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Toll Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 925 Federal Highway, 6th Floor ♦ Boca Raton, FL 33432

INSTITUTIONAL RESEARCH

Healthcare & Biotechnology

INITIATION REPORT

Access Pharmaceuticals (OTCBB: ACCP)

Speculative
Buy

“Undiscovered” Biotech with Exciting Pipeline

June 16, 2008

Stephen M. Dunn
Director of Research
(561) 208-2905
sdunn@dawsonjames.com

Current Price	\$2.75	Target Price	\$8.00
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Investment Highlights:

- 1) **MuGard™ Launching Q4 EU & Asia with U.S. Partnership and Launch Soon:** Access partners SpePharm (Europe) and RHEI (Asia) should be launching MuGard for oral mucositis in Q4 with Access receiving a solid 20% royalty on sales. **We also expect a U.S. partnership announcement soon with a U.S. launch in Q1'09.**
- 2) **ProLindac™ “The Next Generation Platinum Chemotherapy”:** ProLindac DACH-platinum candidate represents the next generation in this drug class and is a possible replacement for Sanofi Aventis’ (NYSE:SNY) Eloxatin (oxaliplatin) which is the only currently branded platinum drug on the market. Eloxatin had 2007 sales of €1.5B or approximately \$2.4B with approval only in colorectal cancer. **We expect a development partnership announcement soon and final Phase II monotherapy data in relapsed ovarian cancer in Q1'09.** We also expect additional trials to initiate later this year.
- 3) **Cobalamin™ Delivery System for Oral Insulin & hGH:** Cobalamin uses the body’s vitamin B12 (VB12) transport system to deliver large molecule drugs by enclosing it in a nanoparticle and coating it with Vitamin B-12. The stomach is then tricked into absorbing the drug through the gut wall and into the blood stream. **Oral insulin is considered “the holy grail” by diabetics. Access is developing an oral hGH under a sponsored research agreement with an undisclosed major US pharmaceutical company.**
- 4) **Angiolix® Humanized Monoclonal Antibody:** We believe Angiolix’ unique lactadherin target inhibits the growth of new blood vessels supporting tumors (anti-angiogenesis) and has the potential to induce apoptosis (cell death) in the existing blood vessels supporting tumors. **An IND for human clinical trials could be filed by Q1'09. Investor’s should note Genetech’s anti-angiogenesis monoclonal antibody, Avastin (bevacizumab), had 2007 sales of \$2.3B in the United States for colon cancer, non-small cell lung cancer and breast cancer.**

Stock Data

52-Week Range	\$1.00 - \$5.24
Shares Outstanding (Mill)	5.6
Market Capitalization (\$Mill)	\$16
Average Daily Volume	6,367
Book Value/Share	(\$0.25)
Price/Book	N/A
Cash / Securities (\$Mill)	\$6.4
Cash/Share	\$1.13
Debt (\$Mill)	\$5.5
Dividend/Yield	\$0.00/0%
Short Interest (Mill) / %	0.0 / 0.0%

Management

CEO	Jeffrey Davis
CFO	Stephen Thompson



<u>Results (FYE Dec)</u>	<u>2008E</u>	<u>2009E</u>	<u>2010E</u>	<u>2011E</u>	<u>2012E</u>
Revenues (\$Mill)	\$0.2	\$1.7	\$4.7	\$20.5	\$69.0
EPS (Loss)	(\$3.24)	(\$0.91)	(\$0.56)	\$0.21	\$2.04

Price target and ratings changes over the past 3 years:
Initiated June 16, 2008 – Spec. Buy – Target \$8.00

See last page for important disclosures and analyst certification.

- 5) **Prodrax[®] Tumor Targeting Prodrug:** Prodrax is a small molecule anticancer prodrug that is non-toxic in normally oxygenated healthy tissue but becomes highly toxic in low oxygen tumors where it becomes irreversibly converted to its toxic form which binds to the DNA in tumor cells, resulting in tumor cell death. **An IND for human clinical trials could be filed by Q1'09.**
- 6) **Alchemix[®] for Drug-Resistant Tumors:** Alchemix, is a small molecule that is toxic to cancer cells and is specifically designed to overcome chemotherapy resistance. Alchemix attacks cancer cells through at least two modes of action and is intended to interrupt all phases of the cancer cell growth cycle to overcome drug resistant tumors. It is believed that Alchemix is toxic to cancer cells due to its selective inhibition of many DNA processing enzymes and that it is as well tolerated in animals as a number of classes of approved chemotherapeutic drugs such as epirubicin and cisplatin.

Conclusion / Stock Valuation:

We believe Access Pharmaceuticals represents an exciting, “undiscovered” biotechnology company with a rich pipeline not normally seen in companies of this size. Their broad pipeline of oncology drugs includes ProLindac, a next generation platinum drug, Angiolix, an anti-angiogenesis monoclonal antibody, Prodrax a hypoxia targeting drug and Alchemix for drug-resistant tumors. Their Cobalamin oral delivery system for insulin and human growth hormone adds even more diversity to their portfolio. Finally, Access Pharmaceuticals and their partners are expected to launch their first commercially approved product, MuGard, later this year.

Our Speculative Buy rating and 12-18 month Price Target of \$8.00 is based on a 30x multiple on projected 2012 earnings and discounted 50% for risk (see *Risks*). **We have yet not included Angiolix, Prodrax, Alchemix or Phenylbutyrate in our financial models, which represents potential upside to our financial models.**

PROJECTED EVENT TIMELINE								
QTR.	MuGard	ProLindac	Cobalamin Oral Insulin	Cobalamin Oral hGH	Angiolix	Prodrax	Alchemix	PB
Q2 2008		✓Asia Partner						Virium/ MacroChem
Q3 2008	U.S. Partner	Complete PII Mono Enrollment Mnf Validation	Pre-Clinical Data Dev Partner		Pre-Clinical Data	Lead Candidate		
Q4 2008	EU Launch Asia Launch	Initiate PII Combo Trial Partnership		Pre-Clinical Data Dev Partner		Pre-Clinical Data	Lead Candidate	
Q1 2009	U.S. Launch	PII Mono Data	File IND		File IND	File IND	Pre-Clinical Data	

Source: Dawson James Estimates & Access Pharmaceuticals

COMPANY DESCRIPTION

Dallas-based Access Pharmaceuticals, Inc. is an emerging biopharmaceutical company that develops and commercializes propriety products for the treatment and supportive care of cancer patients. Access' products include ProLindac™, currently in Phase II clinical testing of patients with ovarian cancer, and MuGard™ for the management of patients with mucositis. The company also has other advanced drug delivery technologies including Cobalamin™-mediated targeted delivery and oral drug delivery, its proprietary nanopolymer delivery technology based on the natural vitamin B12 uptake mechanism;



Angiolix[®], a humanized monoclonal antibody which acts as an anti-angiogenesis factor and is targeted to breast cancer; Prodrax[®], a non-toxic prodrug which is activated in the hypoxic zones of solid tumors to kill cancer cells; Alchemix[®], a chemotherapeutic agent that combines multiple modes of action to overcome drug resistance.

COMPOUND	ORIGINATOR	TECHNOLOGY	INDICATION	STATUS
MuGard™	Access	Mucoadhesive Liquid	Mucositis	APPROVED
ProLindac™	Access – U. of London	Synthetic Polymer	Cancer	Phase II
Phenylbutyrate (PB)	National Institute of Health	Small Molecule	Cancer	Phase II (Virium / MacroChem)
Cobalamin-Oral Insulin	Access	Cobalamin	Diabetes	Pre-clinical
Cobalamin-hGH	Access	Cobalamin	GHD	Pre-clinical
Angiolix®	Immunodex	Humanized Monoclonal Antibody	Cancer	Pre-clinical
Prodrax®	U. of London	Small Molecule	Cancer	Pre-clinical
Alchemix®	De Montford	Small Molecule	Cancer	Pre-clinical

Source: Access Pharmaceuticals & Dawson James

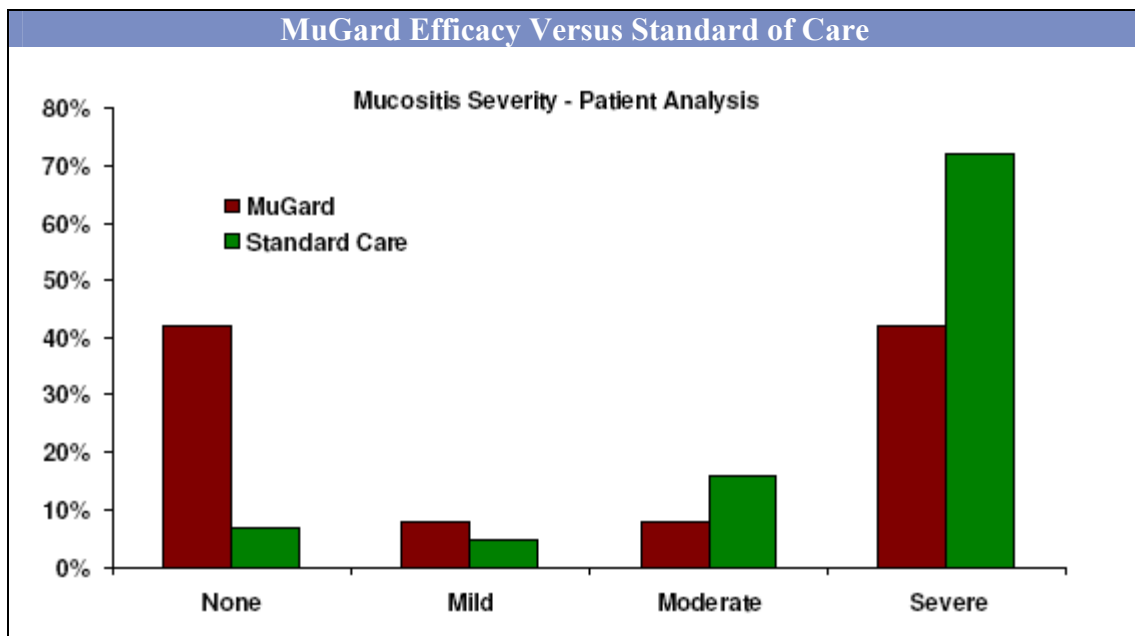
APPROVED PRODUCTS

MuGard™

MuGard is a ready-to-use mucoadhesive oral wound rinse. The mucoadhesive formulation forms a protective coating over the oral mucosa when washed around the mouth.

✓ MuGard received FDA approval in December 2006 for of the management of oral wounds including mucositis, aphthous ulcers and traumatic ulcers.

Mucositis is a debilitating condition involving extensive inflammation of mouth tissue that affects annually an estimated 400,000 cancer patients in the United States undergoing chemotherapy and radiation treatment. Any treatment that would accelerate healing and/or diminish the rate of appearance of mucositis would have a significant beneficial impact on the quality of life of these patients and may allow for more aggressive chemotherapy.



Source: Bau, M. et al, " Protection from Radiation-Induced Oral Mucositis by MuGard™ Oral Rinse - A Clinical Study and in silico Analysis" 18th International Symposium of the Multinational Association of Supportive Care in Cancer June, 2006

Access is currently seeking marketing partners to market MuGard in the U.S. Access has already signed 2 licensing partners to market MuGard outside of the U.S. as follows:

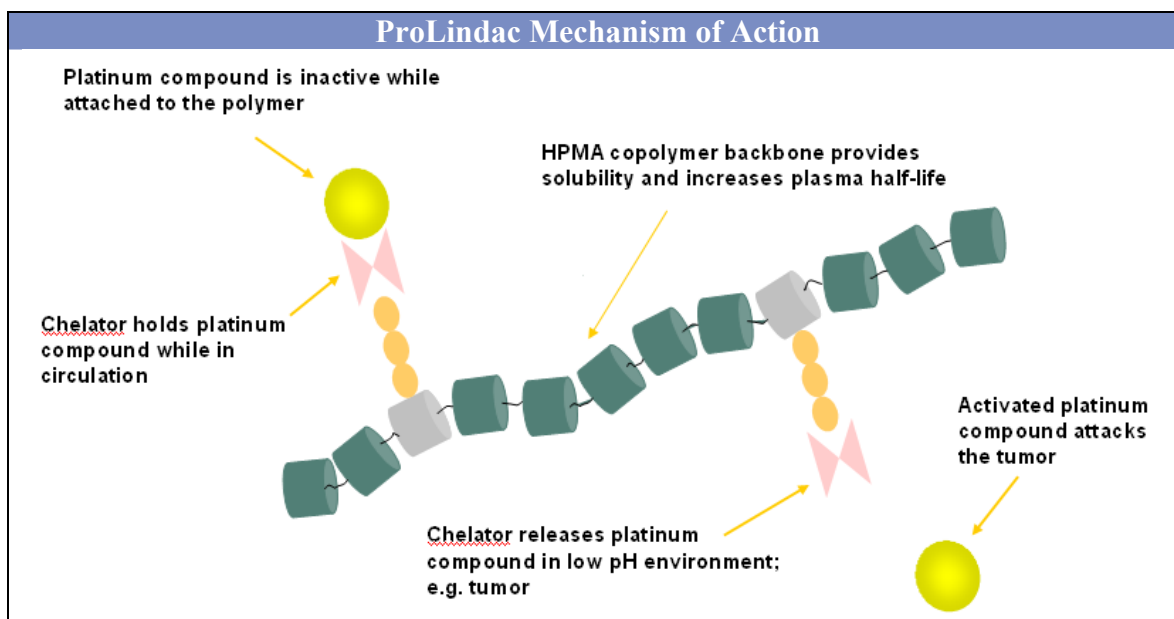
➔ On January 14, 2008, RHEI Pharmaceuticals licensed MuGard for marketing in the People’s Republic of China, Hong Kong, Macau, Taiwan, Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam, as well as for manufacturing and for obtaining the necessary regulatory approvals. More information on RHEI can be found at <http://www.rheipharma.com>

➔ On August 27, 2007, SpePharm Holding, B.V. licensed MuGard for marketing throughout the European Union plus Switzerland, Norway and Iceland, as well as for manufacturing and for obtaining the necessary regulatory approvals. More information on SpePharm can be found at <http://www.spepharm.com>

PIPELINE PRODUCTS IN CLINICAL TRIALS

ProLindac™ (Polymer Platinate, AP5346) DACH Platinum

ProLindac uses a biocompatible water-soluble polymer (hydroxypropyl methacrylate or HPMA) as a drug carrier, linking DACH (diaminocyclohexane) platinum to a polymer in a manner which permits the selective release of active drug to the tumor by several mechanisms, including taking advantage of the differential pH in tumor tissue compared to healthy tissue. The polymer also capitalizes on the biological differences in the permeability of blood vessels at tumor sites versus normal tissue. In this way, tumor selective delivery and platinum release is achieved.



Source: Access Pharmaceuticals

➔ On June 4, 2008, Access and Jiangsu Aosaikang Pharmaceutical (ASK), signed a licensing agreement under which ASK will manufacture, develop and commercialize ProLindac for the Greater China Region which includes the People's Republic of China, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan. ASK will pay an upfront fee, milestones and a double digit royalty upon commercialization of ProLindac. ASK also committed to fund and execute 2 Phase II studies for ProLindac in colorectal cancer and one other indication to be determined by the Parties. ASK will be responsible for obtaining the necessary regulatory approvals for ProLindac and commercializing the product in the Greater China Region.

Phase II (Ovarian Cancer) - Ongoing

A Phase II clinical trial of ProLindac is underway in ovarian cancer patients who have relapsed after 3 to 5 prior courses of therapy (typically including 2 to 3 prior courses of platinum.) The primary aim of the study is to determine the response rate of ProLindac monotherapy in this patient population. The response rates for other platinum compounds in this indication are well known, and will be used for comparison.

Patients are dosed either once every 2 weeks or once every 3 weeks. As the Phase I study involved weekly dosing, the initial phase of the ovarian cancer monotherapy study involves some dose escalation to determine recommended doses using these dosing regimens.

Preliminary results from the dose ranging part of the study were presented at AACR-NCI-EORTC conference in San Francisco in October 2007.

INTERIM STATUS OF PHASE II IN OVARIAN CANCER	
EFFICACY	
✓	Antitumoral activity evidenced by clinically meaningful clinical stabilizations
✓	Significant CA-125 reductions in 5 out of 6 patients (3 week schedule)
	➔ Dose Escalation Continuing
SAFETY	
✓	Treatment was generally well tolerated within the dose levels tested, considering disease burden and patient/pretreatment baseline characteristics.
✓	Toxicity was generally mild, with grade 3-4 treatment-related AEs limited to brief asymptomatic neutropenia and asthenia (one patient each), while one patient had an anaphylactic shock (grade 4) which is the only DLT reported to date.
✓	No nephrotoxicity has been seen, despite 3 patients having creatinine clearance ≤60 ml.min at baseline.
X	Sporadic delayed sensory neurotoxicity aggravation has been observed in 2 previously neurotoxic patients.
✓	SUMMARY: Safe over a variety of schedules at dose intensities ≥480 mg/m ² /week, showing consistent early signs of antitumoral activity.

Source: Campone M., et al. "AP5436, a pH-dependent polymer vectorized DACH, is safe at pharmacodynamically active doses: results from an ongoing Phase II trial in potentially platinum-sensitive ovarian cancer (OC) patients" AACR-NCI-EORTC 2007

Significantly, there was a reduction of the Ca125 biomarker in 5 of the 6 patients in a cohort receiving of ProLindac on a once every 3 week dosing schedule. The Ca125 biomarker has been demonstrated to be a reliable indicator of the clinical progression of ovarian cancer.

➔ Access is currently enrolling 2 more cohorts at 20% higher doses, which is the level where tumor responses were seen in Phase I trial.

➔ Access is also expanding the trial to include combination therapy (ProLindac with taxol).

Other Phase II Trials - Planned

Access is planning on initiating Phase II combination therapy trials in colon cancer (ProLindac with 5-FU and leucovorin), pancreatic cancer (ProLindac with gemcitabine) and two additional undisclosed cancer types.

Phase I (Colon Cancer) – Ongoing

Access received clearance from the FDA to initiate a Phase I clinical trial of ProLindac in combination with fluorouracil and leucovorin.

The study is designed to evaluate the safety of the ProLindac in combination with 2 standard drugs used to treat colorectal cancer and to establish a safe dose for Phase II clinical studies of this combination in colorectal cancer.

The company is currently evaluating whether clinical development of ProLindac in this indication might proceed more rapidly by utilizing an alternative clinical strategy and/or conducting studies in the US and/or elsewhere in the world.

Phase I Results (Solid Tumors)

In 2005, a Phase I multi-center clinical study conducted in Europe, which enrolled 26 patients and was reported in the journal *Cancer Chemotherapy and Pharmacology*, 60(4): 523-533 in 2007.

The European trial was designed to identify the maximum tolerated dose, dose limiting toxicities, the pharmacokinetics of the platinum in plasma and the possible anti-tumor activity of ProLindac. The open-label, non-randomized, dose-escalation Phase I study was performed at two European centers. ProLindac was administered as an intravenous infusion over 1 hour, once a week on days 1, 8 and 15 of each 28-day cycle to patients with solid progressive tumors. Results were obtained for the 26 patients with a broad cross-section of tumor types, with doses ranging from 80-1,280 mg Pt/m².

PHASE I DOSE-RANGING IN SOLID TUMORS		
EFFICACY	n=16	CANCER TYPE
Complete Response	0	
Partial Response	2	Melanoma,Ovarian
Partial Response (biomarker)	1	Ovarian
Stable Disease	4	Melanoma,Esophageal,Thyroid,Cervical
SAFETY n=26		
Dose Limiting Toxicity: Neutropenia		
No Unanticipated Adverse Events		
No Acute Neurotoxicity (important as compared to Eloxatin)		

Source: Access Pharmaceuticals

Of the 26 patients, 10 were not evaluable for tumor response, principally due to withdrawal from the study prior to completing the required cycle.

Of the 16 evaluable patients, 2 demonstrated a partial response, 1 experienced a partial response based on a biomarker and 4 experienced stable disease.

- ✓ One of the patients who attained a partial response had a melanoma with lung metastasis; a CT scan revealed a tumor decrease of greater than 50%.
- ✓ The other patient who responded had ovarian cancer; she had a reduction in lymph node metastasis and remission of a liver metastasis.
- ✓ The patient who experienced a partial response based on a biomarker was an ovarian cancer patient for whom Ca125 levels returned to normal.

Also of note, a patient with cisplatin resistant cervical cancer showed a short lasting significant reduction in lung metastasis after 3 doses. However, due to toxicity, the patient could not be retreated to determine whether the partial response could be maintained.

Preclinical Results

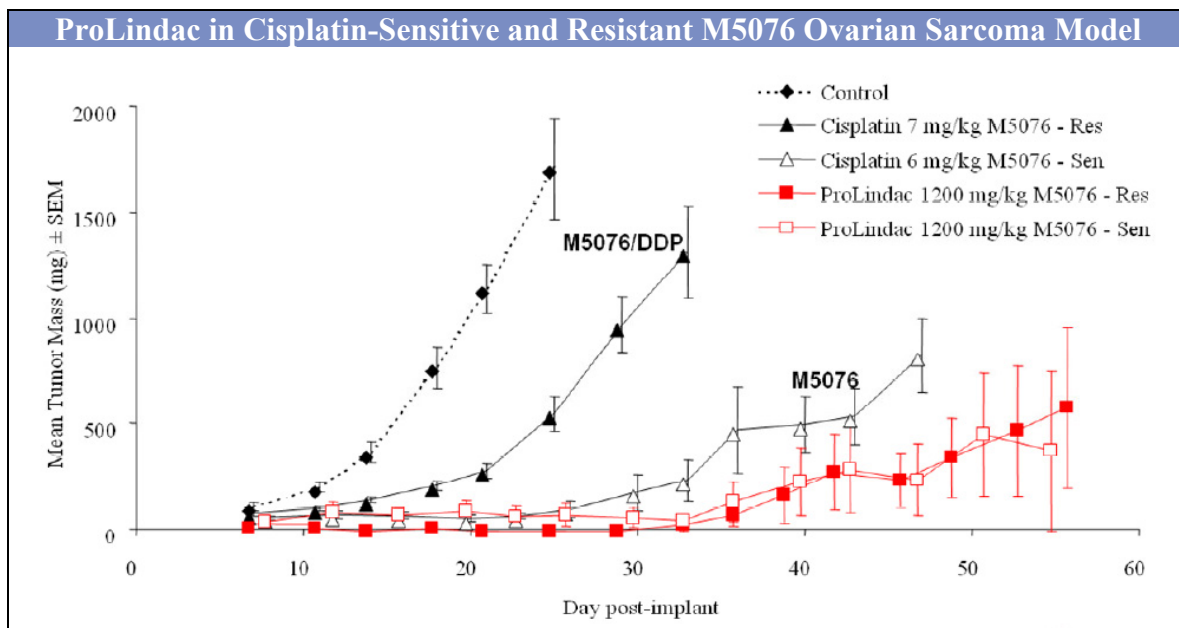
The ability of ProLindac to inhibit tumor growth has been evaluated in more than ten preclinical models.

Compared with the marketed product oxaliplatin, ProLindac showed either marked superiority or superiority in most of these models. Preclinical studies of the delivery of platinum to tumors in an animal model have shown that, compared with oxaliplatin at equitoxic doses, ProLindac delivers in excess of 16 times more platinum to the tumor. An analysis of tumor DNA, which is the main target for anti-cancer platinum agents, has shown that ProLindac delivers approximately 14 times more platinum to tumor DNA than oxaliplatin. Results from preclinical efficacy studies conducted in the B16 and other tumor models have also shown that ProLindac is superior to oxaliplatin in inhibiting the growth of tumors. Preclinical results comparing ProLindac to Sanofi-Aventis' (NYSE:SNY) Eloxatin (oxaliplatin) are shown in the table.

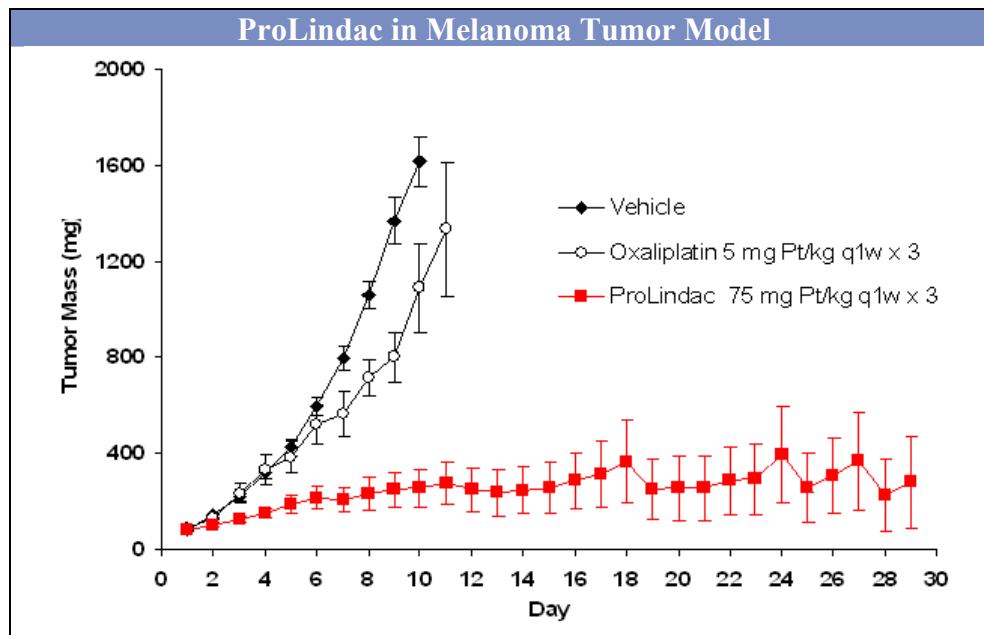
Tumor Model	Efficacy vs. Eloxatin
M5076 sarcoma (Pt-resistant)	Markedly Superior
B16 melanoma	Markedly Superior
2008 ovarian xenograft	Markedly Superior
Colo-26 colon	Superior
HT-29 colon xenograft	Superior
HCT-116 colon xenograft	Superior
L1210 leukemia	Superior
0157 Hybridoma	Superior
M5076 sarcoma	Similar
Lewis lung	Similar
P815 Mastocytoma	Similar

Source: Access Pharmaceuticals

ProLindac was effective in both cisplatin-sensitive and cisplatin-resistant ovarian cancer yielding a smaller tumor mass in preclinical testing as shown below:



ProLindac was able to deliver more of the active platinum chemotherapeutic than oxaliplatin (75mg vs. 5mg), yielding a smaller tumor mass in preclinical melanoma testing as shown below:



Source: Access Pharmaceuticals

PRE-CLINICAL CANDIDATES

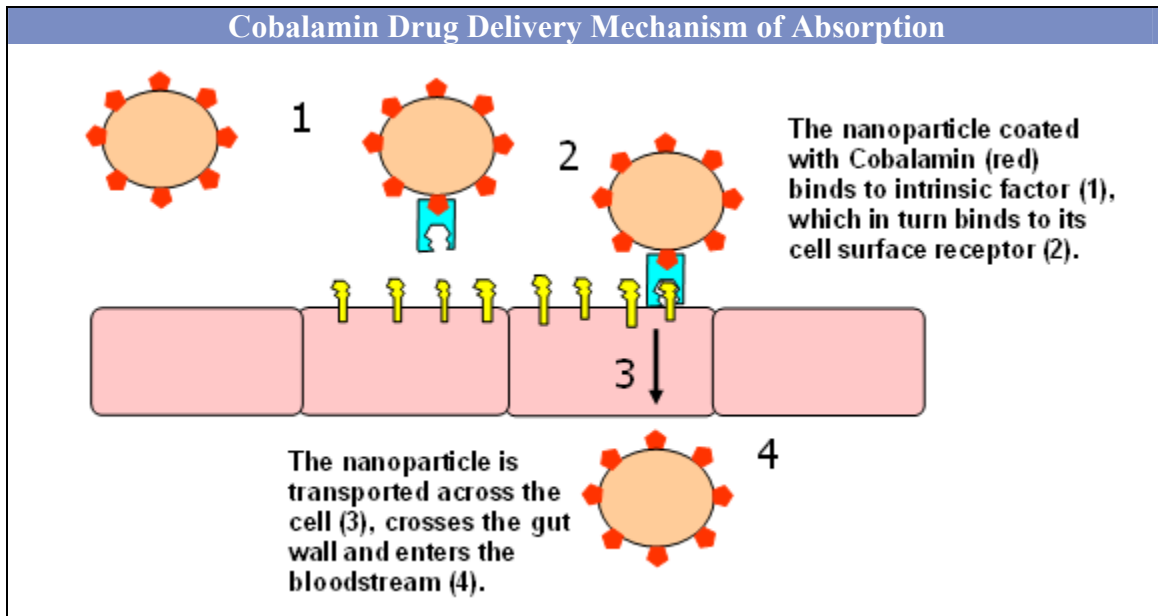
Cobalamin™-Mediated Oral Delivery Technology

Both patients and physicians prefer oral delivery for drugs that require daily or long-term use. Unfortunately, many proteins, peptides and cytotoxic agents cannot be administered orally due to their instability in the gastrointestinal tract or their inability to be absorbed and transferred to the bloodstream.

Access has a proprietary technology that utilizes the body’s natural vitamin B12 (VB12) transport system in the gut. The absorption of VB12 in the intestine occurs by way of a receptor-mediated endocytosis. Initially, VB12 binds to intrinsic factor (IF) in the small intestine, and the VB12-IF complex then binds to the IF receptor on the surface of the intestine. Receptor-mediated endocytosis then allows the transport of VB12 across the gut wall. After binding to another VB12-binding protein, transcobalamin II (TcII), VB12 is transferred to the bloodstream.

Cobalamin (analogs of VB12) will still be transported by this process even when drugs, macromolecules, or nanoparticles are coupled to the Cobalamin. Thus Cobalamin serves as a carrier to transfer these materials from the intestinal lumen to the bloodstream.

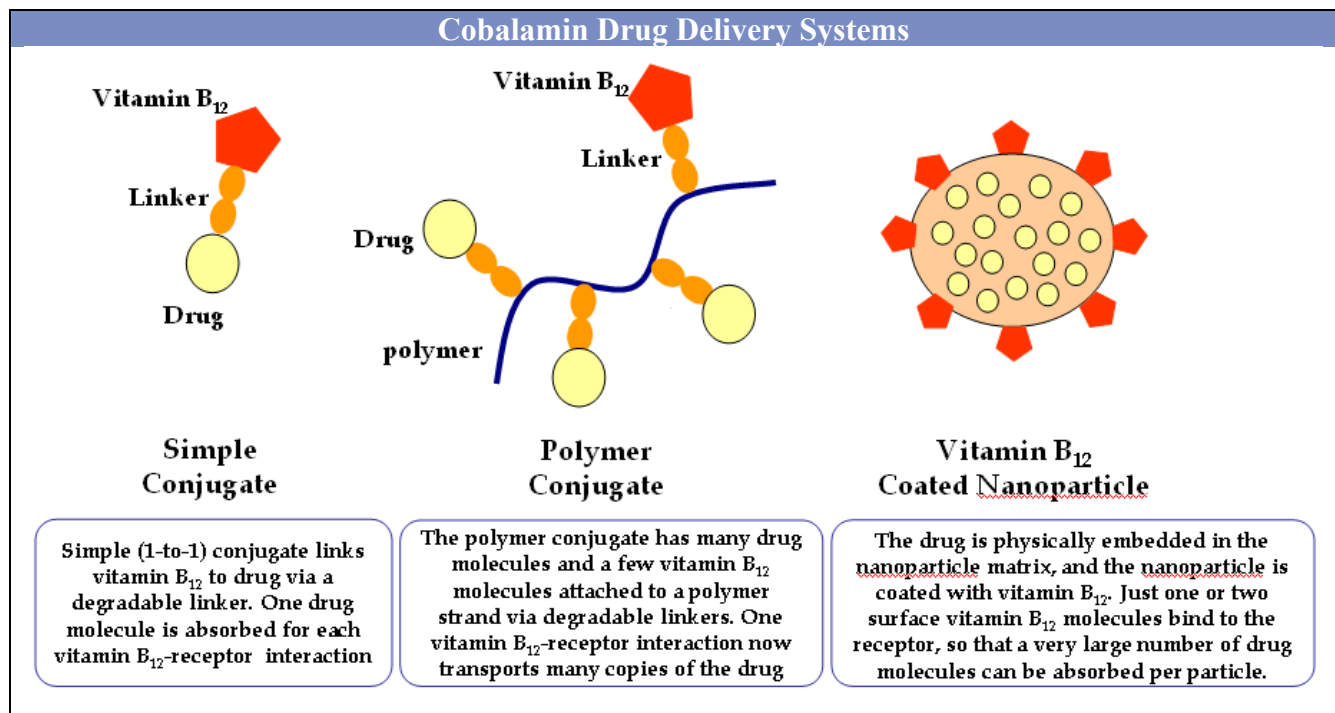
In addition, Cobalamin oral drug delivery technology is very flexible and can be designed as a simple conjugate, a polymer conjugate or even a coated nanoparticle matrix depending on the drug and its intended use.



Source: Access Pharmaceuticals

Access can utilize Cobalamin to deliver drugs in 3 ways:

- 1.) For drugs and macromolecules that are stable in the gastro-intestinal tract, the drug or macromolecule can be coupled directly (or via a linker) to Cobalamin.
- 2.) If the capacity of the Cobalamin transport system is inadequate to provide an effective blood concentration of the active, transport can be amplified by attaching many molecules of the drug to a polymer, to which Cobalamin is also attached.
- 3.) For drugs and macromolecules that are unstable in the intestine, Access can formulate the drug in a nanoparticle which is then coated with Cobalamin.



Source: Access Pharmaceuticals

Once in the bloodstream, the active ingredient is released by diffusion and/or erosion of the nanoparticle. Utilization of nanoparticles also serves to ‘amplify’ delivery by transporting many molecules at one time due to the inherently large nanoparticle volume compared with the size of the drug.

Access’ proprietary technology involves the conjugation of Cobalamin and/or folic acid and/or biotin (or their analogs) to a polymer to which is also attached the drug to be delivered, or attached to a nanoparticle in which the drug is incorporated. Since many molecules of the drug are attached to a single polymer strand, or are incorporated in a single nanoparticle, disease targeting is amplified compared to simpler conjugates involving one molecule of the vitamin with one drug molecule. However, in situations when such a simple conjugate might be preferred, their patents also encompass these vitamin-drug conjugates.

Cobalamin for Oral Insulin Delivery

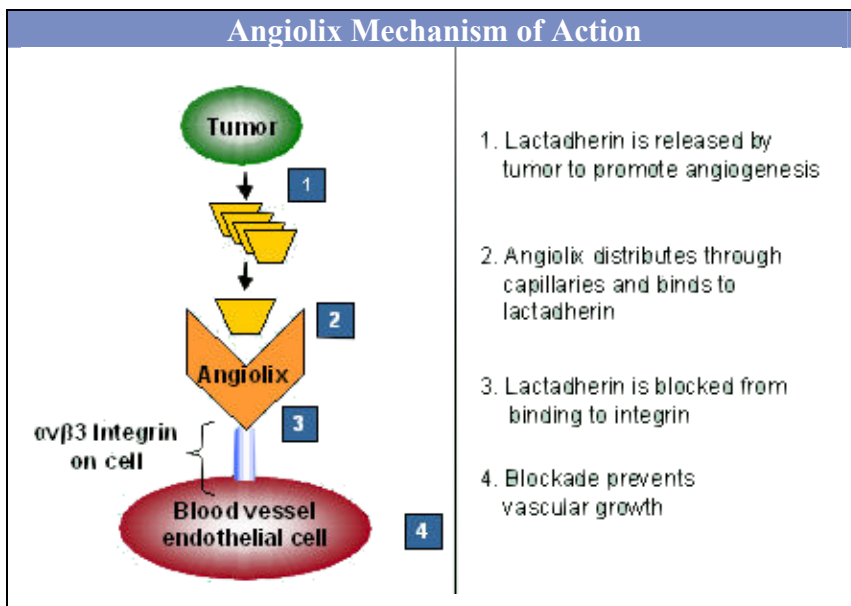
Although development of Cobalamin for oral insulin is in the preclinical stage, investors should note a promising research paper published in the February 2007 issue of the *Journal of Controlled Release* titled “*A novel vitamin B12-nanosphere conjugate carrier system for peroral delivery of insulin*” where the authors found that:

- ✓ “the production of high ligand (VB12) binding and protein friendly VB12 dextran nanoparticles protected entrapped insulin against gut proteases.”
- ✓ “Dextran nanoparticles showed a release profile that was suitable for oral delivery systems of proteins with short half-lives.”
- ✓ “In vivo results indicate that oral delivery of insulin loaded VB12-coated dextran NPs have considerable promise (PA=26.5%) in complimenting the therapy of diabetes.”
- ✓ “This is apparent from the exciting results in STZ induced diabetic rats with significant blood glucose reduction for prolonged period.”
- ✓ “Nanoparticles of low molecular weight dextrans were found to be superior to high molecular weight polymers.”
- ✓ “This is the first report of vitamin B12 coupled dextran system, and a successful carrier of the oral insulin strategies tried at one of the lowest doses.”
- X However, the limitations of this system, such as polydispersity and a portion of un-entrapped drug are a compromise to develop protein friendly carriers.
- ✓ “These results warrant further optimization and elaborate investigations in various in vivo models to develop a successful oral delivery platform.”

AngioliX® Humanized Monoclonal Antibody

AngioliX (huMc-3 mAB) is a humanized monoclonal antibody targeting a protein known as Lactadherin. Lactadherin promotes the growth of new blood vessels (angiogenesis) to support tumor growth. AngioliX, by blocking Lactadherin, has the potential to induce programmed cell death, or apoptosis, in blood vessels supporting tumors. AngioliX was sublicensed from Immunodex (under license from the Cancer Research Institute of Contra Costa).

Investors should note that AngioliX may have a large market potential in the treatment of cancer. Genetech's (NYSE:DNA) Avastin®, with 2007 sales of \$2.3B, is an antiangiogenesis monoclonal antibody that is effective by using a similar mechanism to that of AngioliX, and is used in the treatment of colorectal and other cancer types. AngioliX is unique in that it targets a propriety gene product which is expressed by cancerous tumors. Access management is not aware of any other organization developing similar products targeting this protein.



Source: Access Pharmaceuticals

➔ Additional information may be found in the May 2005 edition of *Nature Medicine* in a research paper titled "Lactadherin promotes VEGF-dependent neovascularization"

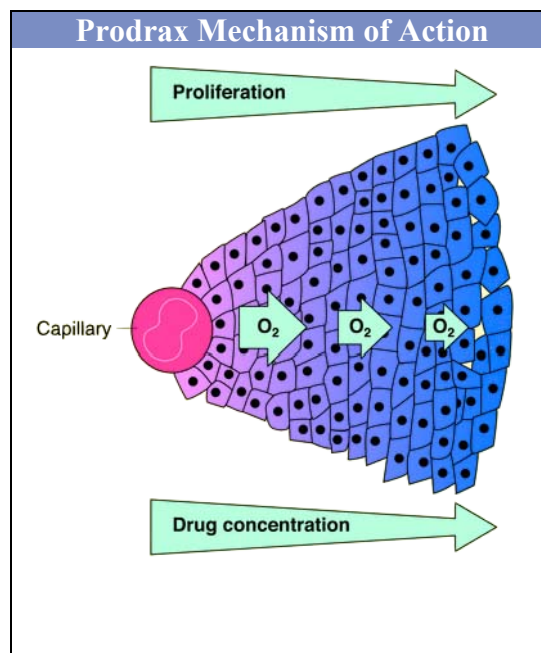
Prodrax®

Prodrax is a small molecule anticancer prodrug that is non-toxic in normally oxygenated healthy tissue but becomes highly toxic in low oxygen tumors where it becomes irreversibly converted to its toxic form which binds to the DNA in tumor cells, resulting in tumor cell death. The chemical structure of Prodrax is a di-N-oxide of chloroethylaminoanthraquinone. Access has licensed this technology from the University of London School of Pharmacy.

Many solid tumors have a low oxygen area that is resistant to radiation and conventional chemotherapy. These cells repopulate the tumor with additional tumor cells that may be resisted to radiation- and conventional chemotherapy (quiescent).

Prodrax becomes irreversibly converted to its toxic form in low oxygen tumor cells where it remains localized. When the surrounding oxygenated cells are killed by radiotherapy or chemotherapy, these Prodrax-containing quiescent cells move closer to the oxygen source and attempt to resume more active replication. It is in this state that they are killed by Prodrax, through potent DNA damage.

When given in conjunction with radiotherapy or conventional chemotherapy it is anticipated that Prodrax will result in significant improvement of tumor clearance and to reduce the likelihood of tumor repopulation, improving disease free survival.



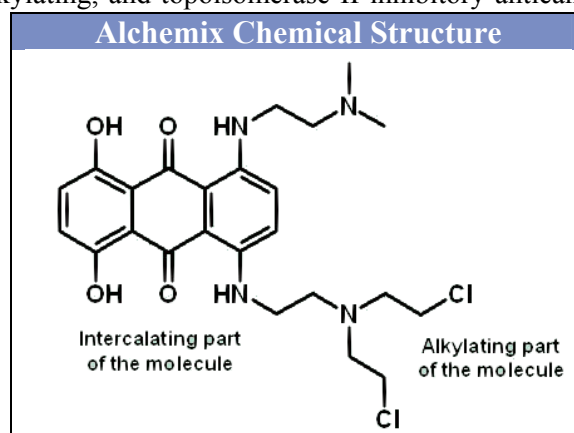
Source: Access Pharmaceuticals

→ Additional information may be found in the *Journal of Medicinal Chemistry* 2006, 49, 7013-7023 in a research paper titled “*Synthesis of DNA-Directed Pyrrolidinyl and Piperidinyl Confined Alkylating Chloroalkylaminoanthraquinones: Potential for Development of Tumor-Selective N-Oxides*”

Alchemix®

Alchemix, is a small molecule that is toxic to cancer cells and is specifically designed to overcome chemotherapy resistance. Alchemix attacks cancers cells through at least two modes of action and is intended to interrupt all phases of the cancer cell growth cycle to overcome drug resistant tumors. It is believed that Alchemix is toxic to cancer cells due to its selective inhibition of many DNA processing enzymes and that it is as well tolerated in animals as a number of classes of approved chemotherapeutic drugs such as epirubicin and cisplatin. The Alchemix platform technology is licensed from De Montfort University in the U.K.

Alchemix combines structural features from intercalating, alkylating, and topoisomerase II inhibitory anticancer compounds to provide multiple features in one molecule. Thus, the Alchemix compounds should be able to attack DNA by one of several mechanisms. There is also the possibility that the Alchemix compounds can attack DNA by two or more mechanisms at the same time, for example, one Alchemix molecule both intercalates and alkylates DNA. The chemical structure of Alchemix not only damages tumor DNA, but inhibits one of the key processes that repairs the damage.



Source: Access Pharmaceuticals

→ Additional information may be found in the July 2003 edition of the journal *Molecular Cancer Therapeutics* in a research paper titled “*Alchemix: A Novel Alkylating Anthraquinone with Potent Activity against Anthracycline- and Cisplatin-resistant Ovarian Cancer*” and the *Journal of Medicinal Chemistry* 2004, 47, 1856-1859 in a research paper titled “*Synthesis and Biological Evaluation of Novel Chloroethylaminoanthraquinones with Potent Cytotoxic Activity against Cisplatin-Resistant Tumor Cells*”

PARTNERED PROGRAMS

Sodium Phenylbutyrate

Sodium Penylbutyrate, or PB, is a small molecule that was previously approved by the FDA for sale as a treatment for a rare genetic disorder in infants known as hyperuremia.

PB has a number of additional mechanisms of action, including the inhibition of histone deacetylase. Histone deacetylase is a class of enzymes that remove acetyl groups from the amino acids in DNA. The inhibition of histone deacetylase allows the body’s cancer suppressing genes to work as intended. In addition, PB is not toxic to cells. These characteristics make PB a good candidate to become a chemopotentiator; that is, a substance that enhances the activity of a chemotherapeutic agent. As a result, PB will ideally be administered in conjunction with radiation and/or chemotherapy.

PB may be a candidate to become a biological-response modifier that acts as a dose-dependent inhibitor of cancer cell proliferation, migration, and invasiveness, possibly by inhibition of urokinase and c-myc pathways, which means that it inhibits the protease activity that irreversibly induces programmed cell death. In addition, PB may show potential for the treatment of malignant gliomas, which are cancers of the brain.

In February 2005, Access entered into a co-development and sublicense agreement with Virium Pharmaceuticals (acquired on 4/18/08 by MacroChem (OTCBB:MACM-Restricted-see *Disclosures*) in which Virium granted

Access an exclusive, worldwide sublicense to PB, **excluding the U.S. and Canada**, for the treatment of cancer, autoimmune diseases and other clinical indications.

Virium had advised Access that it intended to initiate a Phase I/II clinical trial using PB to treat glioblastoma in the near future. **Access intends to wait for the results of this Phase I/II clinical trial and the re-formulation of the PB compound to a sustained release version before initiating their own clinical trial related to PB in Europe.**

MARKETS & COMPETITION

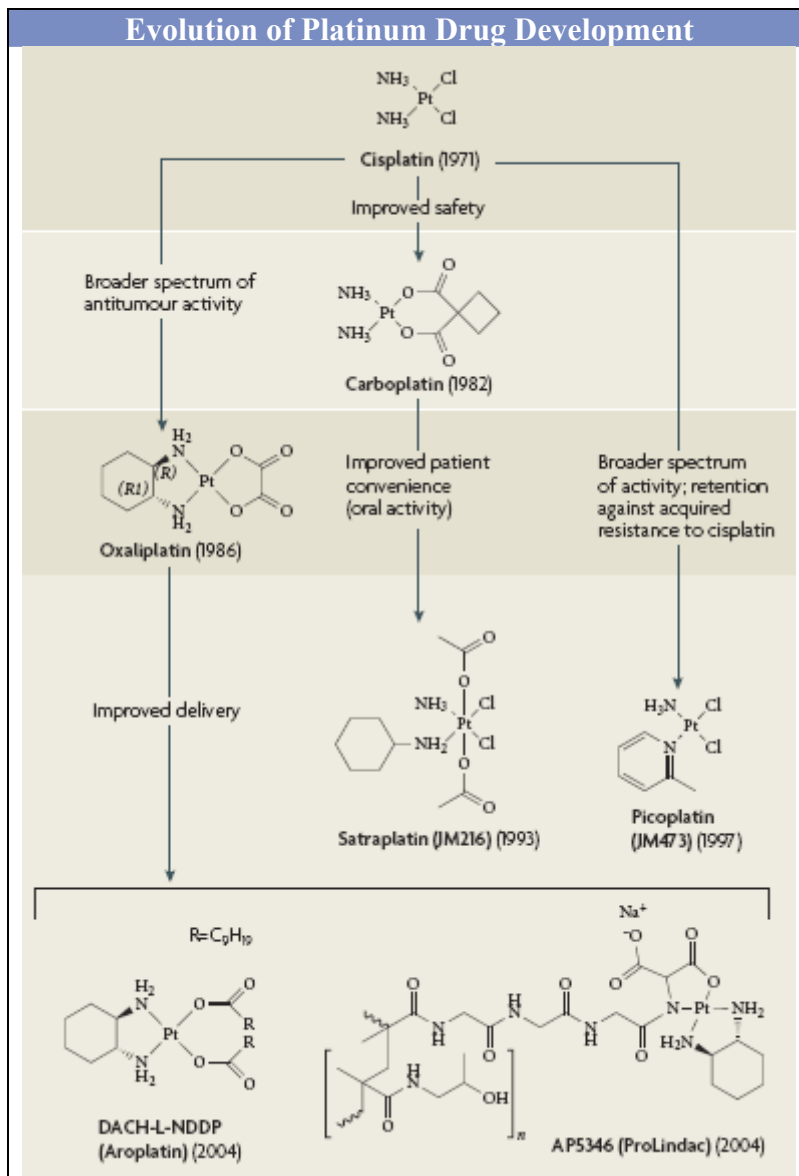
ProLindac

Although platinum-based chemotherapy drugs have been effective in treating cancer patients, advances and improvement in this drug class are needed.

Access' ProLindac is a DACH-platinum (diaminocyclohexane) prodrug and represents the next generation in this drug class (see lower-right in illustration).

ProLindac would compete against existing generic platinum drugs such as Cisplatin and Carboplatin marketed by Bristol-Myers Squibb (NYSE:BMJ) and others. **Eloxatin® (oxaliplatin) by Sanofi Aventis (NYSE:SNY) is the only currently branded platinum drug on the market with 2007 sales of €1.5B or approximately \$2.4B with approval only in colorectal cancer.**

Other companies developing drugs in this space are Spectrum Pharmaceuticals (Nasdaq:SPPI) and GPC Biotech (Nasdaq:GPCB) which are developing oral platinum formulations (Satraplatin) and Poniard Pharmaceuticals (Nasdaq:PARA) is developing both IV. and oral platinum formulations (Picoplatin). Antigenics (Nasdaq:AGEN) and Regulon (private) are both developing liposomal platinum formulations (Aroplatin and Lipoplatin, respectively).



Source: Nature Review- Cancer
 "The resurgence of platinum-based cancer chemotherapy" August 2007

Angiolix

Angiolix is a humanized monoclonal antibody targeting a protein known as Lactadherin. Access management is not aware of any other organization developing similar products targeting this protein. However, some companies working on other monoclonal antibodies are Genentech (NYSE:DNA), Biogen Idec (Nasdaq:BIIB), Amgen (Nasdaq:AMGN), ImClone (Nasdaq:IMCL), Medarex (Nasdaq:MEDX) and Xoma (Nasdaq:XOMA).

Investor’s should note that Genentech’s anti-angiogenesis monoclonal antibody, Avastin (bevacizumab), had 2007 sales of \$2.3B in the United Sates for colon cancer, non-small cell lung cancer and breast cancer.

MuGard

Companies such as Amgen (Nasdaq:AMGN), CuraGen (Nasdaq:CRGN), Cytogen (Nasdaq:CYTO) and others have or are developing products to treat mucositis which may compete with Access’ mucoadhesive liquid technology.

Mucositis has a significant economic impact with one study showing an average cost of \$3,893 for treating patients without oral mucositis was doubled to \$6,618 in patients with grade 1/2 oral mucositis and rising to \$9,458 for patients with grade 3/4 toxicity.

Incidence of Oral Mucositis Among Cancer Patients		
	INCIDENCE (%)	GRADE 3/4 (%)
Radiotherapy for head and neck cancer	85–100	25–45
Stem-cell transplantation	75–100	25–60
Solid tumors with myelosuppression	5–40	5–15

Source: The Journal Of Supportive Oncology- February 2007

Although exact figures are difficult, we estimate that the current mucositis market is currently between \$400M and \$500M.

Cobalamin

Companies such as Genex (Nasdaq:GNBT), Emisphere (Nasdaq:EMIS), Flamel Technologies (Nasdaq:FLML) and others are developing oral insulin delivery which may compete with Access’ first Cobalamin oral drug delivery candidate. **The insulin market is large as combined 2007 insulin sales from Eli Lilly (NYSE:LLY), Novo Nordisk (NYSE:NVO) and Sanofi Aventis (NYSE:SNY) were approximately US\$7.5B.**

The human growth hormone (hGH) market is also significant as combined 2007 hGH sales from Eli Lilly (NYSE:LLY), Novo Nordisk (NYSE:NVO) and Genentech (NYSE:DNA) were approximately US\$1.5B.

Phenylbutyrate

Medicis Pharmaceuticals (NYSE:MRX) currently sells Sodium Phenylbutyrate (Buphenyl®) for the treatment of hyperuremia (a urea cycle disorder). However, Access intends to target glioblastoma. While there are already approved drugs, such as Schering-Plough’s (NYSE:SGP) Temodar® (temozolomide), and numerous drugs in development for brain cancer, it remains an unmet medical need. **Investors should note that 2007 sales of Temodar were \$861M.**

Prodrax

Novocea’s (Nasdaq:NOVC) AQ4N (Banoxantrone), which was exclusively licensed from KuDOS Pharmaceuticals, a subsidiary of Astra Zeneca (NYSE:AZN), is a small molecule prodrug that is selectively activated by low oxygen tumors that is similar to Prodrax.

Alchemix

We are not aware of a drug in development similar to Alchemix. Several groups are developing agents against p-glycoprotein, which is only one of the identified mechanisms of drug resistance within cells, and other groups are developing agents that have the potential to become chemosensitizers.

LICENSING AGREEMENTS

Out-Licensing Agreements

MuGard:

In August 2007, Access signed a licensing agreement with SpePharm Holding, B.V. under which SpePharm will market Access' product MuGard in Europe. Access received a \$1M upfront licensing payment and will recognize the upfront licensing fee over 14 ³/₄ years, the license term. Access will receive royalties of 20% on sales.

In January 2008, Access signed a definitive licensing agreement with RHEI Pharmaceuticals, Inc. under which RHEI will market Access' product MuGard in China and other Southeast Asian countries. Access will receive royalties of 20% on sales.

Access is currently seeking marketing partners to market MuGard in the United States and in other territories worldwide.

ProLindac:

On June 4, 2008, Access and Jiangsu Aosaikang Pharmaceutical (ASK), signed a licensing agreement under which ASK will manufacture, develop and commercialize ProLindac for the Greater China Region which includes the People's Republic of China, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan. ASK will pay an upfront fee, milestones and a double digit royalty upon commercialization of ProLindac. ASK also committed to fund and execute 2 Phase II studies for ProLindac in colorectal cancer and one other indication to be determined by the Parties. ASK will be responsible for obtaining the necessary regulatory approvals for ProLindac and commercializing the product in the Greater China Region.

Alchemix:

In August 2004, Advanced Cardiovascular Devices (private) was granted an exclusive, worldwide license to Alchemix solely for use in the treatment of vascular disorders or proliferations using stents and other medical devices. Advanced Cardiovascular Devices is obligated to pay Access a royalty based on net sales.

Development Agreements:

Cobalamin:

Access is developing Cobalamin oral hGH (human growth hormone) under a sponsored research agreement with an undisclosed major US pharmaceutical company.

In-Licensing Agreements:

ProLindac:

ProLindac technology is licensed from the School of Pharmacy, The University of London and is subject to a 1% royalty and milestone payments on sales.

Phenylbutyrate (PB):

In February 2005, Virium Pharmaceuticals (acquired on 4/18/08 by MacroChem (OTCBB:MACM-Restricted-see Disclosures) granted an exclusive, worldwide sublicense to PB, excluding the U.S. and Canada, for the treatment of cancer, autoimmune diseases and other clinical indications for a license fee of \$50,000. Virium retained all rights for the U.S. and Canada.

Access is responsible for the conduct of clinical trials and patent prosecution related to PB outside of the U.S. and Canada. The Virium agreement also requires Access to pay a royalty on the sales of PB products until the patents expire (between 2011 and 2016).

Angiolix:

Angiolix was sublicensed from Immunodex, who licensed the product from Cancer Research Institute of Contra Costa. Under the agreement, Access is required to meet certain development targets, and make certain payments including an annual license maintenance fee and milestone payments.

The National Institutes of Health (NIH) previously granted to the Cancer Research Institute of Contra Costa a license to the applicable humanization technology. Immunodex and the Cancer Research Institute of Contra Costa have obtained the NIH's consent to sublicense to Access the NIH humanization technology.

Prodrax:

Prodrax technology is licensed from the School of Pharmacy, The University of London.

Alchemix:

The Alchemix platform technology is licensed from De Montfort University in the U.K. and Access is obligated to pay De Montfort certain milestone payments based on the achievement of agreed upon clinical milestones. However, there are no royalty payments on sales.

FINANCIAL MODEL ASSUMPTIONS

MuGard: Although exact figures are difficult, we estimate that the current mucositis market is approximately \$450M (\$300M in the U.S.). We have modeled Access to begin receiving 20% royalty payments from Europe and Asia beginning in Q1'09 with the U.S. following in Q2'09. We estimate MuGard market share as 2% initially and increasing to 15% by 2012.

ProLindac Ovarian: We estimated approximately 45K ovarian cancer patients worldwide with ProLindac market share as 3% in 2011 and increasing to 5% in 2012. U.S. pricing is projected to be \$25K and ex-US pricing approximately \$18K with a 20% royalty.

ProLindac Colorectal: We estimated approximately 225K colorectal cancer patients (50% in U.S.) with ProLindac initial market share as 2% in 2012. U.S. pricing is projected to be \$25K and ex-US pricing approximately \$18K with a 20% royalty.

Cobalamin Oral Insulin: We estimated 16M insulin patients (50% in U.S.) with an initial market share of 0.10% in 2011 and increasing to 0.50% in 2012. U.S. pricing is projected to be \$2K and ex-US pricing approximately \$1K with a 20% royalty.

Cobalamin Oral hGH: We estimated 80K hGH patients (50% in U.S.) with an initial market share of 3% in 2011 and increasing to 10% in 2012. U.S. pricing is projected to be \$2K and ex-US pricing approximately \$1K with a 20% royalty.

Our 12-18 month price target is calculated on projected 2012 EPS using a 30x earnings multiple and discounted 50% for cumulative risk (see *Risks*).

→ We have yet not included Angiolix, Prodrax, Alchemix or Phenylbutyrate in our financial models as human clinical trials have not yet been announced by the company. **These would represent potential upside to our financial models.**

→ Investors should note that we have already built-in significant share dilution due to anticipated warrant conversions and expected future capital requirements for development of their broad pipeline.

INTELLECTUAL PROPERTY

MuGard: 2 U.S. patent applications and 2 European patent applications are under review for the mucoadhesive liquid technology.

ProLindac: 3 U.S. patents and 2 European patents have issued and 1 U.S. patent and 2 European patent applications are pending for polymer platinum compounds. The 2 patents and patent applications are the result in part of their collaboration with the School of Pharmacy, University of London, from which the technology has been licensed and include a synthetic polymer, hydroxypropylmethacrylamide incorporating platinates, that can be used to exploit enhanced permeability and retention in tumors and control drug release. The patents and patent applications include a pharmaceutical composition for use in tumor treatment comprising a polymer-platinum compound through linkages that are designed to be cleaved under selected conditions to yield a platinum which is selectively released at a tumor site. The patents and patent applications also include methods for improving the pharmaceutical properties of platinum compounds.

Technology	Expiration
MuGard	2021
ProLindac	2021
Phenylbutyrate	2011-2016
Angiolix	2015
Alchemix	2015
Cobalamin	2008-2019

Source: Access Pharmaceuticals

Cobalamin: 2 patented Cobalamin-mediated targeted therapeutic technologies for a.) the use of vitamin B12 to target the transcobalamin II receptor which is upregulated in numerous diseases including cancer, rheumatoid arthritis, certain neurological and autoimmune disorders with 2 U.S. patents and 3 U.S. and 4 European patent applications and b.) oral delivery of a wide variety of molecules which cannot otherwise be orally administered, utilizing the active transport mechanism which transports vitamin B12 into the systemic circulation with 6 U.S. patents and 2 European patents and 1 U.S. and 1 European patent application. Access also has intellectual property in connection with the use of another B vitamin, folic acid, for targeting of polymer therapeutics. Enhanced tumor delivery is achieved by targeting folate receptors, which are upregulated in certain tumor types. They have 2 U.S. and 2 European patent applications related to folate polymer therapeutics

FINANCING ACTIVITY

EQUITY

➔ **As of May 20, 2008 there were 5,623,781 shares of Access common stock issued and outstanding and 3,499,8617 shares of Series A Convertible Preferred Stock convertible into 11,666,195 shares of common stock.**

On February 4, 2008, Access sold 272.5 shares of preferred stock, designated “Series A Cumulative Convertible Preferred Stock”, par value \$0.01 per share, for an issue price of \$10,000 per share, and warrants to purchase 499,584 shares of 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. Net proceeds to Access were \$2,444,000. The Series A Preferred Stock is convertible into common stock at the initial conversion price of \$3.00 per share.

ESTIMATED OUTSTANDING WARRANTS		
Warrant Issuance	Quantity	Exercise Price
2006 Convertible Note	4,636,362	\$1.32
2006 Investor Relations	50,000	\$2.70
2007 Preferred Stock Offering	3,649,880	\$3.50
2008 Preferred Stock Offering	499,584	\$3.50
2008 Somanta Payables	246,753	\$3.50
Various	140,155	>\$15.00
2008 Somanta Acquisition	191,991	>\$18.55
Total (estimated)	9,414,725	

Source: Access Pharmaceuticals & Dawson James Estimates

SOMANTA ACQUISITION

On January 4, 2008, Access acquired Somanta Pharmaceuticals, and issued approximately 1.5M of common stock to Somanta shareholders. 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.

DEBT

A \$5,500,000 note is due on September 13, 2011 and bears interest at 7.7% per annum with \$423,500 of interest due annually on September 13th. The note has a fixed conversion price of \$27.50 per share of common stock and may be converted by the note holder or us under certain circumstances as defined in the note. If the notes are not converted Access will have to repay the notes.

INSTITUTIONAL INVESTORS

Shareholders				
	Holders	\$ Value	% O/S*	Shares
Institution	11	3.67	23.97%	1,348,335
MutualFund	3	0.39	2.27%	127,480
Insider	14	8.75	51.52%	2,897,255
Concentration				
		\$ Value	% O/S	Shares
Top10Inst		3.63	23.84%	1,340,884
Top20Inst		3.67	23.97%	1,348,335
Top50Inst		3.67	23.97%	1,348,335
TotalInst		3.67	23.97%	1,348,335

Rotation				
	Holders	\$ Value Change	% of Buy/Sell	Share Change
Buyers	4	0.83	5.64%	317,078
Sellers	4	-0.09	-0.63%	-35,187
Net		0.74	5.01%	281,891
Style				
	Holders	\$ Value	% O/S	Shares
Growth	0	0.00	0.00%	0

Top 11 Holders								
Institution	Shares Held	Change	% O/S	Turnover	Style	Inv Type	Filing Date	
SCO Financial Group LLC	787,796	-34,347	14.01		Broker-Dealer	CO	Apr 21, 08	
Oracle Investment Management, Inc.	292,823	292,823	5.21	High	Sector Specific	HF	Apr 21, 08	
Alternative Investment Partners, LLC	106,980	24,244	1.90	High	Hedge Fund	IH	Dec 31, 07	
Gray (Kerry P)	59,136	0	1.05				Jul 19, 07	
Dimensional Fund Advisors, LP	26,200	-100	0.47	Low	Deep Value	IH	Mar 31, 08	
Flinn (J Michael)	22,180	0	0.39				Apr 02, 07	
Nowotnik (David P)	17,516	1	0.31				Apr 21, 08	
Howell (Stephen B)	9,722	0	0.17				Apr 21, 08	
Thompson (Stephen B)	9,531	10	0.17				Apr 21, 08	
Meakem (John J Jr)	9,000	0	0.16				Apr 21, 08	
McDade (Herbert H Jr)	7,451	-200	0.13				Apr 02, 07	
Total Shares Held :	1,348,335	(100.00%)						

Top 2 Buyers								
Institution	Shares Held	Change	% O/S	Turnover	Style	Inv Type	Filing Date	
Oracle Investment Management, Inc.	292,823	292,823	5.21	High	Sector Specific	HF	Apr 21, 08	
Alternative Investment Partners, LLC	106,980	24,244	1.90	High	Hedge Fund	IH	Dec 31, 07	
Total Shares Bought :	317,067	(100.00%)						

Top 2 Sellers								
Institution	Shares Held	Change	% O/S	Turnover	Style	Inv Type	Filing Date	
SCO Financial Group LLC	787,796	-34,347	14.01		Broker-Dealer	CO	Apr 21, 08	
Dimensional Fund Advisors, LP	26,200	-100	0.47	Low	Deep Value	IH	Mar 31, 08	
Total Shares Sold :	-34,447	(97.90%)						

Top 3 Mutual Fund Holders								
Institution	Shares Held	Change	% O/S	Turnover	Style	Inv Type	Filing Date	
UFT-Long/Short Equity Deep Discount Value Portfoli	106,980	24,244	1.90	High		MF	Dec 31, 07	
DFA U.S. Micro Cap Series	15,200	0	0.27	Low	Index	MF	Feb 29, 08	
DFA U.S. Small Cap Series	5,300	0	0.09	Low	Index	MF	Feb 29, 08	
Total Shares Held :	127,480	(100.00%)						

Source: Thomson One Analytics

MANAGEMENT

Jeffrey B. Davis, President & CEO: Mr. Davis was named CEO in December 2007 and has extensive experience, as a director, advisor, and in senior management positions, in public and private small-cap biotechnology companies. Previously, Mr. Davis worked at Deutsche Bank and Deutsche Morgan Grenfell, both in the U.S. and Europe, in various investment banking positions. Mr. Davis also served in senior marketing and product management positions at AT&T Bell Laboratories, where he was also a member of the technical staff. Prior to that, Mr. Davis was involved in marketing and product management at Philips Medical Systems North America. Mr. Davis is currently on the board of MacroChem Corporation, Uluru, Inc. and Virium Pharmaceuticals, Inc., a private biotechnology company. Mr. Davis served previously on the board of Bioenvision, Inc. Mr. Davis holds a B.S. in biomedical engineering from Boston University and an M.B.A. degree from the Wharton School, University of Pennsylvania.

Dr. Esteban Cvitkovic, Vice Chairman & Senior Director, Oncology Clinical Research and Development: Dr. Cvitkovic became a director in February 2007 as Vice Chairman (Europe) and is also the Senior Director, Oncology Clinical Research & Development. Recently, the oncology-focused CRO, Cvitkovic & Associés Consultants (CAC), founded by Dr. Cvitkovic 11 years ago and which he developed from a small oncology consultancy to a full-service CRO, was sold to AAIPharma to become AAIOncology. Dr. Cvitkovic maintains a part-time academic practice including teaching at the hospitals Beaujon and St Louis in Paris. Dr. Cvitkovic is Scientific President of the FNAB, a foundation devoted to the furthering of personalised cancer treatments. Dr. Cvitkovic is widely regarded as a platinum drug expert, and has authored more than 200 peer-reviewed articles and 600 abstracts focused on therapeutic oncology development. His international career includes staff and academic appointments at Memorial Sloan Kettering Cancer Center (New York), Columbia Presbyterian (New York), Instituto Mario Negri (Milan), Institut Gustave Roussy (Villejuif), Hôpital Paul Brousse (Villejuif) and Hôpital St. Louis (Paris).

Agamemnon Epenetos, Ph.D., FRCP, Chief Scientific Officer – Europe: Dr. Epenetos is a practicing oncologist and researcher over the last 30 years with considerable industry experience and expertise. He founded Somanta in 2001 as President and Chief Executive Officer until Somanta was acquired by Access Pharmaceuticals in 2008. He is also the Chairman of Trojantec Ltd a private cancer therapeutics company, Lifeline Biotech, a private stem cell company and Alexis Biotech, a private cancer and HIV vaccines company. In 1990, he founded Antisoma and served on the board from 1990 until 2001 as Executive Chairman and R&D Director. In 1999, he co-founded Lipoxen plc, a drug delivery and vaccine company as the Executive Chairman from 1999 until 2004. Dr. Epenetos qualified in medicine from Glasgow University, Scotland in 1973 and specialized in Medical Oncology at St. Bartholomew's Hospital, London where he currently holds an Honorary Consultant appointment in Medical Oncology and has been awarded visiting Professorships of Cancer Research at Imperial College, London, and the School of Pharmacy, London. He has published widely on novel cancer therapies and has received many international recognitions.

David P. Nowotnik, Ph.D., Senior Vice President: Dr. Nowotnik has been Senior Vice President Research and Development since January 2003 and was Vice President Research and Development from 1998. From 1994 until 1998, Dr. Nowotnik had been with Guilford Pharmaceuticals, Inc. in the position of Senior Director, Product Development and was responsible for a team of scientists developing polymeric controlled-release drug delivery systems. From 1988 to 1994 he was with Bristol-Myers Squibb researching and developing technetium radiopharmaceuticals and MRI contrast agents. From 1977 to 1988 he was with Amersham International leading the project which resulted in the discovery and development of Ceretec.

Phillip S. Wise, Vice President, Business Development: Mr. Wise has been Access' Vice President Business Development since June 2006. Mr. Wise was Vice President of Commercial and Business Development for Enhance Pharmaceuticals, Inc. and Ardent Pharmaceuticals, Inc. from 2000 until 2006. Prior to that time he was with Glaxo Wellcome, from 1990 to 2000 in various capacities.

Stephen B. Thompson, Chief Financial Officer: Mr. Thompson has been Vice President since 2000 and Access' Chief Financial Officer since 1996. From 1990 to 1996, he was Controller and Administration Manager of Access Pharmaceuticals, Inc., a private Texas corporation. Previously, from 1989 to 1990, Mr. Thompson was Controller of Robert E. Woolley, Inc., a hotel real estate company where he was responsible for accounting, finances and investor relations. From 1985 to 1989, he was Controller of OKC Limited Partnership, an oil and gas company, where he was responsible for accounting, finances and SEC reporting. Between 1975 and 1985 he held various accounting and finance positions with Santa Fe International Corporation.

SELECTED BOARD MEMBERS

Steven H. Rouhandeh, Chairman has been active throughout recent years as an executive in venture capital and as a founder of several companies engaged in the life sciences business. In 1997, Rouhandeh founded and has continued to serve as Chairman of SCO Financial Group, a life sciences merchant bank providing corporate finance, investment banking and financial advisory services to emerging-growth life sciences companies. He is also a managing member of SCO Capital Partners, a Limited Partnership. Prior to founding SCO, Steve Rouhandeh served as Managing Director of a private equity group at Metzler Bank; as Vice President, Investment Banking, at Deutsche Morgan Grenfell; and as a Corporate Attorney with Cravath, Swaine & Moore. Mr. Rouhandeh received his B.A. in Government and Economics from Southern Illinois University and his J.D. from the Harvard Law School.

Stephen B. Howell, M.D. has served as one of Access' directors since 1996. Dr. Howell is a member of the Compensation Committee of the Board and a scientific consultant to the Company. Dr. Howell is a Professor of Medicine at the University of California, San Diego, and director of the Cancer Pharmacology Program of the UCSD Cancer Center. Dr. Howell is a recipient of the Milken Foundation prize for his contributions to the field of cancer chemotherapy. He has served on the National Research Council of the American Cancer Society and is on the editorial boards of multiple medical journals. Dr. Howell founded DepoTech, Inc. and served as a member of its board of directors from 1989 to 1999. Dr. Howell served on the board of directors of Matrix Pharmaceuticals from 2000 to 2002. Dr. Howell received his A.B. at the University of Chicago and his M.D. from Harvard Medical School.

Dr. Mark J. Ahn became a director in September 2006 and is a member of the Executive Committee and the Nominating & Corporate Governance Committee. Dr. Ahn is Professor and Chair, Science & Technology Faculties of Commerce & Administration Science at Victoria University of Welling, New Zealand since September 2007. Dr. Ahn was President and Chief Executive Officer and a member of the board of directors of Hana Biosciences, Inc. from November 2003 to September 2007. Prior to joining Hana, from December 2001 to November 2003, he served as Vice President, Hematology and corporate officer at Genentech, Inc. where he was responsible for commercial and clinical development of the Hematology franchise. From February 1991 to February 1997 and from February 1997 to December 2001, Dr. Ahn was employed by Amgen and Bristol-Myers Squibb Company, respectively, holding a series of positions of increasing responsibility in strategy, general management, sales & marketing, business development, and finance. He has also served as an officer in the U.S. Army. Dr. Ahn received a B.A. in History and an M.B.A. in Finance from Chaminade University. He was a graduate fellow in Economics at Essex University, and has a Ph.D. in Business Administration from the University of South Australia.

RISKS

Some of the operational and financial risks to Access Pharmaceuticals are:

- **FDA and Regulatory risks:** All of Access Pharmaceutical's products are ultimately reliant on approvals by the U.S. FDA and other national regulatory bodies. There can be no guarantee of timely or definite FDA approvals for any of their pipeline products.
- **Partnerships:** Access Pharmaceuticals is highly reliant on partners to successfully market its products as well as development, clinical trials and regulatory filings. Failure of Access Pharmaceuticals existing or future partners to perform satisfactorily or in a timely fashion could adversely impact Access' financial position.
- **Patent Litigation:** Third-party claims of infringement of intellectual property could require Access Pharmaceuticals to spend time and money on defending their intellectual property rights up to and including adverse judgments against Access.
- **Possible Dilution Through Conversion:** The 3,499.8617 shares of Series A Convertible Preferred Stock are convertible into 11,666,195 shares of common stock. Conversion into common stock would be dilutive to existing common shareholders and could potentially affect the share price. We have included our estimate of the conversion effect in our financial model but there can be no guarantee that our estimates are accurate.
- **Possible Need to Raise Additional Funds:** Although it is possible that Access Pharmaceuticals may raise sufficient funds for development through partnership fees, milestone payments and warrant conversions, we believe that Access may be required to raise additional funds through the issuance of stock which would be dilutive to existing shareholders and could potentially affect the share price. We have included our estimate of future share issuance in our financial model but there can be no guarantee that our estimates are accurate.
- **Potential Conflict of Interest:** Both the CEO and Chairman of Access Pharmaceuticals are also officers of SCO Capital Partners which is the single largest shareholder of Access. In addition, SCO Capital Partners was the largest shareholder of Virium Pharmaceuticals which has a license agreement with Access Pharmaceuticals for Phenylbutyrate. Virium Pharmaceuticals was acquired by MacroChem (OTCBB:MACM-Restricted—see Disclosures) on April 23, 2008 and the CEO of Access Pharmaceuticals has been a Director of MacroChem since 2005.
- **Liquidity and Trading Volume:** Access Pharmaceuticals currently trades on the OTC Bulletin Board which may result in both lower trading volume and liquidity. However, we believe Access Pharmaceuticals will pursue a listing on the Nasdaq or AMEX exchanges during 2008 which could result in higher trading volume and liquidity.
- **Sector Rotation:** Access Pharmaceuticals is a small biotechnology development company often kept in a portfolio with similar companies. In such cases, a significant event for one company may have a material impact on the valuation of all similar companies regardless of their unique qualities.

Access Pharmaceuticals
Consolidated Income Statement
(in \$000, except EPS)

FYE December 31st

	2006	2007	1Q08	2Q08E	3Q08E	4Q08E	2008E	1Q09E	2Q09E	3Q09E	4Q09E	2009E	2010E	2011E	2012E
MuGard Royalties	0	0	0	0	0	0	0	150	450	450	450	1,500	4,500	9,000	13,500
ProLincac Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	5,787	28,967
Cobalamin Oral Insulin Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	4,800	24,000
Cobalamin Oral hGH Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	720	2,400
Angiofix Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prodrax Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Alchemix Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Phenylbutyrate Royalties	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
License Revenues	0	23	17	17	17	17	68	17	17	17	17	68	68	68	68
Sponsored Research & Development	0	34	21	21	21	21	84	21	21	21	21	84	84	84	84
Net Sales	0	57	38	38	38	38	152	188	488	488	488	1,652	4,652	20,459	69,019
Cost of Sales (Partners buy @ mfg. cost)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Gross Profit	0	57	38	38	38	38	152	188	488	488	488	1,652	4,652	20,459	69,019
Research & Development [2]	2,053	2,602	9,645	843	927	1,020	12,434	1,122	1,234	1,357	1,493	5,205	5,986	6,883	7,916
General & Administrative	2,813	4,076	889	933	980	1,029	3,832	1,081	1,135	1,191	1,251	4,657	5,356	6,159	7,083
Depreciation & Amortization	309	279	67	66	65	64	262	63	62	61	60	246	0	0	0
Sales & Marketing (Partner support only)	0	0	0	0	0	0	0	0	0	0	0	250	350	500	750
Total Operating Expenses	5,175	6,957	10,601	1,842	1,972	2,113	16,528	2,265	2,430	2,609	2,804	10,358	11,692	13,543	15,749
Income from Operations	(5,175)	(6,900)	(10,563)	(1,804)	(1,934)	(2,075)	(16,376)	(2,077)	(1,942)	(2,121)	(2,316)	(8,706)	(7,040)	6,916	53,270
Interest Income	294	125	76	70	65	60	271	55	50	45	40	190	300	300	450
Interest Expense	(7,436)	(3,514)	(108)	(110)	(110)	(110)	(438)	(110)	(110)	(110)	(110)	(440)	(440)	(440)	(440)
Loss on Extinguishment of Debt	0	(11,628)	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrealized Loss on Fair Value of Warrants	(1,107)	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Other Income/Expense	(8,249)	(15,017)	(32)	(40)	(45)	(50)	(167)	0	0	0	0	(250)	(140)	(140)	10
Income Before Tax	(13,424)	(21,917)	(10,595)	(1,844)	(1,979)	(2,125)	(16,543)	(2,077)	(1,942)	(2,121)	(2,316)	(8,956)	(7,180)	6,776	53,280
Provision for Income Taxes	(173)	(61)	0	0	0	0	0	0	0	0	0	0	0	0	0
Income from Continuing Operations	(13,251)	(21,856)	(10,595)	(1,844)	(1,979)	(2,125)	(16,543)	(2,077)	(1,942)	(2,121)	(2,316)	(8,956)	(7,180)	6,776	53,280
Less Preferred Stock Dividends	0	(14,908)	(1,833)	(625)	(625)	(625)	(3,708)	(625)	(625)	(625)	(625)	(2,500)	(2,500)	(2,500)	(2,500)
Discontinued Operations	377	112	0	0	0	0	0	0	0	0	0	0	0	0	0
Net Income to Common Shareholders	(12,874)	(36,652)	(12,428)	(2,469)	(2,604)	(2,750)	(20,251)	(2,702)	(2,567)	(2,746)	(2,941)	(11,456)	(9,680)	4,276	50,780
EPS - Diluted	<u>(\$3.64)</u>	<u>(\$10.32)</u>	<u>(\$2.31)</u>	<u>(\$0.44)</u>	<u>(\$0.43)</u>	<u>(\$0.35)</u>	<u>(\$3.24)</u>	<u>(\$0.24)</u>	<u>(\$0.21)</u>	<u>(\$0.21)</u>	<u>(\$0.21)</u>	<u>(\$0.91)</u>	<u>(\$0.56)</u>	<u>\$0.21</u>	<u>\$2.04</u>
Shares Outstanding - Diluted	3,532	3,552	5,380	5,650	6,070	7,891	6,248	11,467	12,041	13,063	13,716	12,572	17,299	20,759	24,911

Balance Sheets
(in \$millions)

	12/31/06	12/31/07	3/31/08
Assets:			
Cash and Marketable Securities	\$4,389	\$6,921	\$6,389
Accounts Receivable	359	35	0
Receivables Due From Somanta	0	931	0
Prepaid Expenses	283	410	142
Other Current	0	0	0
Total Current Assets	\$5,031	\$8,297	\$6,531
Property & Equip, net	212	130	142
Patents & Licenses, net	903	710	667
Other Assets	280	12	12
TOTAL ASSETS	\$6,426	\$9,149	\$7,352
Liabilities:			
Accounts Payable	\$1,226	\$1,796	\$2,077
Accrued Liabilities	581	130	233
Deferred Revenue ST	173	68	82
Debt ST	8,833	64	0
Capital Lease Obligation ST	0	0	0
Other Current Liabilities	0	0	0
Total Current Liabilities	\$10,813	\$2,058	\$2,392
Deferred Revenue LT	0	910	892
Debt LT [3]	5,500	5,500	5,500
Capital Lease Obligation LT	0	0	0
Other Long-Term Liabilities	0	0	0
Stockholders' Equity	<u>(9,887)</u>	<u>681</u>	<u>(1,432)</u>
TOTAL LIAB. & EQ	\$6,426	\$9,149	\$7,352

NOTES

- 1.) Tax Net Loss Carryforward is \$75.6M as of 12/31/07
- 2.) Q1'08 includes one-time Somanta R&D write-off of \$8.9M
- 3.) Debt \$5.5M Note due 9/31/2011 convertible @ \$27.50 per share

DISCLOSURES



Price target and ratings changes over the past 3 years:
Initiated June 16, 2008 – Speculative Buy – Target \$8.00

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Speculative Buy	8	33%	4	50%
Strong Buy	3	13%	1	33%
Buy	11	46%	1	9%
Neutral	2	8%	1	50%
Sell	0	0%	0	0%
Sell Short	0	0%	0	0%
Under Review	0	0%	0	0%
Restricted	0	0%	0	0%
Total	24	100%	7	29%

Information about valuation methods and risks can be found in the “STOCK VALUATION” and “RISKS” sections of this report.

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