UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2008

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 **0-9314**

ACCESS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**83-0221517**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer I.D. No.)

2600 Stemmons Frwy, Suite 176, Dallas, TX 75207
(Address of principal executive offices)

(214) 905-5100
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See the definitions of "large accelerated filer" "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

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

As of May 20, 2008 there were 5,623,781 shares of Access Pharmaceuticals, Inc. Common Stock issued and outstanding. Also as of May 20, 2008 there were 3,499.8617 shares of Series A Convertible Preferred Stock convertible into 11,666,195 shares of Common Stock.

ACCESS PHARMACEUTICALS, INC.

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PART I –FINANCIAL INFORMATION

This Quarterly Report (including the information incorporated by reference) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties including, but not limited to the uncertainties associated with research and development activities, clinical trials, our ability to raise capital, the timing of and our ability to achieve regulatory approvals, dependence on others to market our licensed products, collaborations, future cash flow, the timing and receipt of licensing and milestone revenues, the future success of our marketed products and products in development, our sales projections, and the sales projections of our licensing partners, our ability to achieve licensing milestones and other risks described below as well as those discussed elsewhere in this Quarterly Report, documents incorporated by reference and other documents and reports that we file periodically with the Securities and Exchange Commission. These statements include, without limitation, statements relating to our ability to continue as a going concern, anticipated payments to be received from SpePharm Holding, our statement that RHEI will obtain necessary regulatory approvals in China, our statement that capital resources are adequate to fund our operations into the second quarter of 2009, our expectation that we will incur losses for the next several years, our expectation that we may be required to pay liquidated damages, anticipated product approvals and timing thereof, product opportunities, clinical trials and U.S. Food and Drug Administration ("FDA") applications, as well as our drug development strategy, our clinical development organization, the terms of future licensing arrangements, our ability to secure additional financing for our operations and our expected cash burn rate. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "could," "anticipates," "believes," "estimates," "predicts," "potential" or "continue" or the negative of such terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under "Risk Factors," that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels or activity, performance or achievements expressed or implied by such forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. We are under no duty to update any of the forward-looking statements after the date of filing this Form 10-Q to conform such statements to actual results.

ITEM 1 FINANCIAL STATEMENTS

The response to this Item is submitted as a separate section of this report.

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Access Pharmaceuticals, Inc. (together with our subsidiaries, "We", "Access" or the "Company") is a Delaware corporation. We are an emerging biopharmaceutical company focused on developing products based upon our nanopolymer chemistry technologies. We currently have one approved product, two products in Phase 2 clinical trials and five products in pre-clinical development. Our description of our business, including our list of products and patents, takes into consideration our acquisition of Somanta Pharmaceuticals, Inc. which closed January 4, 2008. Listed below if the status of development of our products and product candidates:

- MuGard™ is our approved product for the management of oral mucositis, a frequent side-effect of cancer therapy for which there is no established treatment. The market for mucositis treatment is estimated to be in excess of US$1 billion world-wide. MuGard, a proprietary nanopolymer formulation, has received marketing allowance in the U.S. from the Food & Drug Administration ("FDA").
- Our lead development candidate for the treatment of cancer is ProLindac™, a nanopolymer DACH-platinum prodrug. ProLindac is currently in a Phase 2 clinical trial being conducted in the EU in patients with ovarian cancer. The DACH-platinum incorporated in ProLindac is the same active moiety as that in oxaliplatin (Eloxatin; Sanofi-Aventis), which has sales in excess of $2.0 billion.
- Pre-clinical development of Cobalamin™, our proprietary nanopolymer oral drug delivery technology based on the natural vitamin B12 uptake mechanism. We are currently developing a product for the oral delivery of insulin.
- Pre-clinical development of Angiolix®, a humanized monoclonal antibody which acts as an anti-angiogenesis factor and is targeted to cancer cells, notably breast, ovarian and colorectal cancers.
- Pre-clinical development of Prodrax®, a non-toxic prodrug which is activated in the hypoxic zones of solid tumors to kill cancer cells.
- Pre-clinical development of Alchemix®, a chemotherapeutic agent that combines multiple modes of action to overcome drug resistance.
- Pre-clinical development of Cobalamin-mediated targeted delivery.
- Phenylbutyrate ("PB"), an HDAC inhibitor and a differentiating agent, is a Phase 2 clinical candidate being developed in collaboration with Virium Pharmaceuticals.

Products

Access used its drug delivery technologies to develop the following products and product candidates:

Access Drug Portfolio

Compound	Originator	Technology	Indication	Clinical Stage (1)
MuGard™	Access	Mucoadhesive liquid	Mucositis	Marketing clearance received
ProLindac™ (Polymer Platinate, AP5346) (2)	Access – U London	Synthetic polymer	Cancer	Phase 2
Phenylbutyrate (PB)	National Institute of Health	Small molecule	Cancer	Phase 2
Oral Insulin	Access	Cobalamin	Diabetes	Pre-clinical
Oral Delivery System	Access	Cobalamin	Various	Pre-clinical
Angiolix®	Immunodex, Inc.	Humanized monoclonal antibody	Cancer	Pre-clinical
Prodrax®	Univ London	Small molecule	Cancer	Pre-clinical
Alchemix®	DeMontford Univ	Small molecule	Cancer	Pre-clinical
Cobalamin-Targeted Therapeutics	Access	Cobalamin	Anti-tumor	Pre-clinical

(1) For more information, see “Government Regulation” for description of clinical stages.
(2) Licensed from the School of Pharmacy, The University of London. Subject to a 1% royalty and milestone payments on sales.

RECENT EVENTS

Steven H. Rouhandeh was appointed as a director and Chairman of the Board effective as of March 4, 2008.

On February 4, 2008, we entered into securities purchase agreements (the “Purchase Agreements”) with accredited investors whereby we agreed to sell 272.5 shares of our preferred stock, designated “Series A Cumulative Convertible Preferred Stock”, par value $0.01 per share, for an issue price of $10,000 per share, (the “Series A Preferred Stock”) and agreed to issue warrants to purchase 499,584 shares of our common stock, which includes placement agent warrants to purchase 45,417 shares of our common stock, at an exercise price of $3.50 per share, for an aggregate purchase price for the Series A Preferred Stock and Warrants of $2,725,000. Proceeds, net of issuance costs from the sale were $2,444,000. The shares of Series A Preferred Stock are convertible into common stock at the initial conversion price of $3.00 per share.

On January 14, 2008, we announced the signing of a definitive licensing agreement under which RHEI Pharmaceuticals, Inc. will market and manufacture MuGard in the Peoples Republic of China and certain Southeast Asian countries. RHEI will also obtain the necessary regulatory approvals for MuGard in the territory.

On January 4, 2008, we closed our acquisition of Somanta Pharmaceuticals, Inc. In connection with the acquisition, Access issued an aggregate of approximately 1.5 million shares of Access Pharmaceuticals, Inc. common stock to the common and preferred shareholders of Somanta as consideration. In addition, Access exchanged all outstanding warrants of Somanta for warrants to purchase 191,991 shares of Access common stock at exercise prices ranging between $18.55 and $69.57 per share.

In addition, $1,576,000 of Somanta Pharmaceuticals’ acquired accounts payable were settled by issuing 538,508 shares of Access common stock and warrants to purchase 246,753 shares of Access common stock at an exercise price of $3.50 per share. The value of the shares and warrants issued was determined based on the fair value of the accounts payable.

LIQUIDITY AND CAPITAL RESOURCES

We have funded our operations primarily through private sales of common stock, preferred stock and convertible notes and our principal source of liquidity is cash and cash equivalents. Licensing fees provided minimal funding for operations during the three months ended March 31, 2008. As of May 20, 2008, our cash and cash equivalents and short-term investments were $5,616,000 and our net cash burn rate for the three months ended March 31, 2008 was approximately $1,052,000 per month. As of March 31, 2008 our working capital was $4,139,000. Our working capital at March 31, 2008 represented a decrease of $2,100,000 as compared to our working capital as of December 31, 2007 of $6,239,000. The decrease in working capital at March 31, 2008 reflects the net capital raised in the February private placement of $2,444,000, offset by operating expenses which included manufacturing product scale-up for our new ProLindac trial and Somanta expenses. As of March 31, 2008 we have one convertible note outstanding in the principle amount of $5.5 million which is due September 13, 2011.

As of May 20, 2008, the Company did not have enough capital to achieve its long-term goals. If we raise additional funds by selling equity securities, the relative equity ownership of our existing investors would be diluted and the new investors could obtain terms more favorable than previous investors. A failure to obtain necessary additional capital in the future could jeopardize our operations.

We have generally incurred negative cash flows from operations since inception, and have expended, and expect to continue to expend in the future, substantial funds to complete our planned product development efforts. Since inception, our expenses have significantly exceeded revenues, resulting in an accumulated deficit as of March 31, 2008 of $126,752,000. We expect that our capital resources will be adequate to fund our current level of operations into the second quarter of 2009. However, our ability to fund operations over this time could change significantly depending upon changes to future operational funding obligations or capital expenditures. As a result we may be required to seek additional financing sources within the next twelve months. We cannot assure you that we will ever be able to generate significant product revenue or achieve or sustain profitability.

Since our inception, we have devoted our resources primarily to fund our research and development programs. We have been unprofitable since inception and to date have received limited revenues from the sale of products. We cannot assure you that we will be able to generate sufficient product revenues to attain profitability on a sustained basis or at all. We expect to incur losses for the next several years as we continue to invest in product research and development, preclinical studies, clinical trials and regulatory compliance.

FIRST QUARTER 2008 COMPARED TO FIRST QUARTER 2007

Our licensing revenue for the first quarter of 2008 was $17,000 as compared to no revenues for the same period of 2007. We recognize licensing revenue over the period of the performance obligation under our licensing agreement. We received a $1.0 million upfront licensing payment in August 2007 from SpePharm Holding, B.V. for marketing MuGard in Europe. We will recognize the upfront licensing fee over 14 ¾ years, the license term.

We have a sponsored research and development agreement. Our revenue from this agreement for the first quarter of 2008 was $21,000 as compared to no revenues for the same period of 2007. We will recognize revenue over the term of the agreement as services are performed.

Total research spending for the first quarter of 2008 was $9,645,000, as compared to $413,000 for the same period in 2007, an increase of $9,232,000. The increase in expenses was primarily due to:

- the Somanta acquisition resulted in a one-time non-cash in-process research and development expense in the first quarter of 2008 ($8,879,000);
- costs for product manufacturing for a new ProLindac clinical trial expected to start in mid 2008 ($257,000);
- higher scientific consulting expenses ($60,000);
- higher salary and related cost due to the hiring of additional scientific staff ($40,000);
- higher clinical trial costs this quarter ($38,000); and
- other net decreases ($42,000).

Total general and administrative expenses were $889,000 for the first quarter of 2008, a decrease of $250,000 over 2007 expenses of $1,139,000. The decrease in spending was due primarily to the following:

- lower salary related expenses due to stock option expenses ($233,000);
- lower patent expenses ($49,000); and
- offset by higher other net increases ($32,000).

Depreciation and amortization was $67,000 for the first quarter of 2008 as compared to $75,000 for the same period in 2007 reflecting a decrease of $8,000. The decrease in depreciation and amortization was due to assets becoming fully depreciated.

Total operating expenses for the first quarter of 2008 were $10,601,000 as compared to total operating expenses of $1,627,000 for same quarter in 2007, an increase of $8,974,000.

Interest and miscellaneous income was $76,000 for the first quarter of 2008 as compared to $35,000 for the same quarter of 2007, an increase of $41,000. The increase in interest income was due to additional deposits.

Interest and other expense was $108,000 for the first quarter of 2008 as compared to $2,535,000 in 2007, a decrease of $2,427,000. The decrease in interest and other expense was due to amortization of the discount on the Oracle convertible notes and the amortization of the SCO notes recognized in 2007.

On February 4, 2008 we issued 272.5 shares of our Series A Preferred Stock. The shares are convertible into common stock at $3.00 per share. Based on the price of our common stock on February 4, 2008 a new beneficial conversion price was calculated for the Series A Preferred Stock and was considered to be “in the money” at the time of the agreement to exchange the convertible notes for preferred stock. This resulted in a beneficial conversion feature. The preferred stockholder has the right at any time to convert all or any lesser portion of the Series A Preferred Stock into common stock. This resulted in an intrinsic value of the preferred stock. The difference between the implied value of the preferred stock and the beneficial conversion feature was treated as preferred stock dividends of $857,000.

An additional $451,000 in preferred stock dividends was recorded in the first quarter of 2008. The change was due to preferred stock dividends and the beneficial conversion feature associated with the warrants issued in association with the November 2007 preferred stock.

Preferred stock dividends of $525,000 were accrued for the first quarter of 2008. Dividends are paid semi-annually in either cash or common stock.

Net loss allocable to common stockholders for the first quarter of 2008 was $12,428,000, or a $2.31 basic and diluted loss per common share, compared with a loss of $4,127,000, or a $1.17 basic and diluted loss per common share for the same period in 2007, an increased loss of $8,301,000.

ITEM 4T. CONTROLS AND PROCEDURES

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Our internal control system was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with generally accepted accounting principles. Because of inherent limitations, a system of internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate due to change in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal accounting officer, conducted an evaluation of the effectiveness of our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework. Based on its evaluation, our management concluded that there is a material weakness in our internal control over financial reporting. A material weakness is a deficiency, or a combination of control deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

The material weakness relates to the monitoring and review of work performed by our Chief Financial Officer in the preparation of financial statements, footnotes and financial data provided to the Company's registered public accounting firm in connection with the annual audit. All of our financial reporting is carried out by our Chief Financial Officer. This lack of accounting staff results in a lack of segregation of duties and accounting technical expertise necessary for an effective system of internal control.

In order to mitigate this material weakness to the fullest extent possible, all financial statements are reviewed by the Chief Executive Officer as well as the Chairman of the Audit Committee for reasonableness. All unexpected results are investigated. At any time, if it appears that any control can be implemented to continue to mitigate such weaknesses, it is immediately implemented. As soon as our finances allow, we will hire sufficient accounting staff and implement appropriate procedures for monitoring and review of work performed by our Chief Financial Officer.

Changes In Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2008 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

PART II -- OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

Other than the risk factors set forth below, there have not been any material changes from the risk factors previously disclosed in our Form 10-K. These risk factors are not the only ones facing the Company. Additional risks and uncertainties not currently deemed to be material may also materially or adversely affect our financial condition and/or operating results. Please consult the Risk Factors set forth in our Form 10-K.

Risks

Access may be required to pay liquidated damages to certain investors if it does not maintain an effective registration statement relating to common stock issuable upon conversion of Series A Preferred stock or upon exercise of certain warrants.

Pursuant to issuing Series A Preferred Stock and warrants, Access entered into an Investor Rights Agreement with the purchasers of Series A Preferred Stock. The Investor Rights Agreement requires, among other things, that Access maintain an effective registration statement for common stock issuable upon conversion of Series A Preferred Stock or upon exercise of certain warrants. If Access fails to maintain such an effective registration statement it may be required to pay liquidated damages to the holders of such Series A Preferred Stock and warrants for the period of time in which an effective registration statement was not in place. As of April 24, 2008, the registration statement filed by Access had not been declared effective. As such, Access is required to accrue liquidated damages at a rate of 1% per month, of the total holders' investment amount until such time as the registration statement is declared effective, or until such damages reach the maximum amount of 10% of the total holders' investment amount.

Failure to achieve and maintain effective internal controls could have a material adverse effect on Access' business.

Effective internal controls are necessary for Access to provide reliable financial reports. If Access cannot provide reliable financial reports, Access' operating results could be harmed. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As noted in Item 4T above, we have determined that a material weakness exists relating to the monitoring and review of work performed by our Chief Financial Officer in connection with our internal control over financial reporting. All of our financial reporting is carried out by our Chief Financial Officer. This lack of accounting staff results in a lack of segregation of duties and accounting technical expertise necessary for an effective system of internal control.

While Access continues to evaluate and improve its internal controls, Access cannot be certain that these measures will ensure that Access implements and maintains adequate controls over its financial processes and reporting in the future. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could harm its operating results or cause Access to fail to meet its reporting obligations.

Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in Access' reported financial information, which could have a material adverse effect on its stock price.

ITEM 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 4, 2008, we entered into securities purchase agreements (the "Purchase Agreements") with accredited investors whereby we agreed to sell 272.50 shares of our "Series A Cumulative Convertible Preferred Stock", par value $0.01 per share, for an issue price of $10,000 per share, (the "Series A Preferred Stock") and agreed to issue warrants to purchase 499,584 shares of our common stock at an exercise price of $3.50 per share, for an aggregate purchase price for the Series A Preferred Stock and Warrants of $2,725,000. Proceeds, net of issuance costs from the sale were $2,444,000. The shares of Series A Preferred Stock are convertible into common stock at the initial conversion price of $3.00 per share.

Our sale of Series A Preferred Stock was pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933 as amended.

In addition, $1,576,000 of Somanta Pharmaceuticals' acquired accounts payable were settled by issuing 538,508 shares of Access common stock and warrants to purchase 246,753 shares of Access common stock at an exercise price of $3.50 per share. The value of the shares and warrants issued was determined based on the fair value of the accounts payable. The issuance of shares of our common stock in settlement of these accounts was made pursuant to Section 4(2) and Rule 506 of the Securities Act of 1933, as amended.

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ITEM 3 DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

ITEM 5 OTHER MATTERS

None

ITEM 6 EXHIBITS

Exhibits:

2.2 Agreement and Plan of Merger, by and among Access Pharmaceuticals, Inc., Somanta Acquisition Corporation, Somanta Pharmaceuticals, Inc., Somanta Incorporated and Somanta Limited, dated April 18, 2007. (Incorporated by reference to Exhibit 2.1 to our Form 8-K dated April 18, 2007)

3.0 Articles of incorporation and bylaws:

3.1 Certificate of Incorporation (Incorporated by Reference to Exhibit 3(a) of our Form 8-B dated July 12, 1989, Commission File Number 9-9134)

3.2 Certificate of Amendment of Certificate of Incorporation filed August 21, 1992

3.3 Certificate of Merger filed January 25, 1996. (Incorporated by reference to Exhibit E of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

3.4 Certificate of Amendment of Certificate of Incorporation filed January 25, 1996. (Incorporated by reference to Exhibit E of our Registration Statement on Form S-4 dated December 21, 1995, Commission File No. 33-64031)

3.5 Certificate of Amendment of Certificate of Incorporation filed July 18, 1996. (Incorporated by reference to Exhibit 3.8 of our Form 10-K for the year ended December 31, 1996)

3.6 Certificate of Amendment of Certificate of Incorporation filed June 18, 1998. (Incorporated by reference to Exhibit 3.8 of our Form 10-Q for the quarter ended June 30, 1998)

3.7 Certificate of Amendment of Certificate of Incorporation filed July 31, 2000. (Incorporated by reference to Exhibit 3.8 of our Form 10-Q for the quarter ended March 31, 2001)

3.8 Certificate of Designations of Series A Junior Participating Preferred Stock filed November 7, 2001 (Incorporated by reference to Exhibit 4.1.h of our Registration Statement on Form S-8, dated December 14, 2001, Commission File No. 333-75136)

3.9 Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.1 of our Form 10-Q for the quarter ended June 30, 1996)

10.30 Employment Agreement Amendment, dated April 9, 2008 between us and Jeffrey B. Davis

31.1 Certification of Chief Executive Officer of Access Pharmaceuticals, Inc. pursuant to Rule 13a-14(a)/15d-14(a)

31.2 Certification of Chief Financial Officer of Access Pharmaceuticals, Inc. pursuant to Rule 13a-14(a)/15d-14(a)

32.1* Certification of Chief Executive Officer of Access Pharmaceuticals, Inc. pursuant to 18 U.S.C. Section 1350

32.2* Certification of Chief Financial Officer of Access Pharmaceuticals, Inc. pursuant to 18 U.S.C. Section 1350

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* This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section, nor shall it be deemed incorporated by reference in any filings under the Securities Act of 1933 or the Securities and Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any filings.

SIGNATURES

In accordance with the requirements of the Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ACCESS PHARMACEUTICALS, INC.

Date: May 20, 2008 By: /s/ Jeffrey B. Davis
Jeffrey B. Davis
Chief Executive Officer
(Principal Executive Officer)

Date: May 20, 2008 By: /s/ Stephen B. Thompson
Stephen B. Thompson
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer

Access Pharmaceuticals, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

ASSETS	March 31, 2008 (unaudited)	December 31, 2007 (unaudited)
Current assets		
Cash and cash equivalents	$ 226,000	159,000
Short term investments, at cost	6,163,000	6,762,000
Receivable	-	35,000
Receivables due from Somanta Pharmaceuticals	-	931,000
Prepaid expenses and other current assets	142,000	410,000
Total current assets	6,531,000	8,297,000
Property and equipment, net	142,000	130,000
Patents, net	667,000	710,000
Other assets	12,000	12,000
Total assets	$ 7,352,000	$ 9,149,000
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities		
Accounts payable and accrued expenses	$ 2,077,000	$ 1,796,000
Accrued interest payable	233,000	130,000
Current portion of deferred revenue	82,000	68,000
Current portion of long-term debt	-	64,000
Total current liabilities	2,392,000	2,058,000
Long-term deferred revenue	892,000	910,000
Long-term debt	5,500,000	5,500,000
Total liabilities	8,784,000	8,468,000
Commitments and contingencies		
Stockholders' equity (deficit)		
Preferred stock - $.01 par value; authorized 2,000,000 shares; 3,499.8617 issued at March 31, 2008; 3,227.3617 issued at December 31, 2007	-	-
Common stock - $.01 par value; authorized 100,000,000 shares; issued, 5,623,781 at March 31, 2008 and 3,585,458 at December 31, 2007	56,000	36,000
Additional paid-in capital	126,313,000	116,018,000
Notes receivable from stockholders	(1,045,000)	(1,045,000)
Treasury stock, at cost – 163 shares	(4,000)	(4,000)
Accumulated deficit	(126,752,000)	(114,324,000)
Total stockholders' equity (deficit)	(1,432,000)	681,000
Total liabilities and stockholders' equity (deficit)	$ 7,352,000	$ 9,149,000

The accompanying notes are an integral part of these consolidated statements.

Access Pharmaceuticals, Inc. and Subsidiaries

Condensed Consolidated Statements of Operations
(unaudited)

	Three Months ended March 31,	
	2008	2007
Revenues		
License revenues	$ 17,000	$ -
Sponsored research and development	21,000	-
Total revenues	38,000	-
Expenses		
Research and development	9,645,000	413,000
General and administrative	889,000	1,139,000
Depreciation and amortization	67,000	75,000
Total expenses	10,601,000	1,627,000
Loss from operations	(10,563,000)	(1,627,000)
Interest and miscellaneous income	76,000	35,000
Interest and other expense	(108,000)	(2,535,000)
	(32,000)	(2,500,000)
Net loss	(10,595,000)	(4,127,000)
Less preferred stock dividends	1,833,000	-
Net loss allocable to common stockholders	$ (12,428,000)	$ (4,127,000)
Basic and diluted loss per common share		
Net loss allocable to common stockholders	$ (2.31)	$ (1.17)
Weighted average basic and diluted common shares outstanding	5,380,259	3,535,197

The accompanying notes are an integral part of these consolidated statements.

Access Pharmaceuticals, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
(unaudited)

	Three Months ended March 31,	
	2008	2007
Cash flows from operating activities:		
Net loss	$ (10,595,000)	$ (4,127,000)
Adjustments to reconcile net loss to cash used in operating activities:		
Depreciation and amortization	67,000	75,000
Stock option expense	57,000	292,000
Acquired in-process research and development	8,879,000	
Amortization of debt costs and discounts	-	2,215,000
Change in operating assets and liabilities:		
Receivables	35,000	3,000
Prepaid expenses and other current assets	(117,000)	(74,000)
Other assets	-	1,000
Accounts payable and accrued expenses	(1,250,000)	6,000
Accrued interest payable	103,000	318,000
Deferred revenues	(4,000)	-
Net cash used in operating activities	(2,825,000)	(1,291,000)
Cash flows from investing activities:		
Capital expenditures	(22,000)	(15,000)
Somanta acquisition, net of cash acquired	(65,000)	-
Redemptions of short term investments and certificates of deposit	599,000	471,000
Net cash provided by investing activities	512,000	456,000
Cash flows from financing activities:		
Payments of notes payable	(64,000)	-
Proceeds from preferred stock issuances, net of costs	2,444,000	-
Net cash provided by financing activities	2,380,000	-
Net (decrease) increase in cash and cash equivalents	67,000	(835,000)
Cash and cash equivalents at beginning of period	159,000	1,194,000
Cash and cash equivalents at end of period	$ 226,000	$ 359,000
Supplemental cash flow information:		
Cash paid for interest	*$ 5,000*	*$ 2,000*
Supplemental disclosure of noncash transactions;		
Shares issued for payables	*1,576,000*	-
Preferred stock dividends in accounts payable	*525,000*	-
Beneficial conversion feature -		
February 2008 preferred stock dividends	*857,000*	-
November 2007 preferred stock dividends correction	*451,000*	-
Preferred stock issuance costs paid in cash	*281,000*	-

The accompanying notes are an integral part of these consolidated statements.

(1) Interim Financial Statements

The consolidated balance sheet as of March 31, 2008 and the consolidated statements of operations and cash flows for the three months ended March 31, 2008 and 2007 were prepared by management without audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, except as otherwise disclosed, necessary for the fair presentation of the financial position, results of operations, and changes in financial position for such periods, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. It is suggested that these interim financial statements be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the period ended March 31, 2008 are not necessarily indicative of the operating results which may be expected for a full year. The consolidated balance sheet as of December 31, 2007 contains financial information taken from the audited financial statements as of that date.

The report of our independent registered public accounting firm for the fiscal year ended December 31, 2007 contained a fourth explanatory paragraph to reflect its significant doubt about our ability to continue a going concern as a result of our history of losses and our liquidity position, as discussed herein and in this Form 10-Q. If we are unable to obtain adequate capital funding in the future, we may not be able to continue as a going concern, which would have an adverse effect on our business and operations, and investors' investment in us may decline.

(2) **Intangible Assets**

Intangible assets consist of the following (in thousands):

	March 31, 2008		December 31, 2007	
	Gross carrying value	Accumulated amortization	Gross carrying value	Accumulated Amortization
Amortizable intangible assets				
Patents	$ 1,680	$ 1,013	$ 1,680	$ 970

Amortization expense related to intangible assets totaled $43,000 for the three months ended March 31, 2008 and $55,000 for the three months ended March 31, 2007. The aggregate estimated amortization expense for intangible assets remaining as of March 31 is as follows (in thousands):

2008	$ 125
2009	168
2010	168
2011	168
2012	38
Total	$ 667

(3) Liquidity

The Company incurred significant losses from losses allocable to common stockholders of $12,428,000 for the quarter ended March 31, 2008, $36,652,000 for the year ended December 31, 2007 and $12,874,000 for the year ended December 31, 2006. At March 31, 2008, our working capital is $4,139,000. We expect that our capital resources will be adequate to fund our current level of operations into the second quarter of 2009. However, our ability to fund operations over this time could change significantly depending upon changes to future operational funding obligations or capital expenditures. As a result we may be required to seek additional financing sources within the next twelve months.

(4) Somanta Acquisition

On January 4, 2008, we acquired all the outstanding shares of Somanta Pharmaceuticals, Inc ("Somanta"). Somanta was engaged in the pharmaceutical development business. We anticipate that the acquisition will add additional product pipelines and complement our existing product pipelines. Total consideration paid in connection with the acquisition included:

- Approximately 1.5 million shares of Access common stock was issued to the common and preferred shareholders of Somanta as consideration having a value of approximately $4,650,000 (the value was calculated using Access' stock price on January 4, 2008 times the shares issued);
- exchange all outstanding warrants for Somanta common stock for warrants to purchase 191,991 shares of Access common stock at exercise prices ranging between $18.55 and $69.57 per share. The warrants were valued at approximately $281,000. All of the warrants are exercisable immediately and expire approximately four years from date of issue. The weighted average fair value of the warrants was $1.46 per share on the date of the grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 3.26%, expected volatility 114% and an expected term of approximately 4 years;
- paid an aggregate of $475,000 in direct transaction costs; and
- cancelled receivable from Somanta of $931,000.

The following table summarizes the initial fair values of the assets acquired and liabilities assumed at the date of the acquisition (in thousands) based on a preliminary valuation. Subsequent adjustments may be recorded upon the completion of the valuation and the final determination of the purchase price allocation.

Cash	$	1
Prepaid expenses		25
Office equipment, net		14
Accounts payable		(2,582)
In-process research & development		8,879
	$	6,337

Approximately $8,879,000 of the purchase price represents the estimated fair value of the acquired in-process research and development projects that have no alternative future use. Accordingly this amount was immediately expensed in the consolidated statement of operations upon the acquisition date.

Operating results of Somanta have been included in our consolidated financial statements since January 4, 2008.

The following unaudited pro forma information presents the 2008 and 2007 results of the Company as if the acquisition had occurred on January 1, 2007. The unaudited pro forma results are not necessarily indicative of results that would have occurred had the acquisition been in effect for the periods presented, nor are they necessarily indicative of future results. Net loss for Somanta for the 2007 period are for the three months ended April 30, 2007 based on its fiscal year. Amounts are shown in thousands.

	Three Months Ended March 31,	
	2008	2007
Net loss	$ (1,716)	$ (5,969)
Net loss per common shares (basic and diluted)	$ (0.32)	$ (1.19)
Weighted average common shares outstanding (basic and diluted)	5,446	5,035

(5) Equity

On February 4, 2008, we entered into securities purchase agreements (the "Purchase Agreements") with accredited investors whereby we agreed to sell 272.50 shares of our preferred stock, designated "Series A Cumulative Convertible Preferred Stock", par value $0.01 per share, for an issue price of $10,000 per share, (the "Series A Preferred Stock") and agreed to issue warrants to purchase 454,167 shares of our common stock at an exercise price of $3.50 per share, for an aggregate purchase price for the Series A Preferred Stock and Warrants of $2,725,000. Proceeds, net of cash issuance costs from the sale were $2,444,000, The shares of Series A Preferred Stock are convertible into common stock at the initial conversion price of $3.00 per share.

In connection with the preferred stock offering, we issued warrants for placement agent fees, to purchase a total of 45,417 shares of common stock. All of the warrants are exercisable immediately and expire six years from date of issue. The fair value of the warrants was $2.29 per share on date of grant using the Black-Scholes pricing model with the following assumptions: expected dividend yield 0.0%, risk-free interest rate 2.75%, expected volatility 110% and an expected term of 6 years.

The shares are convertible into common stock at $3.00 per share. Based on the price of our common stock on February 4, 2008 a new beneficial conversion was calculated for the preferred stock and was considered to be "in the money". This resulted in a beneficial conversion feature. The preferred stockholder has the right at any time to convert all or any lesser portion of the Series A Preferred Stock into common stock. This resulted in an intrinsic value of the preferred stock. The difference between the implied value of the preferred stock and the beneficial conversion option was treated as preferred stock dividends of $857,000.

An additional $451,000 in preferred stock dividends was recorded in the first quarter of 2008 as a result of a prior year correction. The change was due to preferred stock dividends and the beneficial conversion features associated with the warrants issued in association with the November 2007 preferred stock agreement. The Company determined that the adjustment would have an immaterial effect to the Company's consolidated financial statements for the year ended December 31, 2007 and the three month period ended March 31, 2008 based on management's qualitative and quantitative analysis relative to its materiality consistent with the applicable accounting guidance.

During the quarter, $1,576,000 of Somanta Pharmaceuticals' acquired accounts payable were settled by issuing 538,508 shares of Access common stock and warrants to purchase 246,753 shares of Access common stock at an exercise price of $3.50 per share. The value of the shares and warrants issued was determined based on the fair value of the accounts payable.

Preferred stock dividends of $525,000 were accrued for the first quarter of 2008. Dividends are paid semi-annually in either cash or common stock.

(6) Stock Based Compensation

For the first quarter, we recognized stock-based compensation expense of $57,000 in 2008 and $292,000 in 2007. For the first quarter of 2008, we did not grant any stock options. We granted 205,000 stock options at a weighted average grant price of $3.30 under the terms of our 2005 Equity Incentive Plan and 450,000 stock options at a weighted average grant price of $2.90, under the terms of our 2007 Special Stock Option Plan during the first quarter of 2007.

The following table summarizes stock-based compensation for the three months ended March 31, 2008 and 2007:

	Quarter ended March 31, 2008	Quarter ended March 31, 2007
Research and development	$ 13,000	$ 16,000
General and administrative	44,000	276,000
Stock-based compensation expense included in operating expense	$ 57,000	$ 292,000

Our weighted average Black-Scholes fair value assumptions used to value the 2007 first quarter grants are as follows:

	3/31/07	
Expected life	4.3 yrs.	
Risk free interest rate	4.66	%
Expected volatility[(a)]	137	%
Expected dividend yield	0.0	%

(a) Reflects movements in our stock price over the most recent historical period equivalent to the expected life.

AMENDMENT TO EMPLOYMENT AGREEMENT

THIS AMENDMENT TO EMPLOYMENT AGREEMENT (the "Amendment") is made and effective as of April 9, 2008, by and between Access Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Jeffrey B. Davis (the "Executive").

WHEREAS, the Company and the Executive entered into an Employment Agreement dated as of January 4, 2008 (the "Agreement"); and

WHEREAS, the parties wish to amend certain terms of the Agreement.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Amendment and in the Agreement, the Company and the Executive agree as follows:

1. Section 1 of the Agreement is hereby amended in the first sentence thereof by deleting the date "January 4, 2007" and replacing it with the date "January 4, 2008".

2. The second sentence of Section 2 of the Agreement is hereby deleted and replaced with the following:

"As such, Executive shall devote as much of his business time as shall be necessary and appropriate in Executive's reasonable discretion to the performance of his duties for the Company, which he shall perform faithfully and to the best of his ability."

3. Section 3(a) of the Agreement is hereby amended in the first sentence thereof by deleting "$335,000" and replacing it with $240,000".

4. Section 3(c) is hereby deleted in its entirety.

5. Section 4 of the Agreement is hereby amended by deleting the second sentence under the subsection captioned "Discharge for Cause".

6. Section 4 if the Agreement is hereby further amended by deleting all of the subsection captioned "Discharge Other Than For Cause" in its entirety and replacing it with the following:

"Same as for Discharge For Cause".

7. Affirmation. This Amendment is to be read and construed with the Agreement as constituting one and the same agreement. Except as specifically modified by this Amendment, all remaining provisions, terms and conditions of the Agreement shall remain in full force and effect.

8. Defined Terms. All terms not herein defined shall have the same meanings ascribed to them in Agreement.

9. Section Headings. Section headings in this Amendment are included for the convenience of reference only shall not be a part of this Amendment for any other purpose.

10. Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the undersigned have signed this Amendment on the date first above written.

ACCESS PHARMACEUTICALS, INC.

By: /s/ David P. Luci
Name: David P. Luci
Title: Chairman, Compensation Committee

/s/ Jeffrey B. Davis
Jeffrey B. Davis
President & CEO
April 9, 2008

CERTIFICATION

I, Jeffrey B. Davis, the Chief Executive Officer of Access Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Access Pharmaceuticals, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2008

/s/ Jeffrey B. Davis
Jeffrey B. Davis
Chief Executive Officer

CERTIFICATION

I, Stephen B. Thompson, the Chief Financial Officer of Access Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Access Pharmaceuticals, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

    d. Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 20, 2008

/s/ Stephen B. Thompson
Stephen B. Thompson
Vice President
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Access Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey B. Davis, Chief Executive Officer certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Signed at the City of Dallas, in the State of Texas, this 20th day of May, 2008.

/s/ Jeffrey B. Davis
Jeffrey B. Davis
Chief Executive Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

The certification set forth below is hereby made solely for the purpose of satisfying the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 and may not be relied upon or used for any other purposes.

In connection with the Quarterly Report of Access Pharmaceuticals, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen B. Thompson, Chief Financial Officer certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002, that (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 or other document authenticating, acknowledging or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Signed at the City of Dallas, in the State of Texas, this 20th day of May, 2008.

/s/ Stephen B. Thompson
Stephen B. Thompson
Chief Financial Officer