceptance for any of our product candidates that we are developing or may develop in the future;
- future clinical trial results;
- the terms and timing of regulatory approvals; and
- the expense of filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights.

A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the FDA or other regulatory authority were to require us to conduct clinical trials beyond those which we currently anticipate will be required for the completion of clinical development of a product candidate or if we experience significant delays in enrollment in any our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development.

### NOTE 8 - LITIGATION

Samaritan, from time to time, is involved in various legal proceedings in the ordinary course of its business.

### NOTE 9 - RELATED PARTY TRANSACTIONS

In the ordinary course of business, we entered into transactions with Clay County Holdings ('CCH'). These transactions include loans made to and from CCH. In the past, CCH had made a loan to Samaritan which Samaritan paid off in 2003. During 2004, Samaritan created a notes receivable with CCH for \$250,000 which amount bears interest at a rate of twelve percent (12%) per annum. The note receivable is secured by pledge of common stock in Samaritan owned by CCH. A Director of the Company is the Chairman of the Board of Nevada Gold and Casinos but is not a shareholder of CCH. The CEO and CFO of the Company are mother and son.

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### NOTE 10 - OTHER INCOME

In the December 31, 2004 financial statements, other income consists of the return of 250,000 shares of common stock that had been issued as compensation to a consultant in a prior year. The shares were returned due to the fact that the services were not performed. The shares were valued at their original issuance value, \$231,350.

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### NOTE 11 - FUSION TRANSACTION

On May 12, 2005, we entered into a second common stock purchase agreement, as amended ("Purchase Agreement II") with Fusion Capital pursuant to which Fusion Capital has agreed to purchase our common stock from time to time at our option up to an aggregate amount of \$40,000,000 over fifty (50) months from the date the SEC declares effective a registration statement covering the shares of common stock to be purchased by Fusion Capital pursuant to such Purchase Agreement II. The SEC declared effective the Company's registration statement on Form SB-2, Commission Registration No. 333-130356 on December 29, 2005, covering the shares of common stock to be purchased by Fusion Capital and such shares will be priced based on the market price of our shares at the time of sale to Fusion Capital. We have the right to sell to Fusion Capital up to \$40,000 of our common stock on each business day and may increase that amount with additional \$5,000 for every \$0.25 increase in our stock price above \$1.50 for five consecutive days immediately prior to the submission of Daily Purchase Amount Increase Notice. We have the right to control timing and the amount of shares we sell to Fusion Capital. On February 17, 2006, the conditions for commencement of sales of our shares specified in the purchased agreement with Fusion Capital were satisfied. During the year ended December 31, 2006, the Company also issued 12,123,008 shares in connection with the common stock purchase agreement with Fusion Capital. Samaritan filed a post effective amendment on Form S-1 to the above Registration Statement No. 333-130356 on January 9, 2007. The SEC declared it effective on February 6, 2007.

### NOTE 12 - RISKS AND UNCERTAINTIES

Marketability of the product is dependent, among other things, upon securing additional capital to successfully complete the clinical testing of the product, securing FDA approval, and procurement of viable patents.

### NOTE 13 - QUARTERLY FINANCIAL DATA - (Unaudited)

The following quarterly financial data are unaudited, but in the opinion of management include all necessary adjustments for a fair presentation of the interim results.

|                                   | First<br>Quarter<br>----- | Second<br>Quarter<br>----- | Third<br>Quarter<br>----- | Fou<br>Quart<br>----- |
|-----------------------------------|---------------------------|----------------------------|---------------------------|-----------------------|
| Year ended December 31, 2006      |                           |                            |                           |                       |
| Government Research Grants        | \$ 21,793                 | \$ -                       | \$ 10,586                 | \$                    |
| Income from operations            | (1,193,558)               | (2,257,555)                | (1,774,588)               | (2,34                 |
| Net income (loss)                 | (1,193,558)               | (2,257,555)                | (1,774,588)               | (2,34                 |
| Basic and diluted earnings (loss) |                           |                            |                           |                       |

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| per share                                      | \$               | (.01)             | \$               | (.02)             | \$            | (.01)        | \$   |             |
|--|------------------|-------------------|------------------|-------------------|---------------|--------------|------|-------------|
|  | First<br>Quarter | Second<br>Quarter | Third<br>Quarter | Fourth<br>Quarter | Year<br>ended | December 31, | 2005 |             |
| Government Research Grants                     | \$               | -                 | \$               | 15,250            | \$            | 120,179      | \$   | 120,179     |
| Income from operations                         |                  | (1,261,556)       |                  | (1,470,396)       |               | (1,344,515)  |      | (1,480,000) |
| Net income (loss)                              |                  | (1,261,556)       |                  | (1,470,396)       |               | (1,344,515)  |      | (1,480,000) |
| Basic and diluted earnings (loss)<br>per share | \$               | (.01)             | \$               | (.01)             | \$            | (.01)        | \$   | (.01)       |

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NOTE 14 - SUBSEQUENT EVENTS (Unaudited)

On March 28, 2007, Samaritan and Pharmaplaz announced they have a collaboration to develop and commercialize SP-01A, an "oral" HIV entry inhibitor, which has demonstrated safety and efficacy in Phase II human clinical trials. Under the terms of the agreement, Samaritan is to receive \$10 million dollars upfront in two payments, \$1.4 million was received on March 28, 2007, and the remaining \$8.6 million on September 16, 2007. Pharmaplaz will be responsible for clinical development, clinical trial costs and manufacturing. Upon successful commercialization, Samaritan and Pharmaplaz will co-market SP-01A and will share 50-50, in its revenue royalty stream.

On March 5, 2007, the Company announced that it had signed a service agreement with Advinus Therapeutics Limited, India, to perform validating preclinical studies for Caprospinol (SP-233), the company's lead Alzheimer's drug. Samaritan has completed a series of studies that suggests Caprospinol offers a new and novel neuroprotective treatment that could potentially protect the memory of Alzheimer's patients. Promising preclinical studies have shown that Caprospinol directly targets the amyloid peptide which is commonly thought to be the cause of Alzheimer's. Advinus will perform studies to validate Samaritan's previous findings; and in addition, Samaritan's strategy is to perform extensive preclinical studies with the intention of out-licensing Caprospinol to a major pharmaceutical company; and concurrently, expand Samaritan's investigational new drug application (IND) to the FDA, to enter Phase I human clinical trials.

On February 26, 2007, the Company announced that it had signed a marketing agreement with Shire Plc to sell Shire's Elaprase to treat Hunter's disease in Greece and Cyprus. Samaritan will sell the drug on a "named patient" basis until Greece and Cyprus establish pricing and reimbursement for the drug. The drug is expected to launch in the two countries during the second quarter of 2007.

On January 22, 2007, the Company announced that it had signed an exclusive license for the marketing and sales of U.S. approved Infasurf (calfactant), a specialist medication used to treat and prevent respiratory distress syndrome (RDS) in premature infants. Under this agreement, Samaritan has obtained exclusive rights to sell Infasurf in Turkey, Serbia, Bosnia, Macedonia, Albania, Egypt and Syria. The cumulative population of these countries is greater than 180 million people.

On January 16, 2007, the Company announced that it had signed an exclusive license with Molteni Farmaceutici, Italy in-licensing the marketing and sales rights for six prescription medications: Oramorph(tm), Morphine Sulphate, Methadone, Naloxone Molteni(tm), Naltrexone(tm), and Mepivamol(tm), in Greece

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and Cyprus.

During the first quarter 2007, we issued 1,099,748 shares in consideration of services performed in 2006; issued 500,000 shares for the acquisition of Metastatin Pharmaceuticals; issued 50,000 shares for the asset purchase from Quest Pharmatech.. Additionally in first quarter 2007, the Company received \$280,000 in exchange for the issuance of 1.12 million shares to Fusion Capital. The Company also completed one (1) private placement in which the Company received qualified subscriptions for 5,335,000 shares of our Common Stock at a purchase price of \$0.15 per share of total proceeds equal to \$800,250, for which we are in the process of filing an AMEX additional listing application to issue the shares.

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