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

FORM 10-QSB

(Mark One)
[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For quarterly period ended August 31, 2004

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from _____ to _____

Commission File Number 0-22182

PATRIOT SCIENTIFIC CORPORATION

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

Delaware	84-1070278
(State or other jurisdiction of incorporation or organization)	(I.R.S. Empl. Ident. No.)

10989 Via Frontera, San Diego, California 92127
(Address of principal executive offices)

(858) 674-5000
(Issuers telephone number)

Check whether the issuer (1) filed all reports to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ___

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Common Stock, $.00001 par value	198,148,707
(Class)	(Outstanding at October 18, 2004)

Transitional Small Business Disclosure Format (Check one): Yes ___ No _x__

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PART I- FINANCIAL INFORMATION

Item 1. Financial Statements

PATRIOT SCIENTIFIC CORPORATION
CONSOLIDATED BALANCE SHEETS

	August 31, 2004 (Unaudited)	May 31, 2004
ASSETS (Notes 4 and 5)		
Current assets:		
Cash and cash equivalents	$ 8,856	$ 355,940
Marketable securities	7,983	22,646
Accounts receivable	-	1,225
Prepaid expenses	330,885	322,068
Total current assets	347,724	701,879
Property and equipment, net	56,823	68,389
Other assets	29,221	41,221
Patents and trademarks, net of accumulated amortization of $513,317 and $501,235	102,657	114,739
	$ 536,425	$ 926,228
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Current portion of convertible debentures, net of debt discount of $6,399 and $27,180 (Note 5)	$ 71,101	$ 145,320
Secured notes payable to shareholders	100,000	100,000
Accounts payable	87,450	134,600
Accrued liabilities	144,432	160,102
Current portion of capital lease obligation	8,487	8,020
Total current liabilities	411,470	548,042
Convertible debentures, net of debt discount of $1,523,254 and $2,047,966 (Note 5)	404,413	227,701
Long term portion of capital lease obligation	-	2,306
Stockholders' equity (deficit) (Notes 5 and 6)		
Preferred stock, $.00001 par value; 5,000,000 shares authorized none outstanding	-	-
Common stock, $.00001 par value; 400,000,000 shares authorized; issued and outstanding 192,217,737 and 171,156,363	1,922	1,712
Additional paid-in capital	50,669,089	49,990,485
Accumulated deficit	(50,950,469)	(49,844,018)
Total stockholders' deficit	(279,458)	148,179
	$ 536,425	$ 926,228

See accompanying summary of accounting policies and notes to unaudited consolidated financial statements.

.

PATRIOT SCIENTIFIC CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	August 31, 2004	August 31, 2003
Net sales	$ 2,550	$ 11,240
Cost of sales	-	6,213
Gross profit	2,550	5,027
Operating expenses:		
Research and development	128,304	149,122
Selling, general and administrative	380,401	351,470
	508,705	500,592
Operating loss	(506,155)	(495,565)
Other income (expenses):		
Unrealized loss on marketable securities	(14,663)	-
Other income	47,273	-
Interest expense	(632,906)	(656,982)
	(600,296)	(656,982)
Net loss	$ (1,106,451)	$ (1,152,547)
Basic and diluted loss per common share	$ (0.01)	$ (0.01)
Weighted average number of common shares outstanding during the period (Note 1)	183,060,245	113,846,895

See accompanying summary of accounting policies and notes to unaudited consolidated financial statements.

PATRIOT SCIENTIFIC CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended	
	August 31, 2004	August 31, 2003
Decrease in Cash and Cash Equivalents		
Operating activities:		
Net loss	$ (1,106,451)	$ (1,152,547)
Adjustments to reconcile net loss to cash used in operating activities:		
Amortization and depreciation	23,648	33,863
Non-cash interest expense related to convertible debentures, notes payable and warrants	585,411	618,067
Unrealized loss on marketable securities	14,663	-
Common stock issued for services	14,800	-
Changes in:		
Accounts receivable	1,225	(5,897)
Prepaid expenses and other assets	3,183	(14,771)
Accounts payable and accrued liabilities	(36,155)	(17,953)
Net cash used in operating activities	(499,676)	(539,238)
Investing activities:		
Purchase of property, equipment and patents	-	(2,269)
Financing activities:		
Proceeds from the issuance of short term notes payable	-	10,000
Proceeds from the issuance of convertible debentures	-	422,500
Proceeds from the issuance of common stock	-	31,000
Principal payments for capital lease obligations	(1,839)	(1,468)
Proceeds from sales of accounts receivable	-	4,000
Proceeds from exercise of common stock warrants	154,431	50,100
Net cash provided by financing activities	152,592	516,132
Net increase (decrease) in cash and cash equivalents	(347,084)	(25,375)
Cash and cash equivalents, beginning of period	355,940	32,663
Cash and cash equivalents, end of period	$ 8,856	$ 7,288
Supplemental Disclosure of Cash Flow Information:		
Cash payments for interest	$ 1,781	$ 5,005
Convertible debentures, notes payable and accrued interest exchanged for common stock	$ 469,665	$ 677,642
Debt discount	$ -	$ 354,667

See accompanying summary of accounting policies and notes to unaudited consolidated financial statements.

PATRIOT SCIENTIFIC CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION

The consolidated financial statements of Patriot Scientific Corporation ("Patriot") presented herein have been prepared pursuant to the rules of the Securities and Exchange Commission for quarterly reports on Form 10-QSB and do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with our audited consolidated financial statements and notes thereto included in Form 10-KSB for the year ended May 31, 2004.

In the opinion of management, the interim consolidated financial statements reflect all adjustments of a normal recurring nature necessary for a fair statement of the results for interim periods. Operating results for the three month periods are not necessarily indicative of the results that may be expected for the year.

Loss Per Share

We follow Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share." Under SFAS No. 128, basic loss per share is calculated as loss available to common stockholders divided by the weighted average number of common shares outstanding. Diluted loss per share is calculated as net loss divided by the diluted weighted average number of common shares. The diluted weighted average number of common shares is calculated using the treasury stock method for common stock issuable pursuant to outstanding stock options and common stock warrants. Common stock options and warrants of 121,200,175 and 73,951,979 for the three months ended August 31, 2004 and 2003, respectively, were not included in diluted loss per share for the periods as the effect was antidilutive due to our recording losses in each of those periods. See Notes 5 and 7 for discussion of commitments to issue additional shares of common stock and warrants.

Stock Options

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost has been recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and disclosure," require the Company to provide pro forma information regarding net income as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model. SFAS No. 148 also provides for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has elected to continue to account for stock based compensation under APB No. 25.

The Company applies SFAS No. 123 in valuing options granted to consultants and estimates the fair value of such options using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as services are provided. Options granted to consultants for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

Under the accounting provisions for SFAS No. 123, the Company's net loss per share would have been increased by the pro forma amounts indicated below:

	Three Months Ended	
	August 31, 2004	August 31, 2003
Net loss as reported	$ (1,106,451)	$ (1,152,547)
Compensation expense	(2,883)	(85,674)
Net loss pro forma	$ (1,109,334)	$ (1,238,221)
As reported per share		
Basic and diluted loss	$ (0.01)	$ (0.01)
Pro forma per share		
Basic and diluted loss	$ (0.01)	$ (0.01)

Sale of Accounts Receivable

We follow SFAS No. 140, "Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities," a replacement of SFAS No. 125. SFAS No. 140 provides consistent standards for distinguishing transfers of financial assets that are sales from transfers that are secured borrowings. A $400,000 factoring line we established with a bank enables us to sell selected accounts receivable invoices to the bank with full recourse against us. These transactions qualify for a sale of assets since (1) we have transferred all of our rights, title and interest in the selected accounts receivable invoices to the bank, (2) the bank may pledge, sell or transfer the selected accounts receivable invoices, and (3) we have no effective control over the selected accounts receivable invoices since we are not entitled to or obligated to repurchase or redeem the invoices before their maturity and we do not have the ability to unilaterally cause the bank to return the invoices. Under SFAS No.140, after a transfer of financial assets, an entity recognizes the financial and servicing assets it controls and the liabilities it has incurred, derecognizes financial assets when control has been surrendered, and derecognizes liabilities when extinguished. Pursuant to the provisions of SFAS No. 140, whenever we sell accounts receivable invoices to the bank, we reflect the transactions as sales of assets and establish a receivable from the bank for the retained amount less the costs of the transactions and less any anticipated future loss in the value of the retained asset. The retained amount equals 20% of the total accounts receivable invoices sold to the bank less 1% of the total invoices as an administrative fee and 1.75% per month of the total outstanding accounts receivable invoices as a finance fee. The estimated future loss reserve for each receivable included in the estimated value of the retained asset is based on the payment history of the accounts receivable customer. At August 31, 2004, there were no accounts receivable invoices outstanding under the factoring line and $400,000 was available for future factoring of accounts receivable invoices.

2. RECENT ACCOUNTING PRONOUNCEMENTS

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this statement did not impact our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this statement did not impact our financial position or results of operations.

3. CONTINUED EXISTENCE AND MANAGEMENT'S PLAN

Our consolidated financial statements are presented on the going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. Our ability to continue as a going concern is contingent upon our obtaining sufficient financing to sustain our operations. We incurred a net loss of $1,106,451, $4,149,978 and $3,888,299 and negative cash flow from operations of $499,676, $2,075,972 and $1,885,762 in the three months ended August 31, 2004 and the years ended May 31, 2004 and 2003, respectively. At August 31, 2004, we had deficit working capital of $63,746 and cash and cash equivalents of $8,856. We have historically funded our operations primarily through the issuance of securities and debt financings. Cash and cash equivalents decreased $347,084 during the three months ended August 31, 2004.

We estimate our current cash requirements to sustain our operations for the next twelve months through August 2005 to be $1.8 million. Since we are no longer supporting the communications product line, we are assuming that there will be no communications product revenue. We have issued 8% convertible debentures as our primary source of funding since 2002. At the option of the debenture holders, they may purchase additional debentures up to $1 million at any time during the two years following their purchase as long as the price of our common stock is in excess of $0.20 per share. During the first three months ended August 31, 2004, we obtained $154,432 from the exercise of warrants. Subsequent to August 31, 2004, we obtained additional advances of $127,500 towards the issuance of a future convertible debenture and $50,000 from the issuance of an 8% convertible debenture.

If the optional amounts under the convertible debentures are not raised in sufficient amounts, then we may not have funds sufficient to meet our cash requirements. In such circumstances, we would need to secure additional debt and/or equity financings with individual or institutional investors. In addition, we would be required to make additional cost reductions if our cash requirements cannot be met from external sources. We expect that the $1.8 million requirement will be provided by:

- additional debt and/or equity financings;
- proceeds from the exercise of outstanding stock options and warrants; and
- proceeds from revenue contracts and patent enforcement activities.

In addition, we have formulated additional cost reduction plans which can be implemented if the required funds are not obtainable. As of August 31, 2004, we also have remaining $400,000 under an accounts receivable factoring agreement with our bank.

We anticipate our future revenue to be derived primarily from the sale of licenses, royalties and the proceeds from litigation or settlements of patent infringement cases. To receive this revenue, we may require additional equipment, fabrication, components and supplies during the next twelve months to support potential customer requirements and further develop our technologies and to fund the expenses of protracted patent enforcement litigation. Product introductions such as those currently underway for the Ignite I may require significant product launch, marketing personnel and other expenditures that cannot be currently estimated. Further, if expanded development is

commenced or new generations of microprocessor technology are accelerated beyond current plans, additional expenditures we cannot currently estimate, may be required. It is possible therefore, that higher levels of expenditures may be required than we currently contemplate resulting from changes in development plans or as required to support new developments or commercialization activities or otherwise.

If we are unable to obtain the necessary funds, we could be forced to substantially curtail or cease operations, which would have a material adverse effect on our business. Further, there can be no assurance that required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing shareholders. As such, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from our possible inability to continue as a going concern.

4. SECURED NOTE PAYABLE

In January 2004, a note held by an affiliate for $200,353 plus accrued interest of $8,033 was partially used to exercise a warrant with the balance of $100,000 converted into four one year $25,000 notes due January 9, 2005 issued to four heirs of the estate over which the affiliate is a trustee. The interest rate on the four notes is 6% and the notes are secured by the assets of the company.

5. CONVERTIBLE DEBENTURES

Overview. From April 23, 2002 through May 11, 2004, we sold an aggregate of $4,913,167 of convertible debentures, ranging from 8% to 12%, to a group of twenty-four investors. The convertible debentures entitle the debenture holder to convert the principal and unpaid accrued interest into our common stock for two years from the date of closing.

Number of Shares Debentures May Be Converted Into. The debentures can be converted into a number of our common shares at conversion prices that initially equaled $0.0172 to $0.10289 per share.

Resets of Conversion Price and Conversion Shares. A reset date occurs on each three month anniversary of the closing date of each debenture and on the date the registration statement becomes effective. If the volume weighted average price for our common stock for the ten days previous to the reset date is less than the conversion price in effect at the time of the reset date, then the number of common shares issuable to the selling shareholder on conversion will be increased. If the conversion price is reset, the debenture can be converted into a number of our common shares based on the following calculation: the amount of the debenture plus any unpaid accrued interest divided by the reset conversion price which shall equal the volume weighted average price for our common stock for the ten days previous to the reset date.

Warrants. Concurrent with the issuance of the convertible debentures, we issued to the debenture holders warrants to purchase shares of our common stock. These warrants are exercisable for five years from the date of issuance at either initial negotiated exercise prices or prices equal to 115% of the volume weighted average price for our common stock for the ten days previous to the debenture date. The warrant exercise price is generally subject to being reset on each six month anniversary of its issuance, however, if the warrant holder elects to have the warrant shares registered, then the exercise price is fixed at the price in effect on the date of the election.

Options to Purchase Additional Debentures. Subject to the price of our common stock being equal to or greater than $0.20 per share and a two year limitation, the debenture holders may purchase additional debentures equal to

the value of their initial debentures. The price at which the optional additional debentures could be converted would initially equal 115% of the volume weighted average price for our common stock for the ten days previous to the date on which the optional additional debentures were closed. The optional additional debentures would carry the same warrant amounts and reset privileges as the initial debentures.

Shareholder Approval. We may currently issue more than 20% of our outstanding shares under the convertible debentures. If we become listed on the NASDAQ Small Cap Market or NASDAQ National Market, then we must get shareholder approval to issue more than 20% of our outstanding shares. Since we are currently a bulletin board company, we do not need shareholder approval.

Restrictive Covenants. For a period of 18 months from the date of the debentures, we are prohibited from certain transactions. These include the issuance of any debt or equity securities in a private transaction which are convertible or exercisable into shares of common stock at a price based on the trading price of the common stock at any time after the initial issuance of such securities; the issuance of any debt or equity securities with a fixed conversion or exercise price subject to adjustment; and any private equity line type agreements without obtaining the debenture holders' prior written approval.

Right of First Refusal. The debenture holders have a right of first refusal to purchase or participate in any equity securities offered by us in any private transaction which closes on or prior to the date that is two years after the issue date of each debenture.

Registration Rights. Except for one debenture issued on March 23, 2004, we are responsible for registering the resale of the shares of our common stock which will be issued on the conversion of the debentures. As of May 31, 2004, there have been five registration statements (designated A through E).

Security Interest. The convertible debentures are secured by our assets.

The following tables present the status, as of August 31, 2004, of our convertible debentures:

Series	Dates of Issuance	Aggregate Principal	Principal Balance at 8/31/04	Conversion Prices Initial	Conversion Prices Reset	Effective Registration Date	Shares Converted at 8/31/04	Warrant Shares Issued
A	4/23/2002-6/10/2002	$ 1,000,000	$ -	$0.08616-$0.10289	$0.04190-$0.04457	10/29/2002	24,099,548	12,859,175
B	8/23/2002-1/24/2003	$ 605,000	$ 37,500	$0.05126-$0.0727	$0.04381-$0.04722	3/7/2003	13,314,221	11,234,835
C	3/24/2003-6/9/2003	$ 510,000	$ 10,000	$0.041-$0.065	$0.041-$0.065	6/26/2003	10,179,007	9,377,943
D	8/1/2003-10/21/2003	$ 547,500	$ 30,000	$0.0172-$0.048	$0.0172-$0.0477	11/18/2003	24,353,803	22,455,355
E	12/1/2003-5/11/2004	$ 1,527,500	$ 1,204,500	$0.0267-$0.10	$0.0267-$0.07811	6/7/2004	10,019,027	30,395,392
F	3/23/2004	$ 723,167	$ 723,167	$0.09	$0.09	Not Registered	-	8,035,192
Totals		$ 4,913,167	$ 2,005,167				81,965,606	94,357,892

Convertible debentures issued since April 23, 2002	$	4,913,167
Less amounts converted to common stock		(2,908,000)
		2,005,167
Less debt discount		(1,529,653)
Convertible debentures at August 31, 2004		475,514
Less current portion		71,101
Long term portion	$	404,413

Maturity dates of outstanding convertible debentures		
October 29, 2004	$	37,500
April 15, 2005		10,000
September 30, 2005		30,000
December 1, 2005		25,000
January 23, 2006		150,000
February 2, 2006		127,000
March 23, 2006		723,167
March 24, 2006		315,900
April 26, 2006		100,000
May 11, 2006		486,600
	$	2,005,167

6. STOCKHOLDERS' DEFICIT

The following table summarizes equity transactions during the three months ended August 31, 2004:

	Common Shares		Dollars
Balance June 1, 2004	171,156,363	$	49,992,197
Sale of common stock	-		-
Exercise of common stock warrants	7,833,689		154,431
Stock issued on conversion of debentures and accrued interest	12,931,685		469,665
Stock issued for services	296,000		14,800
Non-cash interest and debt discount related to warrants and debentures	-		39,918
Balance August 31, 2004	192,217,737	$	50,671,011

Stock Options

At August 31, 2004, we had 50,000 options outstanding pursuant to our 1992 NSO Stock Option Plan exercisable at $1.325 per share expiring in 2005; 1,948,000 options outstanding pursuant to our 1996 Stock Option Plan exercisable at a range of $0.0425 to $1.325 per share expiring beginning in 2005 through 2008; 2,915,000 options outstanding pursuant to our 2001 Stock Option Plan exercisable at a range of $0.0425 to $0.69 per share

expiring beginning in 2004 through 2008; and 2,030,000 options outstanding pursuant to our 2003 Stock Option Plan exercisable at a range of $0.0345 to $0.11 per share expiring in 2004 through 2009.

Some of the options outstanding under these plans are not presently exercisable and are subject to meeting vesting criteria.

Warrants

At August 31, 2004, we had warrants outstanding exercisable into 114,257,175 common shares at exercise prices ranging from $0.0172 to $0.65 per share expiring beginning in 2004 through 2011. During the three months ended August 31, 2004, we issued warrants to purchase 801,444 shares of common stock which are subject to repricings at the six month anniversary of the issuance of the warrant; had investors exercise warrants to purchase 7,833,689 shares of our common stock; and cancelled warrants to purchase 60,000 shares of our common stock. For warrants issued in conjunction with the 8% convertible debentures, at each anniversary date the warrants will be repriced to the lesser of the initial exercise price or the volume weighted average price for our common stock for the ten days previous to the reset date. For warrants issued in conjunction with the equity lines of credit and snap shot warrants, at each anniversary date the warrants will be repriced to the lesser of the initial exercise price or 110% of the lowest closing bid price of our common stock for the five trading days ending on such six month anniversary date. During the three months ended August 31, 2004, warrants to purchase 4,495,049 shares of common stock with initial or reset exercise prices ranging from $0.044 to $0.046 have been repriced to exercise prices ranging from $0.0396 to $0.044.

During the three months ended August 31, 2004, we issued to Swartz snap shot warrants exercisable for five years into 801,444 common shares at an exercise price of $0.0672. The snap shot warrant was issued under an agreement with Swartz whereby we will issue to Swartz warrants to purchase common shares equal to 30% of any common stock or warrants we issue to parties other than Swartz or their affiliates after April 1, 2003.

Common Stock

During the three months ended August 31, 2004, 296,000 shares of common stock were issued to a vendor in satisfaction of $14,800 of trade accounts payable.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

THE FOLLOWING DISCUSSION INCLUDES FORWARD-LOOKING STATEMENTS WITH RESPECT TO OUR FUTURE FINANCIAL PERFORMANCE. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CURRENTLY ANTICIPATED AND FROM HISTORICAL RESULTS DEPENDING UPON A VARIETY OF FACTORS, INCLUDING THOSE DESCRIBED BELOW UNDER THE SUB-HEADING, "RISK FACTORS." SEE ALSO OUR ANNUAL REPORT ON FORM 10-KSB FOR THE YEAR ENDED MAY 31, 2004.

Overview

Patriot Scientific Corporation ("the Company") develops, markets, and sells microprocessors, the technology behind the microprocessors, and complementary products which enable computers and other data processing devices to communicate. These products can be used to connect to the Internet or other telecommunication networks. The microprocessor technology product line accounted for approximately 18% of our revenue in fiscal 2004. The balance of our fiscal 2004 revenue was generated from a communications product line that, subsequent to a completed last buy program, is now generating minimal revenue. We also have a patent for special radar technology which, if fully developed, may allow a potential licensee to penetrate the ground or structures to find various objects. We also owned gas plasma antenna technology which we sold for $250,000 in August 1999. In fiscal 2004 we received a final royalty payment of $75,500 from the sale of the gas plasma technology. Our strategy is to exploit our microprocessor technologies through product sales, licensing, strategic alliances and to litigate against those who may be infringing on our patents.

Management's discussion and analysis of results of operations and financial condition are based upon the Company's financial statements. These statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require management to make certain estimates, judgments and assumptions that affect the reported 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 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.

Critical Accounting Policies and Estimates

We have identified nine accounting principles that we believe are key to an understanding of our financial statements. These important accounting policies require management's most difficult, subjective judgments.

1. Going Concern

These financial statements are presented on the basis that the Company is a going concern. Going concern contemplates the realization of assets and the satisfaction of liabilities in the normal course of business over a reasonable length of time. The Company has incurred significant operating losses and has had negative cash flows from operating activities for each of the years ended May 31, 2004 and 2003, had negative working capital and a stockholders' deficit for the year ended May 31, 2003 and used convertible debentures for raising substantially all of its working capital. These factors raise substantial doubt as to the Company's ability to continue as a going concern.

Management's plans to eliminate the going concern situation include, but are not limited to, the following:

1. Obtain additional equity or debt financing from investors including the exercise of outstanding warrants.

2. Obtain revenue producing contracts by successfully negotiating licensing, development and product opportunities within the microprocessor market place.

3. Aggressively pursue patent infringement opportunities by litigating with companies alleged to be infringing on our issued patents.

4. If funds are not satisfactorily available to continue operations at our current level, put in place cost reduction programs. Such reduction programs could include a scale back in the support of the microprocessor technology with total emphasis being placed on patent infringement activity. If, in the future, there is patent infringement success, additional funds would be available for the microprocessor technology.

2. Marketable Securities

As part of the sale of our gas plasma antenna technology we received restricted securities in a company that are traded on the OTC bulletin board. The securities can be traded under Rule 144 after July 2004. We reflect the value of those securities based on the closing price as of the end of our reporting period. Any unrealized gain or loss between reporting periods is reflected in our consolidated statement of operations as non-operating income or loss.

3. Property, Equipment and Depreciation

Property and equipment are stated at cost. Depreciation is computed over the estimated useful life of three to five years using the straight-line method. Long-lived assets and certain identifiable intangibles to be held and used by the Company are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. We continuously evaluate the recoverability of our long-lived assets based on estimated future cash flows and the estimated fair value of such long-lived assets, and provide for impairment if such undiscounted cash flows are insufficient to recover the carrying amount of the long-lived asset.

4. Patents and Trademarks

Patents and trademarks are carried at cost less accumulated amortization and are amortized over their estimated useful lives of four years. The carrying value of patents and trademarks is periodically reviewed and impairments, if any, are recognized when the expected future benefit to be derived from an individual intangible asset is less than its carrying value.

5. Revenue Recognition

We recognize revenue on the shipment to our customers of communication products, microprocessor integrated chips and evaluation boards. We also derive revenue from fees for the transfer of proven and reusable intellectual property components or the performance of engineering services. We enter into licensing agreements that will provide licensees the right to incorporate our intellectual property components in their products with terms and conditions that will vary by licensee. Generally, these payments will include a nonrefundable technology license fee, which will be payable upon the transfer of intellectual property, or a nonrefundable engineering service fee, which generally will be payable upon achievement of defined milestones. In addition, we anticipate these agreements will include royalty payments, which will be payable upon sale of a licensee's product, and maintenance and limited support fees. We will classify all revenue that involves the future sale of a licensee's products as royalty revenue. Royalty revenue will be generally recognized in the quarter in which a report is received from a licensee detailing the shipments of products incorporating our intellectual property components (i.e., in the quarter following the sale of licensed product by the licensee). We will classify all revenue that does not involve the future sale of a licensee's products, primarily license fees and engineering service fees and maintenance and support fees, as contract revenue. License fees will be recognized upon the execution of the license agreement and transfer of intellectual property, provided no further significant performance obligations exist and collectibility is deemed probable. Fees related to engineering services contracts, which will be performed on a best efforts basis and for which we will receive periodic milestone payments, will be recognized as revenue over the estimated development period, using a cost-based percentage of completion method. Annual maintenance and support fees, which will be renewable by the licensee, will be classified as contract revenue and will be amortized over the period of support, generally 12 months.

6. Research and Development Costs

Research and development costs are expensed as incurred.

7. Stock Options

The Company applies Accounting Principles Board ("APB") Opinion 25, "Accounting for Stock Issued to Employees," and related Interpretations in accounting for all stock option plans. Under APB Opinion 25, compensation cost has been recognized for stock options granted to employees when the option price is less than the market price of the underlying common stock on the date of grant.

SFAS No. 123, "Accounting for Stock-Based Compensation," and SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and disclosure," require the Company to provide pro forma information regarding net income as if compensation cost for the Company's stock option plans had been determined in accordance with the fair value based method prescribed in SFAS No. 123. To provide the required pro forma information, the Company estimates the fair value of each stock option at the grant date by using the Black-Scholes option-pricing model. SFAS No. 148 also provides for alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. The Company has elected to continue to account for stock based compensation under APB No. 25.

The Company applies SFAS No. 123 in valuing options granted to consultants and estimates the fair value of such options using the Black-Scholes option-pricing model. The fair value is recorded as consulting expense as services are provided. Options granted to consultants for which vesting is contingent based on future performance are measured at their then current fair value at each period end, until vested.

8. Income Taxes

Deferred income taxes are provided for by recognizing temporary differences in certain income and expense items for financial and tax reporting purposes. Deferred tax assets consist primarily of income tax benefits from net operating loss carry-forwards. A valuation allowance has been recorded to fully offset the deferred tax asset as it is more likely than not that the assets will not be utilized. The valuation allowance increased approximately $208,000 for the three months ended August 31, 2004, from $14,732,000 at May 31, 2004 to $14,940,000 at August 31, 2004.

9. Debt Discount

We issue warrants as part of our convertible debentures and other financings. We value the warrants using the Black-Scholes pricing model based on expected fair value at issuance and the estimated fair value is recorded as debt discount. The debt discount is amortized to non-cash interest over the life of the debenture assuming the debenture will be held to maturity which is normally 2 years. If the debenture is converted to common stock previous to its maturity date, any debt discount not previously amortized is expensed to non-cash interest.

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Selected Financial Information

	Three Months Ended			
	8/31/2004	8/31/2003	Increase (Decrease)	%
Statements of Operations				
Revenue	$ 2,550	$ 11,240	$ (8,690)	-77.3%
Cost of revenue	-	6,213	(6,213)	-100.0%
% of revenue	0%	55%	-55%	-100.0%
Gross profit	2,550	5,027	(2,477)	-49.3%
% of revenue	100%	45%	55%	123.6%
Operating expenses				
Research and development	128,304	149,122	(20,818)	-14.0%
General and administrative	380,401	351,470	28,931	8.2%
Total operating expenses	508,705	500,592	8,113	1.6%
Loss on marketable securities	(14,663)	-	(14,663)	NM
Interest expense	(632,906)	(656,982)	(24,076)	-3.7%
Other income	47,273	-	47,273	NM
Net loss	(1,106,451)	(1,152,547)	(46,096)	-4.0%
Net loss per share basic and diluted	(0.01)	(0.01)	-	0.0%

Results of Operations

Three months ended August 31, 2004 compared to three months ended August 31, 2003.

Revenues

Our revenue decrease of $8,690, or 77.3%, was due to a continuing lack of significant revenue producing contracts. Although our bid and proposal activity remains high, our microprocessor product line has failed to generate any significant contracts. We continue to receive minor follow-on orders for the communication products that have reached the end of their life cycle. We no longer market these products but do fill follow-on orders when economically feasible. We anticipate that future revenue will be derived from successful microprocessor technology efforts in the form of licensing and royalties and the successful collection of patent infringement proceeds from litigation and settlement.

Cost of Revenue

Our cost of revenue decrease of $6,213, or 100%, was commensurate with the reduction in revenue. We fully reserved our inventory in fiscal 2002 and, therefore, minor amounts of existing inventory can be resold at a zero cost basis. However, in order to fulfill the minor follow-on orders for communication products, we normally must procure a portion of additional components and assemblies. We anticipate that future cost of revenue will be commensurate with the success of receiving microprocessor licenses and royalties and patent infringement proceeds.

Research and Development

	Three Months Ended			
	8/31/2004	8/31/2003	Increase (Decrease)	%
Research and Development				
Personnel (including consultants)	$ 120,628	$ 133,213	$ (12,585)	-9.4%
Facilities	7,676	15,715	(8,039)	-51.2%
Other research and development expenses	-	194	(194)	-100.0%
	$ 128,304	$ 149,122	$ (20,818)	-14.0%

The $20,818, or 14%, reduction in research and development was attributed to a one person reduction in personnel. In addition, there has been no significant increase in depreciable equipment related to research and development for the past three years resulting in a lower depreciation amount charged to facilities expense. When and if funds become available, we anticipate an increase in research and development to upgrade the tools which are used by our potential customers to implement the microprocessor technology and to expand our offerings on which our microprocessor can run to include additional operating systems.

General and Administrative

	Three Months Ended			
	8/31/2004	8/31/2003	Increase (Decrease)	%
General and Administrative				
Personnel (including consultants)	$ 104,669	$ 137,974	$ (33,305)	-24.1%
Professional fees	125,058	84,838	40,220	47.4%
Facilities	80,092	85,363	(5,271)	-6.2%
Other general and administrative expenses	70,582	43,295	27,287	63.0%
	$ 380,401	$ 351,470	$ 28,931	8.2%

The $28,931, or 8.2%, increase in general and administrative expenses was attributed to a reduction in personnel costs, including consulting ($16,000) and a reduction in salaries ($17,000). Professional fees increased $40,220 primarily as a result of patent infringement costs increasing ($58,000) offset by a decrease in costs associated with registration statements and auditing of our financial statements ($18,000). Other general and administrative expenses increased as a result of licenses and dues increasing ($18,000), a reduction in subtenant rentals ($10,000). We anticipate general and administrative expenses to remain stable at the current levels until such time as contract revenue and patent litigation proceeds are recognized at which time additional personnel and other fees would be expected to increase.

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Other income (expense)

	Three Months Ended			
	8/31/2004	8/31/2003	Change	%
Other income (expense)				
Loss on marketable securities	$ (14,663)	$ -	(14,663)	NM
Other income	47,273	-	47,273	NM
Interest expense, paid in cash or accrued	(47,495)	(38,914)	(8,581)	22.1%
Non-cash interest expense	(585,411)	(618,068)	32,657	-5.3%
	$ (600,296)	$ (656,982)	$ 56,686	-8.6%

The decrease in other expenses, net of other income, of $56,686, or 8.6%, was primarily attributable to a one-time settlement with a subtenant who abandoned our adjoining space ($47,000) and the non-cash interest expense recognized on the amortization and cancellation of debt discounts related to our convertible debentures and the recognition of expense on the issuance of warrants related to our financings ($33,000) offset partially by the recognition of a loss on marketable securities which were received as partial consideration for the sale of our gas plasma antenna technology ($15,000). We anticipate that the non-cash interest expense will remain stable over the balance of fiscal 2005 due to a large debt discount remaining on our books as of August 31, 2004 ($1,529,653) which will be recognized as expense via amortization over 24 months if the underlying debentures are not converted or written off in their entirety on the conversion of the underlying debentures.

Capital Resources

Working Capital

	8/31/2004	5/31/2004	Increase (Decrease)
Current assets	$ 347,724	$ 701,879	$ (354,155)
Current liabilities	411,470	548,042	(136,572)
Working capital (deficit)	$ (63,746)	$ 153,837	$ (217,583)
Long-term debt	$ 404,413	$ 230,007	$ 174,406
Stockholders' equity (deficit)	$ (279,458)	$ 148,179	$ (427,637)

Statements of Cash Flows Select Information

	Three Months Ended		Increase
	8/31/2004	8/31/2003	(Decrease)
Net cash provided (used) by:			
Operating activities	$ (499,676)	$ (539,238)	$ 39,562
Investing activities	$ -	$ (2,269)	$ 2,269
Financing activities	$ 152,592	$ 516,132	$ (363,540)

Balance Sheet Select Information

	8/31/2004	5/31/2004	Increase (Decrease)
Cash and cash equivalents	$ 8,856	$ 355,940	$ (347,084)
Prepaid expenses	$ 330,885	$ 322,068	$ 8,817
Accounts payable and accrued expesnes	$ 231,882	$ 294,702	$ (62,820)

The decrease in working capital (deficit) of $217,583 and stockholders' equity (deficit) of $427,637 was attributable to a reduction in financing activities ($363,540) by the company during the three months ended August 31, 2004. This slow down in financing activities was a result of the higher than normal cash and cash equivalents available at the beginning of the quarter ($355,940).

Liquidity

We estimate our current cash requirements to sustain our operations for the next twelve months through August 2005 to be $1.8 million. Since we are no longer supporting the communications product line, we are assuming that there will be no communications product revenue. We have issued 8% convertible debentures as our primary source of funding since 2002. At the option of the debenture holders, they may purchase additional debentures up to $1 million at any time during the two years following their purchase as long as the price of our common stock is in excess of $0.20 per share. During the first three months ended August 31, 2004, we obtained

$154,432 from the exercise of warrants. Subsequent to August 31, 2004, we obtained additional advances of $127,500 towards the issuance of a future convertible debenture and $50,000 from the issuance of an 8% convertible debenture.

If the optional amounts under the convertible debentures are not raised in sufficient amounts, then we may not have funds sufficient to meet our cash requirements. In such circumstances, we would need to secure additional debt and/or equity financings with individual or institutional investors. In addition, we would be required to make additional cost reductions if our cash requirements cannot be met from external sources. We expect that the $1.8 million requirement will be provided by:

- additional debt and/or equity financings;
- proceeds from the exercise of outstanding stock options and warrants; and
- proceeds from revenue contracts and patent enforcement activities.

In addition, we have formulated additional cost reduction plans which can be implemented if the required funds are not obtainable. As of August 31, 2004, we also have remaining $400,000 under an accounts receivable factoring agreement with our bank.

We anticipate our future revenue to be derived primarily from the sale of licenses, royalties and the proceeds from litigation or settlements of patent infringement cases. To receive this revenue, we may require additional equipment, fabrication, components and supplies during the next twelve months to support potential customer requirements and further develop our technologies and to fund the expenses of protracted patent enforcement litigation. Product introductions such as those currently underway for the Ignite I may require significant product launch, marketing personnel and other expenditures that cannot be currently estimated. Further, if expanded development is commenced or new generations of microprocessor technology are accelerated beyond current plans, additional expenditures we cannot currently estimate, may be required. It is possible therefore, that higher levels of expenditures may be required than we currently contemplate resulting from changes in development plans or as required to support new developments or commercialization activities or otherwise.

If we are unable to obtain the necessary funds, we could be forced to substantially curtail or cease operations, which would have a material adverse effect on our business. Further, there can be no assurance that required funds, if available, will be available on attractive terms or that they will not have a significantly dilutive effect on our existing shareholders. As such, there is substantial doubt about our ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classification of liabilities that may result from our possible inability to continue as a going concern.

New Accounting Pronouncements

In April 2003, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies financial accounting and reporting for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 requires that contracts with comparable characteristics be accounted for similarly. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The adoption of this statement did not impact our financial position or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances). SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003, and otherwise is effective at

the beginning of the first interim period beginning after June 15, 2003, except for mandatorily redeemable financial instruments of nonpublic entities. The adoption of this statement did not impact our financial position or results of operations.

Risk Factors

You should consider the following discussion of risks as well as other information regarding our common stock. The risks and uncertainties described below are not the only ones. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations. If any of the following risks actually occur, our business could be harmed.

Related to our Business

Patriot's Microprocessor Technologies Have Resulted In Limited Revenues and Several Related Products Are Still in the Development Stage

We are in the development stage on several components of our microprocessor technology product line, and the products which have been commercialized have resulted in limited revenues. Our other product lines have not generated enough revenue to support our company. Therefore, we have limited financial results upon which you may judge our potential. We may not become profitable. We have experienced in the past and may experience in the future many of the problems, delays and expenses encountered by any early stage business, many of which are beyond our control. These include:

- substantial delays and expenses related to testing and development of our new products,
- production and marketing problems encountered in connection with our new and existing products and technologies,
- competition from larger and more established companies, and
- lack of market acceptance of our new products and technologies.

Patriot Has a History of Losses, Expects Future Losses and May Not Achieve or Sustain Annual Profitability

We expect to incur operating losses in the future. Sales of our products may never generate sufficient revenues to fund our continuing operations. We may never generate positive cash flow or attain profitability. To date, we have incurred significant losses. As of May 31, 2004, our accumulated deficit was $49,844,018. For the fiscal years ended May 31, 2004 and 2003, we incurred net losses of $4,149,978 and $3,888,299. Because of this record of losses, there is substantial doubt about our ability to continue as a going concern. These losses have resulted primarily from:

- significant costs associated with the development of our products,
- costs associated with the marketing of those products, and
- the interest charges and expenses related to equity and debt financings.

Should our losses continue and should we be unable to fund our operations from external sources, we would need to cease doing business and/or liquidate or sell our assets.

Patriot's Limited Sales and Marketing Experience Has Affected Our Revenue

Our operating results depend to a large extent on our ability to successfully market and sell our products. We currently have limited marketing capabilities and need to hire additional sales and marketing personnel. In part as a consequence of our limited resources, we may not be able to recruit, train, or retain qualified personnel to sell and market our products and may not be able to develop a successful sales and marketing strategy. We also have very limited marketing experience. There can be no assurance that any marketing efforts undertaken by us will be successful or will result in any significant sales of our products. A continued lack of significant revenues from the sale of our products would require us to cease doing business and/or liquidate or sell our assets.

Patriot May Experience Difficulties in the Introduction of New Products That Could Result in Patriot having to Incur Significant Unexpected Expenses or Delay the Launch of New Products

Our technologies and products are in various stages of development. Our development stage products may not be completed in time to allow production or marketing due to the inherent risks of new product and technology development, limitations on financing, competition, obsolescence, loss of key personnel and other factors. Although we may license some of our technology at its current stage of development, there can be no assurance that we will be able to do so or that any revenues generated from licensing would be sufficient to support operations at their current level. Unanticipated technical obstacles can arise at any time and result in lengthy and costly delays or in a determination that further development is not feasible. Discovery of microprocessor design errors, frequent in the industry prior to and after production, could result in lengthy and costly redesign, fabrication (production) and testing in an industry where new technology rapidly eclipses prior innovations.

The development of our technologies has taken longer than anticipated and could be additionally delayed. Therefore, there can be no assurance of timely completion and introduction of improved products on a cost-effective basis, or that such products, if introduced, will achieve market acceptance such that, in combination with existing products, they will sustain us or allow us to achieve profitable operations.

Related to Our Industry

Intense Competition in the Market for Microprocessors Could Prevent Patriot From Increasing or Sustaining Revenue and Prevent Patriot From Achieving or Sustaining Annual Profitability

Our products could be rendered noncompetitive or obsolete. Technological competition from larger and more established microprocessor companies is significant and expected to increase. Most of the companies with which we compete and expect to compete have far greater capital resources and more significant research and development staffs, marketing and distribution programs and facilities, and many of them have substantially greater experience in the production and marketing of products. Staff cut backs by us, which have been occasioned by financial constraints, have increased the differences in capacity between us and certain of our competitors. Our ability to compete effectively may be adversely affected by the ability of these competitors to devote greater resources to the sale and marketing of their products than we can. In addition, one or more of our competitors may succeed or may already have succeeded in developing technologies and products that are more effective than any of those we currently offer or are developing.

Patriot's Limited Ability to Protect Its Intellectual Property May Inadvertently Adversely Affect Its Ability to Compete

A successful challenge to our ownership of our technology could materially damage our business prospects. Our technologies may infringe upon the proprietary rights of others. Licenses required by us from others may not be available on commercially reasonable terms, if at all. We rely on a combination of patents, trademarks, copyrights, trade secret laws, confidentiality procedures and licensing arrangements to protect our intellectual property rights. We currently have eight U.S., one European and one Japanese patents issued. Any issued patent may be challenged and invalidated. Patents may not issue from any of our pending applications. Any claims allowed from existing or pending patents may not be of sufficient scope or strength to provide significant protection for our products. Patents may not be issued in all countries where our products can be sold so as to provide meaningful protection or any commercial advantage to us. Our competitors may also be able to design around our patents. Vigorous protection and pursuit of intellectual property rights or positions characterize the fiercely competitive semiconductor industry, which has resulted in significant and often protracted and expensive litigation. Therefore, our competitors may assert that our technologies or products infringe on their patents or proprietary rights. Problems with patents or other rights could increase the cost of our products or delay or preclude new product development and commercialization by us. If infringement claims against us are deemed valid, we may not be able to obtain appropriate licenses on acceptable terms or at all. Litigation could be costly and time-consuming but may be necessary to protect our future patent and/or technology license positions or to defend against infringement claims. Also, we have initiated legal actions against companies we believe are infringing on our patents. See Legal Proceedings.

We did not develop the technology which is the basis for our products. This technology, which was originally known as the ShBoom technology, was acquired through a series of agreements from one of two co-inventors. We have been, and may again be, subject to claims from such prior parties related to the technology.

Such parties may also attempt to exploit the technology independently of our rights to do so. The asset purchase agreement and plan of reorganization between Patriot, nanoTronics Corporation and Helmut Falk was the agreement under which we acquired the basic ShBoom technology. The agreement also contained a number of warranties and indemnities related to the ownership of the technology and other matters. We believe nanoTronics Corporation has been liquidated and, due to Mr. Falk's death in July 1995, our ability to obtain satisfaction for any future claims as a result of a breach of the agreement may be limited.

Patriot May Face Interruption Of Production And Services Due To Increased Security Measures In Response To Terrorism

Our business depends on the free flow of products and services through the channels of commerce. Recently, in response to terrorists' activities and threats aimed at the United States, transportation, mail, financial and other services have been slowed or at certain times stopped altogether. Further delays or stoppages in transportation, mail, financial or other services could have a material adverse effect on our business, results of operations and financial condition. Furthermore, we may experience an increase in operating costs, such as costs for transportation, insurance and security, as a result of these activities and potential activities. We may also experience delays in receiving payments from payers that have been affected by terrorist activities and potential activities. The U.S. economy in general is being adversely affected by terrorist activities and potential activities, and any economic downturn could adversely impact our results of operations, impair our ability to raise capital or otherwise adversely affect our ability to grow our business.

Related to Our Debt and Equity Offerings and Share Price

Patriot May Not Be Able to Obtain Additional Capital to Fund Its Operations When Needed

A lack of additional funding could force us to substantially curtail or cease our operations, which would have a material adverse effect on our business. Our ability to raise additional funds under the debenture agreement is subject to certain conditions. These conditions include the effectiveness of a registration statement covering the resale of the shares sold on the conversion of the debentures or the exercise of the warrants issued concurrently with the debentures. We estimate our current annual cash requirements to sustain our operations to be $1.8 million. There can be no assurance that any future funds required will be generated from operations or from other potential sources. Further, any such required funds may only be available on unattractive terms and may significantly dilute the value of our existing shares.

If a Large Number of Patriot Shares Are Sold All at Once or In Blocks, The Market Price of Our Shares Would Most Likely Decline

Our debenture holders are are not restricted in the price at which they can sell common stock acquired through the conversion of the debentures or exercise of warrants issued with the debentures. Shares sold at a price below the current market price at which the common stock is trading may cause the market price to decline. The shares of common stock that are issuable on the conversion of debentures or exercise of the warrants issued concurrently with the debentures represent a significant portion of our outstanding shares. Should the price of our stock drop, the number of common shares issuable on the conversion of these debentures would be subject to reset provisions which would substantially increase the number of common shares to be issued. To the extent the debenture holders, and shareholders of currently outstanding common stock, convert and sell their common stock, the common stock price may decrease due to the additional shares in the market. This could allow remaining debenture holders to convert their convertible debentures into even greater amounts of common stock, the sales of which would further depress the stock price. Accordingly, we do not know the exact number of shares that will be issued on the conversions of the debentures.

In addition, at the option of the debenture holder, interest accruing at the annual rate of 8% can be converted into shares of our common stock at the same time and at the same conversion price as the principal portion of the debenture. Should the debenture holders accumulate interest, a larger number of shares would be issued on conversion; and if the price of the common stock declines, the reset provisions which allow greater amounts of shares to be issued would also be in effect for the interest portion of the debenture.

The Market for Patriot's Stock is Subject to Rules Relating to Low-Priced Stock Which Limits Our Ability to Attract Competitive Funding

Our common stock is currently listed for trading in the NASD Over-The-Counter Bulletin Board Market and is subject to the "penny stock rules" adopted pursuant to Section 15 (g) of the Securities Exchange Act of 1934, as amended. In general, the penny stock rules apply to non-NASDAQ or non-national stock exchange companies whose common stock trades at less than $5.00 per share or which have tangible net worth of less than $5,000,000 ($2,000,000 if the company has been operating for three or more years). Such rules require, among other things, that brokers who trade "penny stock" to persons other than "established customers" complete certain documentation, make suitability inquiries of investors and provide investors with certain information concerning trading in the security, including a risk disclosure document, quote information, broker's commission information and rights and remedies available to investors in penny stocks. Many brokers have decided not to trade "penny stock" because of the requirements of the penny stock rules, and as a result, the number of broker-dealers willing to act as market makers in such securities is limited. The "penny stock rules," therefore, may have an adverse impact on the market for our common stock and may effect our ability to attract competitive funding.

Our Share Price Could Be Lowered as a Result of Short Sales

The downward pressure on the price of our common stock as the debenture holders convert and sell material amounts of common stock could encourage short sales by the debenture holders or others. When an investor sells stock that he does not own, it is known as a short sale. The seller, anticipating that the price of the stock will go down, will buy the stock at a later date. If the price of the stock goes down, the seller will profit to the extent of the difference between what he originally sold it for less what he later had to buy it for. Short sales enable the seller to profit in a down market. Short sales could place significant downward pressure on the price of our common stock.

On a Significant Drop in the Price of Our Stock, We Could be Subject to a Change in Control

There is a possibility that a significant number of shares, the exact number of which we do not know, of our common stock could be issued on the conversion of the debentures. This possibly could result in a change in control of our company. Such a change in control could have a material adverse effect on our operations and business plans. We are unable to determine the impact such a change in control could have on our company.

Item 3. Controls and Procedures

Our President and Chief Executive Officer and our Executive Vice President and Chief Financial Officer conducted an evaluation of our disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-14 and 15d-14) as of October 1, 2004. Based on their evaluation, they concluded that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of this evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

In December 2003 we filed several lawsuits in United States District Courts against companies we contend are infringing on our patent number 5,809,336 entitled "High Performance Microprocessor Having Variable Speed Clock." The defendants and suits are as follows:

Defendant	U.S. District Court	Case Number
Sony Corporation of America	Southern District of New York	03CV10142
Fujitsu	Northern District of California	C035787
Toshiba America, Inc.	Southern District of New York	03CV10180
NEC USA, Inc.	Eastern District of New York	CV036432
Matsushita	District of New Jersey	03CV06210

We are requesting the courts to enjoin the defendants from making use of our patent and are requesting damages for past infringements. In February, with the consent of the defendants and ourselves, the above five actions were consolidated into the Fujitsu action in the Northern District of California under case number C035787.

In February 2004, Intel Corporation filed a lawsuit against us in the United States District Court - Northern District of California, case number C040439, in which they are requesting a declaratory judgment that their microprocessors, used by the defendants in our consolidated suit, do not infringe our patent. We filed a counterclaim against Intel contending that they also are infringing on our patent, and Intel asserted an affirmative defense that our 5,809,336 patent is invalid.

Also in February 2004, we filed a lawsuit in the United States District Court - Northern District of California, case number C040618, against Charles H. Moore, Technology Properties Limited, and Daniel E. Leckrone. We are requesting the court to declare inventorship and ownership on each of our granted patents related to the suits discussed above and other unasserted claims of infringement Patriot believes it has.

The Intel lawsuit has been stayed pending the results of the Moore lawsuit.

Item 2. Changes in Securities

(a) During the three months ended August 31, 2004, we offered and/or sold the following common stock and warrants, either for cash or in consideration of services rendered as indicated below, without registration under the Securities Act of 1933, as amended, and exemption for such sales from registration under the Act is claimed in reliance upon the exemption provided by Section 4(2) thereof on the basis that such offers and sales were transactions not involving any public offering. Appropriate precautions against transfer have been taken, including the placing of a restrictive legend on all certificates evidencing such securities. All such sales were effected without the aid of underwriters, and no sales commissions were paid.

Common Stock

Name	Date of Sale	Number of Shares	Aggregate Purchase Price	Purchase Price Per Share	
Hawk Associates Inc.	August 2, 2004	296,000	$14,800	$0.050	Services

Warrant

Warrant Holder	Date of Issuance	Number of Shares	Initial Exercise Price Per Share	Expiration Date
Swartz Private Equity	July 1, 2004	801,444	$0.0672	July 1, 2009

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits –

31.1 Section 302 Certification of Chief Executive Officer

31.2 Section 302 Certification of Chief Financial Officer

32.1 Section 906 Certification of Chief Executive Officer

32.2 Section 906 Certification of Chief Financial Officer

(b) Reports on Form 8-K – NONE

SIGNATURES

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

PATRIOT SCIENTIFIC CORPORATION

Date: October 20, 2004

By: /s/ LOWELL W. GIFFHORN
Executive Vice President and
Chief Financial Officer

(Principal Financial and
Accounting Officer and duly
authorized to sign on behalf
of the Registrant)

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Section 302 Certification

I, Jeffrey E. Wallin, Chief Executive Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Patriot Scientific Corportion;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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 report;

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

4. The registrant'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 registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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 registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

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

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

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

Dated: October 20, 2004

/S/ Jeffrey E. Wallin

Jeffrey E. Wallin

Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

Section 302 Certification

I, Lowell W. Giffhorn, Chief Financial Officer of the registrant, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Patriot Scientific Corportion;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary in order 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 report;

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

4. The registrant'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 registrant and we have:

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

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this 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 registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting;

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

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

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

Dated: October 20, 2004

/S/ Lowell W. Giffhorn

Lowell W. Giffhorn

Chief Financial Officer

EXHIBIT 32.1

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-QSB of Patriot Scientific Corporation (the "Company") for the period ended August 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey E. Wallin, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/S/ JEFFREY E. WALLIN
Name: Jeffrey E. Wallin
Title: President and CEO
Date: October 20, 2004

EXHIBIT 32.2

Certification pursuant to 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-QSB of Patriot Scientific Corporation (the "Company") for the period ended August 31, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Lowell W. Giffhorn, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

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

/S/ LOWELL W. GIFFHORN
Name: Lowell W. Giffhorn
Title: Exec. V.P. and CFO
Date: October 20, 2004