10-Q 1 sbfm_10q.htm QUARTERLY REPORT

U.S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

Quarterly Report Under
the Securities Exchange Act of 1934

For Quarter Ended: **June 30, 2013**

Commission File Number: **000-52898**

SUNSHINE BIOPHARMA INC.

(Exact name of small business issuer as specified in its charter)

Colorado	20-5566275
(State of other jurisdiction of incorporation)	(IRS Employer ID No.)

469 Jean-Talon West
3rd Floor
Montreal, Quebec, Canada H3N 1R4
(Address of principal executive offices)

(514) 764-9698
(Issuer's Telephone Number)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

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

The number of shares of the registrant's only class of common stock issued and outstanding as of August 5, 2013, was 56,439,061 shares.

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PART I.
FINANCIAL INFORMATION

PART II
OTHER INFORMATION

Sunshine Biopharma, Inc.
Balance Sheet
(A Development Stage Company)

	Unaudited June 30, 2013	Audited December 31, 2012
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 156,632	$ 132,638
Prepaid expenses	4,185	2,155
Total Current Assets	160,817	134,793
TOTAL ASSETS	$ 160,817	$ 134,793
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current portion of note payable	12,500	62,500
Accounts payable	293	595
Interest payable	1,891	1,272
TOTAL LIABILITIES	14,684	64,367
SHAREHOLDERS' EQUITY		
Preferred stock, $0.10 par value per share; Authorized 5,000,000 Shares; Issued and outstanding -0- shares.	-	-
Common Stock, $0.001 per share; Authorized 200,000,000 Shares; Issued and outstanding 56,439,061 and 51,416,092 at June 30, 2013 and December 31, 2012 respectively	56,439	51,416
Capital paid in excess of par value	4,720,000	3,021,676
Accumulated other comprehesive (Loss)	-	-
(Deficit) accumulated during the development stage	(4,630,306)	(3,002,666)
TOTAL SHAREHOLDERS' EQUITY	146,133	70,426
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 160,817	$ 134,793

See Accompanying Notes To These Financial Statements.

Sunshine Biopharma, Inc.
Unaudited Statement Of Operations
(A Development Stage Company)

	Unaudited 6 Months Ended June 30, 2013	Unaudited 6 Months Ended June 30, 2012	Unaudited August 17, 2009 (inception) through June 30, 2013
Revenue:	$ -	$ -	$ -
General & Administrative Expenses			
Research and Development	23,400	1,829	167,879
Accounting	5,400	7,750	55,035
Consulting	684,610	98,000	1,163,342
Legal	24,689	31,839	267,684
Licenses	325,000	-	1,025,000
Office	8,279	1,009	35,091
Merger Cost	-	-	155,150
Public Relations	-	-	241,768
Stock Transfer Fee	1,606	1,590	17,453
Writedown of intangible assets	-	-	945,976
Total G & A	1,072,984	142,017	4,074,378
(Loss) from operations	(1,072,984)	(142,017)	(4,074,378)
Other (expense):			
Interest expense	(5,705)	(391)	(6,977)
Beneficial conversion feature	(548,951)	-	(548,951)
Total Other (Expense)	(554,656)	(391)	(555,928)
Net (loss)	$ (1,627,640)	$ (142,408)	$ (4,630,306)
Basic (Loss) per common share	$ (0.03)	$ 0.00	
Weighted Average Common Shares Outstanding	54,248,411	48,728,842	

See Accompanying Notes To These Financial Statements.

Sunshine Biopharma, Inc.
Unaudited Statement Of Cash Flows
(A Development Stage Company)

	6 Months Ended June 30, 2013	6 Months Ended June 30, 2012	August 17, 2009 (inception) through June 30, 2013
Cash Flows From Operating Activities:			
Net (Loss)	$ (1,627,640)	$ (142,408)	$ (4,630,306)
Adjustments to reconcile net loss to net cash used in operating activities:			
Stock issued for licenses, services, and other assets	636,310	0	2,063,702
Stock issued for payment interest on notes payable	5,086	-	5,086
Beneficial conversion feature on note conversion	548,951	-	548,951
(Increase) Decrease in prepaid expenses	(2,030)	69,000	(4,185)
Increase (Decrease) in Accounts Payable	(302)	13,068	293
Increase in interest payable	619	391	1,891
Net Cash Flows (used) in operations	(439,006)	(59,949)	(2,014,568)
Cash Flows From Investing Activities:			
Net Cash Flows (used) in Investing activities	-	-	-
Cash Flows From Financing Activities:			
Proceed from note payable	463,000	12,500	525,500
Issuance of common stock	-	50,000	1,645,700
Net Cash Flows provided by financing activities	463,000	62,500	2,171,200
Net Increase (Decrease) In Cash and cash equivalents	23,994	2,551	156,632
Cash and cash equivalents at beginning of period	132,638	60,692	-
Cash and cash equivalents at end of period	$ 156,632	$ 63,243	$ 156,632
Supplementary Disclosure Of Cash Flow Information:			
Stock issued for services, licenses and other assets	$ 636,310	$ 69,000	$ 2,063,702
Stock issued for note conversions	$ 513,000	$ -	$ 542,465
Stock issued for net deficit of MWBS	$ -	$ -	$ (29,465)
Cash paid for interest	$ -	$ -	$ -
Cash paid for income taxes	$ -	$ -	$ -

See Accompanying Notes To These Financial Statements.

Sunshine Biopharma, Inc.
Notes To Unaudited Financial Statements
For The Six Month Interim Period Ended June 30, 2013

Note 1 – Unaudited Financial Information

The unaudited financial information included for the three and six month interim periods ended June 30, 2013 was taken from the books and records without audit. However, such information reflects all adjustments, consisting only of normal recurring adjustments, which in the opinion of management are necessary to reflect properly the results of the interim periods presented. The results of operations for the three and six month interim periods ended June 30, 2013 are not necessarily indicative of the results expected for the fiscal year ending December 31, 2013.

Note 2 – Notes Payable

The Company had an outstanding loan of $12,500 accruing interest at a rate of 12%. At June 30, 2013 interest of $1,891 was accrued.

Note 3 – Issuance of Common Stock

During the six months ended June 30, 2013 the Company issued 5,022,969 shares of $0.001 par value Common Stock as follows:

In January 2013 the Company issued 350,000 shares of $0.001 par value Common Stock for services valued at $136,500 or $0.39 per share.

In March 2013 the Company issued 1,832,543 shares of $0.001 par value Common Stock for services valued at $439,770 or $0.24 per share.

On March 30, 2013 the Company issued 2,590,428 shares of $0.001 par value Common Stock for the conversion of Convertible Notes payable on or before March 31, 2013 (“Convertible Notes”) valued at $621,703 representing principal of $513,000 and interest of $5,086. These Convertible Notes contained a beneficial conversion feature convertible at the option of the Company. The Convertible Notes are convertible at a fixed conversion of $0.20. The market price on the issuance of these Convertible Notes varied from a low of $0.21 per share and a high of $0.46 per share with an average of $0.36 per share. Consequently, the Convertible Notes were considered to have a Beneficial Conversion Feature and under ASC 470-20-25-10 the Beneficial Conversion Feature was calculate to be $548,951 in total based on the issuance date and the share price on that date. This amount has been booked to interest expense and Additional Paid in Capital for the period as all of the Convertible Notes have been converted by quarter end.

Sunshine Biopharma, Inc.
Notes To Unaudited Financial Statements
For The Six Month Interim Period Ended June 30, 2013

Note 3 – Issuance of Common Stock (Continued)

In May 2013 the Company issued 250,000 shares of $0.001 par value Common Stock for services valued at $60,000 or $0.24 per share.

Note 4 – Convertible Notes

In December 2012, the Company commenced a private offering of Convertible Notes. Prior to December 31, 2012, the Company issued two Convertible Notes to one accredited investor (as that term is defined under the Securities Act of 1933, as amended) in the aggregate amount of $50,000. These Convertible Notes accrue interest at the rate of 6% per annum and are convertible at the option of the Company into shares of the Company's Common Stock at $0.20 per share on or before March 31, 2013. During the quarter ended March 31, 2013, the Company issued an additional seven notes in favor of five accredited investors in the aggregate principal amount of $463,000.

On March 30, 2013 the Convertible Notes were converted into 2,590,428 shares of Common Stock. The Common Stock was converted at $0.20 per share. The Common Stock had a fair market value from a low of $0.21 per share and a high of $0.46 per share with a average of $0.36 per share resulting in a beneficial conversion feature in the amount of $548,951 which was deducted as additional interest during the three month period ended March 31, 2013 and added to Additional Paid in Capital.

Note 4 – Financial Statements

For a complete set of footnotes, reference is made to the Company's Report on Form 10-K for the year ended December 31, 2012 as filed with the Securities and Exchange Commission and the audited financial statements included therein.

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

The following discussion should be read in conjunction with our consolidated financial statements and notes thereto included herein. In connection with, and because we desire to take advantage of, the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, we caution readers regarding certain forward looking statements in the following discussion and elsewhere in this report and in any other statement made by, or on our behalf, whether or not in future filings with the Securities and Exchange Commission. Forward looking statements are statements not based on historical information and which relate to future operations, strategies, financial results or other developments. Forward looking statements are necessarily based upon estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to future business decisions, are subject to change. These uncertainties and contingencies can affect actual results and could cause actual results to differ materially from those expressed in any forward looking statements made by, or on our behalf. We disclaim any obligation to update forward looking statements.

OVERVIEW AND HISTORY

We were incorporated in the State of Colorado on August 31, 2006 under the name "Mountain West Business Solutions, Inc." During our fiscal year ended July 31, 2009 our business was to provide management consulting with regard to accounting, computer and general business issues for small and home-office based companies. Effective October 15, 2009, we executed an agreement to acquire Sunshine Biopharma, Inc., a Colorado corporation ("SBI"), in exchange for the issuance of 21,962,000 shares of our Common Stock and 850,000 shares of Convertible Preferred Stock, each convertible into twenty (20) shares of our Common Stock (the "Agreement"). As a result of this transaction our officers and directors resigned their positions with us and were replaced by our current management. Also as a result of this transaction we changed our name to "Sunshine Biopharma, Inc." and adopted our current business plan described below under "Plan of Operation". In December 2011, the holder of the aforesaid 850,000 shares of Convertible Preferred Stock elected to convert its Convertible Preferred Stock into 17,000,000 shares of Common Stock. As of the date of this report we had no issued and outstanding shares of Preferred Stock.

Our principal place of business is located at 469 Jean-Talon West, 3rd Floor, Montreal, Quebec, Canada, H3N 1R4. Our phone number is (514) 764-9698 and our website address is www.sunshinebiopharma.com.

We have not been subject to any bankruptcy, receivership or similar proceeding.

RESULTS OF OPERATIONS

Comparison of Results of Operations for the six months ended June 30, 2013 and 2012

For the six months ended June 30, 2013 and 2012 we did not generate any revenues.

General and administrative expenses during the six month period ended June 30, 2013 were $1,072,984, compared to general and administrative expense of $142,017 incurred during the six month period ended June 30, 2012, an increase of $930,967. This increase is attributable to the fact that during the aforesaid period in 2013, we incurred $684,610 in financial consulting fees but only incurred $98,000 in financial consulting fees during the similar period in 2012. We also incurred $325,000 in licensing fees during the six month period ended June 30, 2013 that we did not incur during the similar period in 2012. Further, we incurred $23,400 in research and development costs during the six month period ended June 30, 2013, but only $1,829 during the similar period in 2012. Legal and accounting fees remained relatively consistent during the six month period ended June 30, 2012 and 2013, but office costs increased by $7,270.

In addition to general and administrative expense, we incurred $548,951 in beneficial conversion expense during the six months ended June 30, 2013, compared to no such expense during the same period in 2012. Interest expense also increased during the six months ended June 30, 2013 by $5,314 as a result of the convertible debt financing reported in our last Form 10-Q.

As a result, we incurred a net loss of $1,627,640 (approximately $0.03 per share) for the six month period ended June 30, 2013, compared to a net loss of $142,408 during the six month period ended June 30, 2012.

Comparison of Results of Operations for the three months ended June 30, 2013 and 2012

General and administrative expenses during the three month period ended June 30, 2012 were $150,093, compared to general and administrative expense of $102,692 incurred during the three month period ended June 30, 2012, an increase of $47,401. The principal reason for this increase was $75,000 in licensing fees that were incurred during the three month period ended June 30, 2013 which was not incurred during the similar period in 2012. Office expense also increased by $4,656 during the three months ended June 30, 2013 compared to the similar period in 2012. All other general and administrative expense decreased during the three months ended June 30, 2013 compared to 2012.

As a result, we incurred a net loss of ($150,468) (less than $0.01 per share) for the three month period ended June 30, 2012, compared to a net loss of ($103,067) during the three month period ended June 30, 2012.

Because we did not generate any revenues since our inception, following is our Plan of Operation.

PLAN OF OPERATION

We are currently a pharmaceutical company focused on the research, development and commercialization of drugs for the treatment of various forms of cancer. The preclinical studies for our lead compound, Adva-27a, a multi-purpose antitumor compound, were successfully completed in late 2011. We are now continuing our clinical development of Adva-27a by conducting the next sequence of steps comprised of Good Manufacturing Practice ("GMP") manufacturing, Investigational New Drug ("IND")-enabling studies, regulatory filing and Phase I clinical trials. We plan to conduct our Phase I clinical trials for Adva-27a at the Jewish General Hospital, Montreal, Canada, one of McGill University's Hospital Centers. The planned indication will be multidrug resistant breast cancer as Adva-27a has shown a positive effect on this type of cancer for which there is currently little or no treatment options available. See "Clinical Trials" below.

We hold the exclusive rights to Adva-27a in the United States. We have licensed our technology on an exclusive basis from Advanomics Corporation, and we are planning to initiate our own research and development program as soon as practicable once financing is in place. There are no assurances that we will obtain the financing necessary to allow us to implement this aspect of our business plan, or to enter clinical trials.

Carbon-Difluoride Platform Technology

Many therapeutically important compounds contain diester bonds that link different parts of the molecule together. Diester bonds are naturally unstable often leading to suboptimal performance when the molecule is administered to patients. Diester bonds have specific six-dimensional, as well as electrostatic properties that cannot be easily mimicked by other bonds. Chemical bonds that do not mimic the diester bond correctly invariably render the compound inactive. In collaboration with Institut National des Sciences Appliquées de Rouen in France ("INSA"), Advanomics Corporation has developed a way to replace the diester bond with a Carbon-Difluoride bond which acts as a diester isostere. An isostere is a different chemical structure that mimics the properties of the original. In the body, Carbon-Difluoride compounds are resistant to metabolic degradation but recognized similarly to the diester compounds (*see* Figure 1).

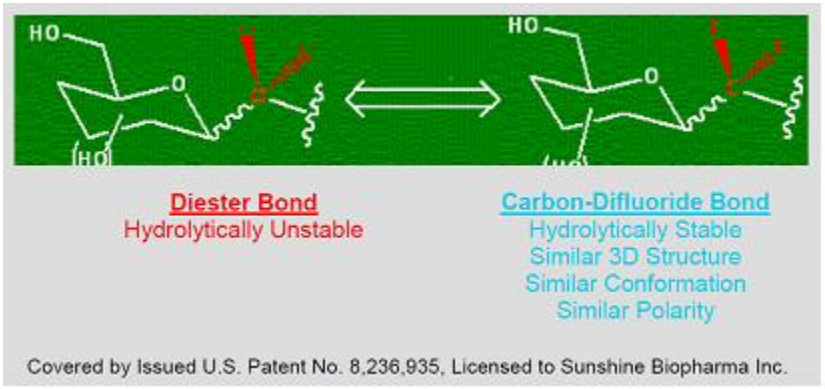


Figure 1

While no assurances can be provided, we are planning to expand our product line through acquisitions and/or further in-licensing as well as in-house research and development.

Our Lead Compound (Adva-27a)

Our initial drug candidate is Adva-27a, a GEM-difluorinated C-glycoside derivative of Podophyllotoxin, targeted for various forms of cancer. If we are successful in our current financing efforts, Adva-27a is expected to enter Phase I clinical trials for multidrug resistant breast cancer in mid to late 2014 (see "Clinical Development Path" and "Clinical Trials" below). Etoposide, which is also a derivative of Podophyllotoxin, is currently on the market and is used to treat various types of cancer including leukemia, lymphoma, testicular cancer, lung cancer, brain cancer, prostate cancer, bladder cancer, colon cancer, ovarian cancer, liver cancer and several other forms of cancer. Like Etoposide, Adva-27a is a Topoisomerase II inhibitor; however, unlike Etoposide and other anti-tumor drugs currently in use, Adva-27a is able to destroy multidrug resistant cancer cells. Adva-27a is a new chemical entity and has been shown to have distinct and more desirable biological properties compared to Etoposide. Most notably, Adva-27a is very effective against multidrug resistant breast cancer cells while Etoposide has no activity against this aggressive form of cancer (see Figure 2). In other side-by-side studies against Etoposide as a reference, Adva-27a showed markedly improved cell killing activity in various other cancer types, particularly prostate, colon and lung cancer (see Table 1). Our preclinical studies to date have shown that:

- Adva-27a is effective at killing different types of multidrug resistant cancer cells, including:
  - Breast Cancer Cells (MCF-7/MDR)
  - Small Cell Lung Cancer Cells (H69AR)
  - Uterine Cancer (MES-SA/Dx5)
  - Pancreatic Cancer (Panc-1)
- dva-27a is unaffected by P-Glycoprotein, the enzyme responsible for making cancer cells resistant to anti-tumor drugs.
- Adva-27a has excellent clearance time (half-life = 54 minutes) as indicated by human microsomes stability studies and pharmacokinetics data in rats.
- Adva-27a clearance is independent of Cytochrome P450, a mechanism that is less likely to produce toxic intermediates.
- Adva-27a is an excellent inhibitor of Topoisomerase II with an IC50 of only 13.7 micromolar.
- Adva-27a has shown excellent pharmacokinetics profile as indicated by studies done in rats.
- Adva-27a does not inhibit tubulin assembly.
- Adva-27a exhibits low toxicity levels as indicated by measurements using the non-cancerous cell line, HMEC

These and other preclinical data have recently been published in ANTICANCER RESEARCH, a peer-reviewed International Journal of Cancer Research and Treatment. The manuscript entitled "Adva-27a, a Novel Podophyllotoxin Derivative Found to Be Effective Against Multidrug Resistant Human Cancer Cells" appeared in print in the October 2012 issue of the journal [ANTICANCER RESEARCH **32**: 4423-4432 (2012)]. A copy of the full manuscript as it appeared in the journal is available on our website at www.sunshinebiopharma.com.

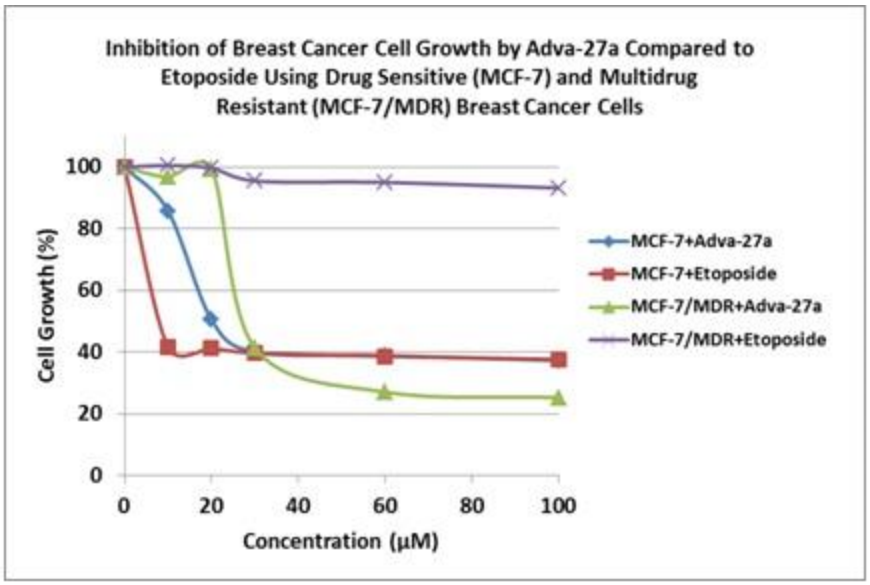


Figure 2

PERCENT INHIBITION OF CELL GROWTH AT 10 MICROMOLAR*

Cell Line Cancer Type	KB Nasopharynx	PC3 Prostate	MCF7 Breast	MCF7/MDR MDR Breast**	SF268 Brain	HL60 Leukemia	HT29 Colon	A594 Lung
Etoposide	84	47	57	22	82	75	79	65
Adva-27a***	91	63	53	70	65	79	87	78

*Data published in PCT/FR2007/000697 **Multidrug resistant breast cancer ***Our lead compound

Table 1

Clinical Development Path

The early stage preclinical studies for our lead compound, Adva-27a, were successfully completed in late 2011 and the results have recently been published [ANTICANCER RESEARCH **32**: 4423-4432 (2012)]. We are now continuing our clinical development program of Adva-27a by conducting the next sequence of steps comprised of the following:

- GMP Manufacturing (for use in IND-Enabling Studies and Phase I Clinical Trials)
- IND-Enabling Studies
- Regulatory Filing (Fast-Track Status Anticipated)
- Phase I Clinical Trials (Multidrug Resistant Breast Cancer Indication)

Clinical Trials

Adva-27a's initial indication will be multidrug resistant breast cancer for which there are little or no treatment options. In June 2011 we concluded an agreement with McGill University's Jewish General Hospital in Montreal, Canada to conduct Phase I clinical trials for this indication. All aspects of the planned clinical trials in Canada will employ U.S. Food and Drug Administration ("FDA") standards at all levels. We anticipate that the clinical trials will be completed by late 2015, at which time we, together with our licensor, expect to file for limited marketing approval with the regulatory authorities in Canada and the FDA in the U.S. *See* "Marketing," below.

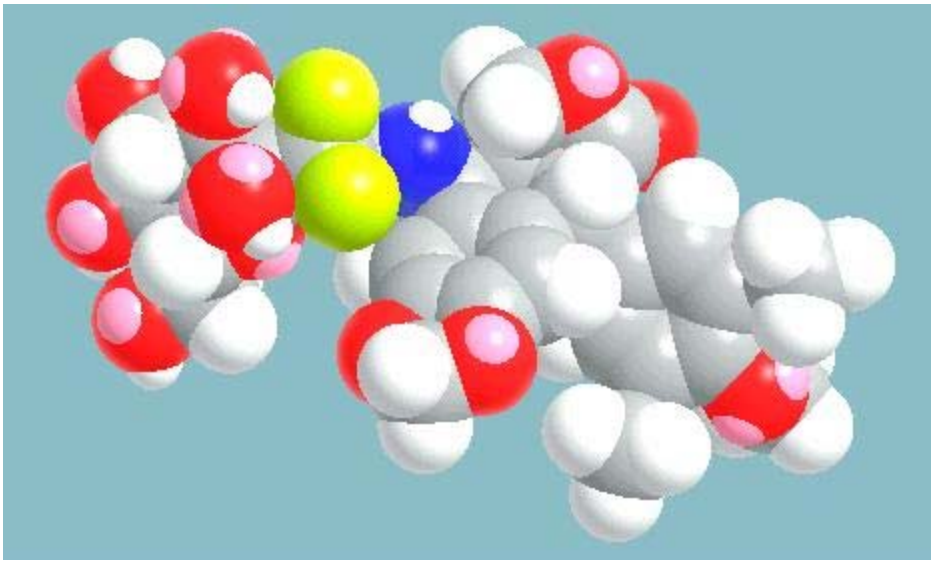
Marketing

According to the American Cancer Society, nearly 1.5 million new cases of cancer are diagnosed in the U.S. each year. Given the terminal and limited treatment options available for the multidrug resistant breast cancer indication we are planning to study, we anticipate being granted limited marketing approval ("compassionate-use") for our Adva-27a following receipt of funding and a successful Phase I clinical trial. There are no assurances that either will occur. Such limited approval will allow us to make the drug available to various hospitals and health care centers for experimental therapy and/or "compassionate-use", thereby generating some revenues in the near-term.

We believe that upon successful completion of Phase I Clinical Trials we may receive one or more offers from large pharmaceutical companies to buyout or license our drug. However, there are no assurances that our Phase I Trials will be successful, or if successful, that any pharmaceutical companies will make an acceptable offer to us. In the event we do not consummate such a transaction, we will require significant capital in order to manufacture and market our new drug.

Intellectual Property

We hold the exclusive rights to Adva-27a in the United States. We received this license from Advanomics Corporation which owns the international patent applications filed on April 27, 2007 (PCT/FR2007/000697). These patent applications, which are now issued in Europe and the United States (US 8,236,935) and are still pending elsewhere around the world, were originally owned by Institut National des Sciences Appliquées de Rouen (France) and have recently been purchased by Advanomics. On January 14, 2013, Advanomics filed a new patent application covering Adva-27a manufacturing processes as well as new Adva-27a derivatives and compositions.



Our Lead Anti-Cancer Compound, Adva-27a, in 3D

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2013, we had cash or cash equivalents of $156,632.

Net cash used in operating activities was $439,006 during the six month period ended June 30, 2013, compared to $59,949 for the six month period ended June 30, 2012. The increase is due to issuance of stock for services, cash paid for licenses and beneficial conversion feature on Convertible Notes converted during the previous quarter. We anticipate that overhead costs in current operations will increase in the future once our research and development activities discussed above increase.

Cash flows from financing activities were $463,000 for the six month periods ended June 30, 2013, compared to $12,500 during the six months ended June 30, 2012. Cash flows used by investing activities were $0 for the six month periods ended June 30, 2013 and 2012.

In June 2012, we conducted a private placement of our Common Stock for the purposes of supporting our working capital whereby we sold 250,000 shares at a price of $0.20 per share and received proceeds of approximately $50,000 therefrom. Between July and October 2012, we conducted a private placement of our Common Stock to fund our drug development program whereby we sold 1,410,000 shares of our Common Stock at a price of $0.25 per share and received proceeds of approximately $352,500 therefrom.

In December 2012, we commenced a private offering of Convertible Notes. We issued nine Convertible Notes to six accredited investors (as that term is defined under the Securities Act of 1933, as amended) in the aggregate amount of $513,000. These notes accrued interest at the rate of 6% per annum and were convertible at our option into shares of our Common Stock at $0.20 per share on or before June 30, 2013. We elected to convert these notes with interest accrued thereon and issued an aggregate of 2,590,426 shares of Common Stock to these investors.

We are not generating revenue from our operations, and our ability to implement our business plan for the future will depend on the future availability of financing. Such financing will be required to enable us to further develop our drug research and development capabilities and continue operations. We intend to raise funds through private placements of our Common Stock, through short-term borrowing and by application for grants in conjunction with SUNY Binghamton with whom we have entered into a research and development agreement in January 2011. We estimate that we will require approximately $5 million in debt and/or equity capital to fully implement our business plan in the future and there are no assurances that we will be able to raise this capital. While we have engaged in discussions with various investment banking firms and venture capitalists to provide us these funds, as of the date of this report we have not reached any agreement with any party that has agreed to provide us with the capital necessary to effectuate our business plan. Our inability to obtain sufficient funds from external sources when needed will have a material adverse effect on our plan of operation, results of operations and financial condition.

Our cost to continue operations as they are now conducted is nominal, but these are expected to increase once we commence Phase I clinical trials. We do not have sufficient funds to cover the anticipated increase in these expenses. We need to raise additional funds in order to continue our existing operations, to initiate research and development activities, and to finance our plans to expand our operations for the next year. If we are successful in raising additional funds, our research and development efforts will continue and expand.

INFLATION

Although our operations are influenced by general economic conditions, we do not believe that inflation had a material effect on our results of operations during the six month period ended June 30, 2013.

CRITICAL ACCOUNTING ESTIMATES

The discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The following represents a summary of our critical accounting policies, defined as those policies that we believe are the most important to the portrayal of our financial condition and results of operations and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effects of matters that are inherently uncertain.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures **-** Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report.

These controls are designed to ensure that information required to be disclosed in the reports we file or submit pursuant to the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Based on this evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of June 30, 2013, at the reasonable assurance level. We believe that our consolidated financial statements presented in this Form 10-Q fairly present, in all material respects, our financial position, results of operations, and cash flows for all periods presented herein.

Inherent Limitations - Our management, including our Chief Executive Officer and Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within our company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdown can occur because of simple error or mistake. In particular, many of our current processes rely upon manual reviews and processes to ensure that neither human error nor system weakness has resulted in erroneous reporting of financial data.

Changes in Internal Control over Financial Reporting - There were no changes in our internal control over financial reporting during the six month period ended June 30, 2013, which were identified in conjunction with management's evaluation required by paragraph (d) of Rules 13a-15 and 15d-15 under the Exchange Act, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None

ITEM 1A. RISK FACTORS

We are a smaller reporting company and are not required to provide the information under this item pursuant to Regulation S-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4. MINE SAFETY DISCLOSURE

Not Applicable

ITEM 5. OTHER INFORMATION

None

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of Section 12 of the Securities and Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized on August 5, 2013.

SUNSHINE BIOPHARMA, INC.

By: s/ Dr. Steve N. Slilaty
Dr. Steve N. Slilaty,
Principal Executive Officer

By: s/ Camille Sebaaly
Camille Sebaaly, Principal Financial Officer
and Principal Accounting Officer