PROVECTUS PHARMACEUTICALS INC
Form 10QSB/A
October 07, 2004

United States Securities And Exchange Commission
Washington, DC 20549

FORM 10-QSB

Amendment No. 1

(Mark One)

[X] Quarterly Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2004

OR

[ ] Transition Report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission file number: 0-9410

Provectus Pharmaceuticals, Inc.
(Exact Name of Small Business Issuer as Specified in Its Charter)

Nevada	90-0031917
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
7327 Oak Ridge Highway Suite A, Knoxville, TN	37931
(Address of Principal Executive Offices)	(Zip Code)

865/769-4011
(Issuer's Telephone Number, Including Area Code)

N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Check whether the issuer: (1) 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 [X] No [ ]

The number of shares outstanding of the issuer's stock, $0.001 par value per share, as of August 13, 2004 was 15,361,042.

Transitional Small Business Disclosure Format (check one): Yes [ ] No [X]

Part I

ITEM 1. FINANCIAL STATEMENTS

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED BALANCE SHEETS

	Restated (Note 9) June 30, 2004	
	(Unaudited)	
Assets		
Current Assets		
Cash	$ 109,693	$
Stock subscription receivable	668,667	
Deferred Loan Costs, net of amortization of $170,530 and $19,569	-	
Inventory	67,930	
Prepaid expenses and other current assets	20,567	
Prepaid consulting expense	177,716	
Total Current Assets	1,044,573	
Equipment and Furnishings, less accumulated depreciation of $337,269 and $244,760	29,302	
Patents, net of amortization of $1,084,977 and $749,417	10,630,468	
Other Assets	27,000	
	$ 11,731,343	$
Liabilities and Stockholders' Deficit		
Current Liabilities		
Accounts payable - trade	$ 80,034	$
Accrued compensation	183,750	
Accrued expenses	125,735	
Accrued interest	222,695	
Short-term convertible debt, net of debt discount of $-0- and $442,623	333,333	
Current maturities of long-term convertible debt, net of debt discount of $25,405 and $57,052	1,000,553	
Total Current Liabilities	1,946,100	
Loan From Stockholder	149,000	

Stockholders' Equity		
Common stock; par value $.001 per share; 100,000,000 shares authorized; 14,111,002 and 10,867,509 shares issued and outstanding, respectively	14,111	
Paid-in capital	22,205,465	
Deficit accumulated during the development stage	(12,583,333)	
TOTAL STOCKHOLDERS' EQUITY	9,636,243	
	$ 11,731,343	$

See accompanying notes to financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED STATEMENTS OF OPERATIONS

	Restated (Note 9) Three Months Ended June 30, 2004	Restated (Note 9) Three Months Ended June 30, 2003	Restated (Note 9) Six Months Ended June 30, 2004	Re (N Mon June
	(Unaudited)	(Unaudited)	(Unaudited)	(Un
Operating Income				
Net OTC Product Revenue	$ 301	-	$ 941	
Net Medical Device Revenue	-	-	13,125	
Operating Expenses				
Research and development	$ 246,185	$ 80,503	$ 434,139	$
General and administrative	332,540	435,425	816,218	
Amortization	167,780	167,780	335,560	
Total operating loss	(746,204)	(683,708)	(1,571,851)	
Gain on sale of fixed assets	-	55,000	-	
Loss on extinguishment of debt	(100,519)	-	(100,519)	
Net interest (expense) income	(474,789)	(38,230)	(689,515)	
Net Loss Applicable to Common Stockholders	$ (1,321,512)	$ (666,938)	$ (2,361,885)	$
Basic and Diluted Loss Per Common Share	(0.10)	(0.07)	(0.18)	

Weighted Average Number of Common Shares Outstanding - Basic and Diluted	13,714,234	9,487,689	12,977,703

See accompanying notes to financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(unaudited)

	Common Stock		
	Number of Shares	Par Value	P C
Balance, at January 17, 2002	-	$ -	$
Issuance to founding shareholders	6,000,000	6,000	
Sale of stock	50,000	50	
Issuance of stock to employees	510,000	510	9
Issuance of stock for services	120,000	120	3
Net loss for the period from January 17, 2002 (inception) to April 23, 2002 (date of reverse merger)	-	-	
Balance, at April 23, 2002	6,680,000	6,680	1,3
Shares issued in reverse merger	265,763	266	
Issuance of stock for services	1,900,000	1,900	5,1
Purchase and retirement of stock	(400,000)	(400)	(
Stock issued for acquisition of Valley Pharmaceuticals	500,007	500	12,2
Exercise of warrants	452,919	453	
Warrants issued in connection with convertible debt	-	-	1
Stock and warrants issued for acquisition of Pure-ific	25,000	25	
Net loss for the period from April 23, 2002 (date of reverse merger) to December 31, 2002	-	-	
Balance, at December 31, 2002	9,423,689	9,424	18,7
Issuance of stock for services	764,000	764	2
Issuance of warrants for services	-	-	1
Stock to be issued for services	-	-	2
Employee compensation from stock options	-	-	
Issuance of stock pursuant to Regulation S	679,820	680	3
Issuance of convertible debt with warrants	-	-	6
Net loss for the year ended December 31, 2003	-	-	

Balance, at December 31, 2003	10,867,509	$ 10,868	$ 20,4
Issuance of stock for services	351,606	352	1
Issuance of warrants for services	-	-	1
Exercise of warrants	10,000	10	
Stock to be issued for services	-	-	6
Employee compensation from stock options	-	-	
Issuance of stock pursuant to Regulation S	2,437,443	2,437	79
Issuance of stock pursuant to Regulation D	444,444	444	84
Net loss for the six months ended June 30, 2004	-	-	
Balance, at June 30, 2004	14,111,002	$ 14,111	$22,20

See accompanying notes to financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Restated (Note 9) Six Months Ended June 30, 2004	Restated (Note 9) Six Months Ended June 30, 2003	
	(Unaudited)	(Unaudited)	
Cash Flows From Operating Activities			
Net loss	$ (2,361,885)	$ (1,540,439)	$
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation	92,508	137,861	
Amortization of patents	335,560	335,560	
Amortization of original issue discount	474,269	31,313	
Amortization of prepaid consulting expense	305,601		
Amortization of deferred loan costs	150,961	-	
Compensation through issuance of stock options	7,806	27,506	
Compensation through issuance of stock	-	-	
Issuance of stock for services	11,500	22,800	
Issuance of warrants for services	18,800	57,177	
Gain on sale of fixed asset	-	(55,000)	
(Increase) decrease in assets			
Prepaid expenses	5,660	14,605	
Inventory	4,648	(72,135)	
Increase (decrease) in liabilities			
Accounts payable	(20,607)	130,065	

Accrued expenses	(97,890)	25,389
Net cash used in operating activities	(1,073,069)	(885,298)
Cash Flows From Investing Activities		
Proceeds from sale of fixed asset	-	180,000
Capital expenditures	(395)	(3,301)
Net cash (used in) provided by investing activities	(395)	176,699
Cash Flows From Financing Activities		
Proceeds from loans from stockholder	-	-
Proceeds from convertible debt	-	25,959
Proceeds from sale of common stock	1,180,679	-
Proceeds from exercise of warrants	5,000	-
Cash paid for deferred loan costs	-	-
Payment on convertible debt	(166,667)	-
Purchase and retirement of common stock	-	-
Net cash provided by financing activities	1,019,012	25,959

See accompanying notes to financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
	(Unaudited)	(Unaudited)
NET CHANGE IN CASH	$ (54,452)	$ (682,640)
Cash, at beginning of period	$ 164,145	$ 717,833
Cash, at end of period	$ 109,693	$ 35,193

Supplemental Disclosure of Noncash Investing and Financing Activities

June 30, 2004

Issuance of stock for services of $11,500, issuance of warrants for services of $18,800, and commitment to issue stock for prepaid services of $62,500

Accrual of $119,999 for stock issuance costs off-set against gross proceeds from sale of common stock
Stock subscription receivable recorded of $668,667
June 30, 2003
Warrants issued to consultants for prepaid services of $84,174

See accompanying notes to financial statements.

PROVECTUS PHARMACEUTICALS, INC.
(A Development-Stage Company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information pursuant to Regulation S-B. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three and six months ended June 30, 2004 are not necessarily indicative of the results that may be expected for the year ended December 31, 2004.

2. GOING CONCERN

At December 31, 2003, there was doubt regarding the Company's ability to continue as a going concern considering the lack of working capital required to develop its products and develop sales and distribution channels for its products. The accompanying financial statements as of December 31, 2003 have been prepared assuming the Company will continue as a going concern. The December 31, 2003 financial statements do not include any adjustments to reflect the possible future effects on the recoverbility and classification of assets and amounts and classifications of liabilities that might result from any outcome different from this expectation.

At June 30, 2004, as a result of the subsequent financing transaction described in Note 8, there is no longer doubt regarding the Company's ability to continue as a going concern.

3. RECAPITALIZATION AND MERGER

Provectus Pharmaceuticals, Inc., formerly known as "Provectus Pharmaceutical, Inc." and "SPM Group, Inc.," was incorporated under Colorado law on May 1, 1978. SPM Group ceased operations in 1991, and became a development-stage company effective January 1, 1992, with the new corporate purpose of seeking out acquisitions of properties, businesses, or merger

candidates, without limitation as to the nature of the business operations or geographic location of the acquisition candidate.

On April 1, 2002, SPM Group changed its name to "Provectus Pharmaceutical, Inc." and reincorporated in Nevada in preparation for a transaction with Provectus Pharmaceuticals, Inc., a privately-held Tennessee corporation ("PPI"). On April 23, 2002, an Agreement and Plan or reorganization between Provectus Pharmaceutical and PPI was approved by the written consent of a majority of the outstanding shares of Provectus Pharmaceutical. As a result, Provectus Pharmaceuticals, Inc. issued 6,680,000 shares of common stock in exchange for all of the issued and outstanding shares of PPI. As part of the acquisition, Provectus Pharmaceutical changed its name to "Provectus Pharmaceuticals, Inc." and PPI became a wholly owned subsidiary of Provectus. This transaction was recorded as a recapitalization of PPI.

On November 19, 2002, the Company acquired Valley Pharmaceuticals, Inc., a privately-held Tennessee corporation formerly known as Photogen, Inc., by merging PPI with and into Valley and naming the surviving corporation "Xantech Pharmaceuticals, Inc." Photogen, Inc. was separated from Photogen Technologies, Inc. in a non-pro rata split-off to some of its shareholders. The assets of Photogen, Inc. consisted primarily of the equipment and intangibles related to its therapeutic activity and were recorded at their fair value. The majority shareholders of Valley were also the majority shareholders of Provectus. Valley had no revenues prior to the transaction with the Company. By acquiring Valley, the Company acquired its intellectual property, including issued U.S. patents and patentable inventions.

4. BASIC AND DILUTED LOSS PER COMMON SHARE

Basic and diluted loss per common share is computed based on the weighted average number of common shares outstanding. Loss per share excludes the impact of outstanding options, warrants, and convertible debt as they are antidilutive. Potential common shares excluded from the calculation at June 30, 2004 are 2,308,333 warrants, 1,725,000 options and 1,624,802 shares issuable upon conversion of convertible debt and interest. Additionally, the Company is committed to issue 20,000 warrants. Included in the weighted average number of common shares outstanding are 1,065,520 shares committed to be issued but not outstanding at June 30, 2004.

5. EQUITY TRANSACTIONS

(a) At December 31, 2003, the Company was committed to issue 341,606 shares to consultants in exchange for services rendered. In January 2004, all of these shares were issued. In January 2004, the Company also issued 10,000 shares to a consultant in exchange for services rendered. Consulting costs charged to operations were $11,500. In March 2004, the Company committed to issue 36,764 shares to consultants in exchange for services. Consulting costs charged to operations were $62,500 of which $25,000 remains in prepaid consulting expense at June 30, 2004 as it represents payments for services to be provided in the future. The shares are fully vested and non-forfeitable. In May 2004, the Company issued 20,000 warrants to consultants in exchange for services. Consulting costs charged to operations for these warrants were $18,800.

(b) In 2004, the Company sold 2,437,443 shares of restricted common stok under this offering of which 1,867,490 shares were issued in the first quarter 2004 and 569,953 were issued in the second quarter 2004. Shares were sold during

2004 at an average gross price of $0.98 per share with net proceeds of $793,137. Costs related to the placement agent for proceeds received in 2004 of $1,588,302 have been off-set against gross proceeds of $2,381,439. The transaction is a Regulations S offering to foreign investors as defined by Regulation S of the Securities Act. The restricted shares cannot be traded for 12 months. After the first 12 months, sales of the shares are subject to restriction under rule 144 for an additional year.

(c) On June 25, 2004, the Company entered into an agreement to sell 1,333,333 shares of common stock at a purchase price of $.75 per share for an aggregate purchase price of $1,000,000. Payments are to be received in three equal installments on June 25, 2004, July 16, 2004 and August 9, 2004. As of June 30, 2004, the first installment was received and 444,444 shares of stock were issued. A stock subscription receivable of $666,667 was recorded as of June 30, 2004 for the last two payments, as all the cash was received prior to the filing of the 10-QSB. Stock issuance costs of $151,666 have been off-set against the proceeds received of which $119,900 was accrued at June 30, 2004 as it relates to the installments to be received after June 30, 2004. Stock issuance costs consists of $65,000 in cash and 66,667 shares of common stock with a fair market value of $86,666. In conjunction with the sale of the common stock, the Company issued 1,333,333 warrants with an exercise price of $1.00 and a termination date of three years from the installment payment dates. In addition, the Company has given the investors an option to purchase 1,333,333 shares of additional stock including the attachment of warrants under the same terms as the original agreement. This option expires six months after the last installment date.

In conjunction with the June 25, 2004 transaction, the Company entered into a redemption agreement for its $500,000 short-term convertible debt. Payments on the convertible debt are to be made in three equal installments which corresponded to the common stock issuance dates noted above. Payment of the debt is contingent on receiving the payments from the sale of the common stock. As all installment payments for the sale of common stock were received prior to the filing of the 10-QSB, the full redemption of the convertible debt has been recorded as of June 30, 2004. As a result, the debt discount previously recorded on the convertible debt and the deferred loan costs were fully amortized and recorded as additional interest expense of $172,378 as of June 30, 2004. In addition to principal payments, the redemption payments include accrued interest and a premium payment of $100,519. This premium payment has been recorded as loss on extinguishment of debt as of June 30, 2004. As of June 30, 2004, principal payments of $166,667 were made and an accrual of $67,013 has been recorded for the remaining premium paid subsequent to June 30, 2004.

6. STOCK-BASED COMPENSATION

On March 1, 2004, the Company issued 1,200,000 stock options to employees. The options vest over 3 years with 225,000 options vesting on the date of grant. The exercise price is the fair market price on the date of issuance and all options are outstanding at June 30, 2004.

On May 27, 2004, the Company issued 100,000 stock options to the Board of Directors. The options vested immediately on the date of grant. The exercise price is the fair market price on the date of issuance, and all options were outstanding at June 30, 2004. On June 28, 2004, the Company issued 100,000 stock options to an employee. The options vest over four years with 25,000 options vesting on the date of grant. The exercise price is the fair market price on the date of issuance, and all options were outstanding at June 30, 2004.

For stock options granted to the Board of Directors and the employee during

the second quarter of 2004, the Company has estimated the fair value of each option granted using the Black-Scholes pricing model with the following assumptions:

	2004
Weighted average fair value per options granted - Board of Directors	$ 0.95
Weighted average fair value per options granted - employee	$ 1.25
Significant assumptions (weighted average)	
Risk-free interest rate at grant date	2.0 %
Expected stock price volatility	150 %
Expected option life (years)	10

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (SFAS No. 123), but applies the intrinsic value method where compensation expense, if any, is recorded as the difference between the exercise price and the market price, as set forth in Accounting Principles Board Opinion No. 25 for stock options granted to employees and directors. In 2003, the Company issued stock options to employees in which the exercise price was less than the market price on the date of grant. These options vest over three years and accordingly, $7,806 of expense was recorded for the six months ended June 30, 2004. If the Company had elected to recognize compensation expense based on the fair value at the grant dates, consistent with the method prescribed by SFAS No. 123, net loss per share would have been changed to the pro forma amount indicated below:

	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Six Months Ended June 30, 2004
Net loss, as reported	$ (1,321,512)	$ (666,938)	$ (2,361,885)
Add stock-based employee compensation expense included in reported net loss	3,903	27,506	7,806
Less total stock-based employee compensation expense determined under the fair value based method for all awards	(217,187)	(57,200)	(500,625)
Pro forma net loss	$ (1,534,796)	$ (696,632)	$ (2,854,704)
Basic and diluted loss per common share, as reported	(0.10)	(0.07)	(0.18)
Basic and diluted loss per common share, pro forma	(0.11)	(0.07)	(0.22)

The following table summarizes the options granted, exercised and outstanding as of June 30, 2004.

	Shares	Exercise Price Per Share		
Outstanding at December 31, 2003	356,250	$ 0.26	-	$ 0.60
Granted	1,400,000	$ 0.95	-	$ 1.25
Exercised	-	-		-
Forfeited	(31,250)	$ 0.26	-	$ 0.32
Outstanding at June 30, 2004	1,725,000	$ 0.32	-	$ 1.25
Options exercisable at June 30, 2004	562,500	$ 0.32	-	$ 1.10

7. REVENUE RECOGNITION

The Company recognizes revenue when product is shipped. When advance payments are received, these payments are recorded as deferred revenue and recognized when the product is shipped.

8. SUBSEQUENT EVENTS

(a) On August 9, 2004 the Company completed the redemption in full of its outstanding long-term convertible debt.

(b) Pursuant to a Standby Equity Distribution Agreement ("SEDA") dated July 28, 2004 between the Company and Cornell Capital Partners, L.P. ("Cornell"), the Company may, at its discretion, issue shares of common stock to Cornell at any time over the next two years. The facility is subject to having in effect a registration statement covering the shares. The maximum aggregate amount of the equity placements pursuant to the SEDA is $20 million, and the Company may draw down up to $1 million per month. Pursuant to the SEDA, on July 28, 2004, the Company issued 240,000 shares of common stock to Cornell as commitment shares.

(c) Pursuant to a Securities Purchase Agreement between the Company and

Cornell dated July 28, 2004 (the "Debenture SPA"), the Company issued a Secured Convertible Debenture (the "Debenture") to Cornell at an original principal amount of $375,000. The Debenture bears interest at 8% per annum. The Debenture is due and payable in full on July 28, 2007. At the Company's option, the entire principal amount and all accrued interest may be paid in either cash or in shares of common stock at a price per share defined in the Debenture SPA. Pursuant to the Debenture SPA, the Company has also agreed to issue a second secured convertible debenture on the same terms as the Debenture, on the date that the Company files a registration statement for the shares underlying both debentures.

9. RESTATEMENT

During 2004, the Company restated its historical financial statements to revise the value of its patents acquired from Valley Pharmaceuticals, Inc. on November 19, 2002. During a detailed review of the accounting literature applicable to the valuation of the patents upon acquisition, the Company determined that the guidance under Accounting Principles Board Opinion No. 29, "Accounting for Nonmonetary Transactions" ("APB 29") was more appropriate than the guidance under Statement of Financial Accounting Standard No. 141, "Business Combinations"("SFAS 141"), which had originally been used by the Company. Under SFAS 141, the Company used the date that the transaction was entered into to value the shares given up in exchange for the assets acquired compared to using the date the transaction was completed as required under APB 29. Under APB 29, the restated value of the patents upon acquisition is $11,715,445 compared to the $20,037,560 value initially used by the Company. The accompanying financial statements and notes reflect the restated amounts. The following tables detail the effects of the restatement:

	For The Three Months Ended, June 30, 2004		June 30, 2003		For The Six June 30, 2004	
	As Previously Reported (Unaudited)	As Restated (Unaudited)	As Previously Reported (Unaudited)	As Restated (Unaudited)	As Previously Reported (Unaudited)	As Restated (Unaudite
Income Statement Data:						
Amortization	$ 286,963	$ 167,780	$ 286,964	$ 167,780	$ 573,926	$ 335,56
Total Operating Loss	(865,387)	(746,204)	(802,892)	(683,708)	(1,810,217)	(1,571,85
Net Loss	(1,440,695)	(1,321,512)	(786,122)	(666,938)	(2,600,251)	(2,361,88
Basic and Diluted Loss Per Common Share	(0.11)	(0.10)	(0.08)	(0.07)	(0.20)	(0.18)

	Cumulative Through June 30, 2004	
	As Previously Reported (Unaudited)	As Restated (Unaudited)
Income Statement Data:		
Amortization	$ 1,855,695	$ 1,084,977

Total Operating Loss	(12,372,820)	(11,602,102)
Net Loss	(13,354,051)	(12,583,333)
Basic and Diluted Loss Per Common Share		

	At June 30, 2004		At December 31, 2003	
	As Previously Reported (Unaudited)	As Restated (Unaudited)	As Previously Reported (Unaudited)	As Restated (Unaudited)
Balance Sheet Data:				
Patents, net of amortization	18,181,865	10,630,468	18,755,791	10,966,028
Total Assets	19,282,740	11,731,343	19,826,809	12,037,046
Stockholders' Equity	17,187,640	9,636,243	18,040,815	10,251,052

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

The following discussion is intended to assist in the understanding and assessment of significant changes and trends related to our results of operations and our financial condition together with our consolidated subsidiaries. This discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-QSB. Historical results and percentage relationships set forth in the statement of operations, including trends which might appear, are not necessarily indicative of future operations.

CAPITAL STRUCTURE

Our ability to continue as a going concern has become reasonably assured due to our financing in June and July 2004. However, our ongoing operations continue to be dependent upon our ability to raise capital.

We plan to implement our integrated business plan, including execution of the next phases in clinical development of our pharmaceutical products and full resumption of research programs for new research initiatives.

We intend to proceed as rapidly as possible with the development of OTC products that can be sold with a minimum of regulatory compliance and with the further development of revenue sources through licensing of our existing intellectual property portfolio. Although we believe that there is a reasonable basis for our expectation that we will become profitable due to revenues from OTC product sales, we cannot assure you that we will be able to achieve, or maintain, a level of profitability sufficient to meet our operating expenses.

Our current plans include continuing to operate with our four employees during the immediate future, but we anticipate adding some part-time employees during the next year. Our current plans also include minimal purchases of new property, plant and equipment, and significantly increased research and development.

PLAN OF OPERATION

With the reorganization of Provectus and PPI and the acquisition and integration into the company of Valley and Pure-ific, we believe we have obtained a unique combination of OTC products and core intellectual properties. This combination represents the foundation for an operating company that we believe will provide both profitability and long-term growth. In 2004, through careful control of expenditures, increasing sales of OTC products, and issuance of debt and equity, we plan to build on that foundation to increase shareholder value.

In the short term, we intend to develop our business by marketing, manufacturing, and distributing our existing OTC products, principally GloveAid and Pure-ific. In the longer term, we expect to continue the process of developing, testing and obtaining the approval of the U. S. Food and Drug Administration of prescription drugs and medical devices. Additionally, we intend to restart our research programs that will identify additional conditions that our intellectual properties may be used to treat and additional treatments for those and other conditions.

We are in the planning phase for the major research and development projects, and therefore do not have estimated completion dates, completion costs and capital requirements for these projects. The reason we do not have this information available is because we have not completed our planning process. Since there is no defined schedule for completing these development projects, there are no defined consequences if they are not completed timely. Research and development costs comprising the total of $246,185 for the three months ending June 30, 2004 include consulting of $114,525, lab expense of $8,458, insurance of $16,037, legal of $17,886, office and other expense of $3,751, payroll of $71,799, rent and utilities of $3,733, and taxes and fees of $9,996. R&D costs comprising the total of $434,139 for the six months ending June 30, 2004 include consulting of $141,368, lab expense of $10,958, insurance of $36,175, legal of $46,934, office and other expense of $3,751, payroll of $175,624, rent and utilities of $9,333, and taxes and fees of $9,996. Research and development costs comprising the total of $80,503 for the three months ending June 30, 2003 included depreciation expense of $53,815, consulting of $11,535, insurance of $4,956, office and other expense of $373, payroll of $1,424, and rent and utilities of $8,400. Research and development costs comprising the total of $236,286 for the six months ending June 30, 2003 included depreciation expense of $137,656, consulting of $26,423, insurance of $4,956, office and other expense of $828, payroll of $48,435, rent and utilities of $16,800, and taxes and fees of $1,188.

CASH FLOW

As of August 10, 2004, we held approximately $250,000 in cash. At our current cash expenditure rate, this amount in addition to proceeds expected from our July 2004 financing will be sufficient to meet our needs. We already have begun to increase our expenditure rate by accelerating some of our research programs for new research initiatives; in addition, we are seeking to improve our cash flow by increasing sales of OTC products. However, we cannot assure you that we will be successful in increasing sales of OTC products. Moreover, even if we are successful in improving our current cash flow position, we nonetheless will require additional funds to meet our long-term needs. We anticipate these

funds will come from the proceeds of private placements or public offerings of debt or equity securities.

CAPITAL RESOURCES

As noted above, our present cash flow is currently sufficient to meet our short-term operating needs for initial production and distribution of OTC products in order to achieve meaningful sales volumes. Excess cash will be used to finance the next phases in clinical development of our pharmaceutical products and resumption of our currently suspended research programs. We anticipate that the majority of the funds for our operating and development needs in 2004 will come from the proceeds of private placements or public offerings of debt or equity securities. While we believe that we have a reasonable basis for our expectation that we will be able to raise additional funds, we cannot assure you that we will be able to complete additional financing in a timely manner. In addition, any such financing may result in significant dilution to shareholders. For further information on funding sources, please see Notes 5(c) and 8 of the notes to our financial statements included in this report.

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-QSB contains forward-looking statements regarding, among other things, our anticipated financial and operating results. Forward-looking statements reflect our management's current assumptions, beliefs, and expectations. Words such as "anticipate," "believe, "estimate," "expect," "intend," "plan," and similar expressions are intended to identify forward-looking statements. While we believe that the expectations reflected in our forward-looking statements are reasonable, we can give no assurance that such expectations will prove correct. Forward-looking statements are subject to risks and uncertainties that could cause our actual results to differ materially from the future results, performance, or achievements expressed in or implied by any forward-looking statement we make. Some of the relevant risks and uncertainties that could cause our actual performance to differ materially from the forward-looking statements contained in this report are discussed under the heading "Risk Factors" and elsewhere in our Annual Report on Form 10-KSB for the year ended December 31, 2003. We caution investors that these discussions of important risks and uncertainties are not exclusive, and our business may be subject to other risks and uncertainties which are not detailed there.

Investors are cautioned not to place undue reliance on our forward-looking statements. We make forward-looking statements as of the date on which this Quarterly Report on Form 10-QSB is filed with the SEC, and we assume no obligation to update the forward-looking statements after the date hereof whether as a result of new information or events, changed circumstances, or otherwise, except as required by law.

Item 3. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. Our chief executive officer and chief financial officer have evaluated the effectiveness of the design and operation of our "disclosure controls and procedures" (as that term is defined in Rule 13a-14(c) under the Exchange Act) as of June 30, 2004, the end of the fiscal quarter covered by this Quarterly Report on Form 10-QSB. Based on that evaluation, the chief executive officer and chief financial officer have concluded that our disclosure controls and procedures are effective to ensure that material information relating to the Company and the Company's consolidated subsidiaries is made known to such officers by others within these entities, particularly during the period this Quarterly Report on Form 10-QSB was prepared, in order to allow timely decisions regarding required disclosure.

(b) Changes in Internal Controls. There has been no change in our internal

control over financial reporting that occurred during the fiscal quarter covered by this Quarterly Report on Form 10-QSB that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

The Company was not involved in any legal proceedings during the fiscal quarter covered by this Quarterly Report of Form 10-QSB.

Item 2. Changes in Securities and Use of Proceeds.

Recent Sales of Unregistered Securities

In December 2003, the Company commenced an offering for the sale of restricted common stock. In the second quarter 2004, the Company sold 245,462 shares of restricted common stock under this offering at an average gross price of $1.09 per share and received net proceeds of $90,360. The Company has also recorded a stock subscription receivable of $2,000 for stock subscriptions prior to June 30, 2004 for which payment was received subsequent to June 30, 2004. The Company has engaged a placement agent to assist in the offering. Costs related to the placement agent for proceeds received in the second quarter 2004 of $178,047 have been off-set against the gross proceeds of $268,407 and therefore are reflected as a direct reduction of equity at June 30, 2004. The transaction is a Regulation S offering to foreign investors as defined by Regulation S of the Securities Act. The restricted shares cannot be traded for 12 months. After the first 12 months, sales of the shares are subject to restriction under rule 144 for an additional year. We have engaged a placement agent to assist us in the offering.

Recent Sales of Unregistered Securities.

Pursuant to a Securities Purchase Agreement between us and A.I. International Corporate Holdings, Ltd. ("A.I."), American Equity Consulting Services, Inc. ("American Equity") and Castlerigg Master Investments, Ltd. ("Castlerigg") dated June 25, 2004 (the "Common Stock SPA"), we have issued 1,333,333 shares of common stock at a purchase price of $.75 per share, for an aggregate purchase price of $1 million. In addition, we have issued warrants on the following terms:

Investor	Number of Shares	Exercise Price	Issue Date
A.I.	222,222	$1.00	June 25, 2004
Castlerigg	222,222	$1.00	June 25, 2004
A.I.	148,148	$1.00	July 16, 2004
Castlerigg	148,148	$1.00	July 16, 2004
Castlerigg	148,148	$1.00	August 5, 2004
Castlerigg	444,444	$1.00	August 9, 2004

A.I. and Castlerigg have an option to purchase an additional 1,333,333 shares of common stock on the same terms and conditions described above, including the attachment of warrants. We have paid $50,000 and we will issue 66,667 shares of restricted common stock to Baker Consulting, Inc. as compensation for its broker services. We believe that this offering was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") by reason of Section 4(2) of the Securities Act, based upon the fact that the offer and sale of the securities was made to a limited number of purchasers in a transaction not involving any general solicitation or general advertising.

Pursuant to a Standby Equity Distribution Agreement ("SEDA") dated July 28, 2004 between us and Cornell Capital Partners, L.P. ("Cornell"), we may, at our discretion, issue shares of common stock to Cornell at any time over the next two years. The facility is subject to having in effect a registration statement covering the shares. The maximum aggregate amount of the equity placements pursuant to the SEDA is $20 million, and we may draw down up to $1 million per month. Pursuant to the SEDA, on July 28, 2004, we issued 190,084 shares of common stock to Cornell as commitment shares. In addition, we issued 7,920 shares of common stock to Newbridge Securities Corporation ("Newbridge") as compensation for its services as placement agent. We also paid $10,000 in structuring fees to Cornell. We believe that this offering was exempt from the registration requirements of the Securities Act by reason of Rule 506 of Regulation D and Section 4(2) of the Securities Act, based upon the fact that the offer and issuance of the securities satisfied all the terms and conditions of Rules 501 and 502 of the Securities Act, Cornell and Newbridge are financially sophisticated and had access to complete information concerning us and acquired the securities for investment and not with a view to the distribution thereof.

Pursuant to a Securities Purchase Agreement between us and Cornell dated July 28, 2004 (the "Debenture SPA"), we issued a Secured Convertible Debenture (the "Debenture") to Cornell at an original principal amount of $375,000. The Debenture bears interest at 8% per annum. The Debenture is due and payable in full on July 28, 2007. At our option, the entire principal amount and all accrued interest may be paid in either cash or in shares of common stock, at a price per share equal to the lesser of (a) $1.88 (the "Fixed Price") or (b) an amount equal to 80% of the lowest daily volume weighted average price of the common stock, as quoted by Bloomberg, L.P., during the 5 trading days immediately preceding the conversion date. We may redeem a portion or all of the outstanding Debenture at any time with 3 business days advance written notice, at a price that is 110% of the amount redeemed plus accrued interest; provided that if on the date that we provide notice of redemption the price of the common stock is greater than the Fixed Price, the redemption price will be 120% of the amount redeemed plus accrued interest. We have agreed, pursuant to the Debenture SPA, to issue a second secured convertible debenture (the "Second Debenture"), on the same terms as the Debenture, on the date that we file a registration statement with the Securities and Exchange Commission to register the shares underlying the Debenture and the Second Debenture. We believe that this offering was exempt from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act") by reason of Rule 506 of Regulation D and Section 4(2) of the Securities Act, based upon the fact that the offer and issuance of the Debenture satisfied all the terms and conditions of Rules 501 and 502 of the Securities Act, Cornell is financially sophisticated and had access to complete information concerning us and acquired the securities for investment and not with a view to the distribution thereof.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

An annual meeting was held on May 27, 2004, at which the following directors were elected:

	For	Withhold Authority
H. Craig Dees	7,931,372	300
Eric Wachter	7,931,272	400
Timothy D. Scott	7,931,272	400
Stuart R. Fuchs	7,931,372	300

Item 5. Other Information.

None.

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

21.0 List of Subsidiaries

31.1 Certification Pursuant to Rule 13a-14(a) (Section 302 Certification), dated October 7, 2004, executed by H. Craig Dees, Ph.D., Chief Executive Officer of the Company.

31.2 Certification Pursuant to Rule 13a-14(a) (Section 302 Certification), dated October 7, 2004, executed by Peter R. Culpepper, Chief Financial Officer of the Company.

32. Certification Pursuant to 18 U.S.C. ss. 1350 (Section 906 Certification), dated October 7, 2004, executed by H. Craig Dees, Ph.D., Chief Executive Officer of the Company, and Peter R. Culpepper, Chief Financial Officer of the Company.

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PROVECTUS PHARMACEUTICALS, INC.

By:/s/ H. Craig Dees, Ph.D.

H. Craig Dees, Ph.D. Chief Executive Officer

Date: October 7, 2004

EXHIBIT INDEX

Exhibit No.	Description
21.1	List of Subsidiaries
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32.	Certification Pursuant to 18 U.S.C. ss. 1350 (Section 906 Certification), dated October 7, 2004, executed by H. Craig Dees, Ph.D., Chief Executive Officer of the Company, and Peter R. Culpepper, Chief Financial Officer of the Company.

EXHIBIT 21.1

LIST OF SUBSIDIARIES

SUBSIDIARY	STATE OF INCORPORATION
Xantech Pharmaceuticals, Inc.	Tennessee

Pure-ific Corporation	Nevada
Provectus Biotech, Inc.	Tennessee
Provectus Devicetech, Inc.	Tennessee
Provectus Pharmatech, Inc.	Tennessee

Exhibit 31.1

Provectus Pharmaceuticals, Inc.
Certification Pursuant to Rule 13a-14(a)
Section 302 Certification

I, H. Craig Dees, Ph.D., the Chief Executive Officer of Provectus Pharmaceuticals, Inc., certify that:

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

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

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

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

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

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the

disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent function):

(a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial data and have identified for the small business issuer's auditors any material weaknesses in internal controls; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls.

Date: October 7, 2004

/s/ H. Craig Dees

H. Craig Dees, Ph.D. Chief Executive Officer

Exhibit 31.2

Provectus Pharmaceuticals, Inc.
Certification Pursuant to Rule 13a-14(a)
Section 302 Certification

I, Peter R. Culpepper, the Chief Financial Officer of Provectus Pharmaceuticals, Inc., certify that:

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

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

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

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

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

   (b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

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

5. The small business issuer's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent function):

   (a) all significant deficiencies in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial data and have identified for the small business issuer's auditors any material weaknesses in internal controls; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls.

Date: October 7, 2004

/s/ Peter R. Culpepper

Peter R. Culpepper
Chief Financial Officer

Exhibit 32.1

Provectus Pharmaceuticals, Inc.

Certification Pursuant to 18 U.S.C. ss. 1350
Section 906 Certifications

Pursuant to 18 U.S.C.ss. 1350, as enacted by Section 906 of the Sarbanes-Oxley Act of 2002 (Public Law 107-204), the undersigned, H. Craig Dees, Ph.D., the Chief Executive Officer of Provectus Pharmaceuticals, Inc., a Nevada corporation (the "Company"), and Peter R. Culpepper, the Chief Financial Officer of the Company, hereby certify that:

1. The Company's Quarterly Report on Form 10-QSB for the quarter ended June 30, 2004, as filed with the U.S. Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

This Certification is signed on October 7, 2004.

/s/ H. Craig Dees

H. Craig Dees, Ph.D. Chief Executive Officer Provectus Pharmaceuticals, Inc.

/s/ Peter R. Culpepper

Peter R. Culpepper
Chief Financial Officer
Provectus Pharmaceuticals, Inc.

A signed original of this written statement required by Section 906 has been provided to Provectus Pharmaceuticals, Inc. and will be retained by Provectus Pharmaceuticals, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.