

GAMMACAN INTERNATIONAL INC  
Form 10QSB  
May 14, 2008

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**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 the Quarterly Period Ended March 31, 2008**

**o      TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934**

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number: 0-32835**

**GAMMACAN INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**33-0956433**  
(IRS Employer Identification  
No.)

**Kiryat Ono Mall  
Azorim Center A  
39 Jerusalem St.,  
55423 Kiryat Ono, Israel**  
(Address of principal executive offices)

**+ 972 3 7382616**  
(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 **o**

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

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

State the number of shares outstanding of each of the registrant's classes of common equity, as of the latest practicable date: 44,958,917 shares issued and outstanding as of May 1, 2008.



GAMMACAN INTERNATIONAL, INC.

FORM 10-QSB

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**PART I**

**ITEM 1 - FINANCIAL STATEMENTS**

**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS  
AS OF MARCH 31, 2008

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**GAMMACAN INTERNATIONAL, INC.**

(A Development Stage Company)

## CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2008	September 30, 2007
	(Unaudited)	(Audited)
<b>Assets</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 2,081,377	\$ 4,048,583
Prepaid expenses	32,852	9,851
Other	70,300	47,271
Total current assets	2,184,529	4,105,705
<b>FUNDS IN RESPECT OF EMPLOYEE RIGHTS UPON RETIREMENT</b>		49,281
<b>LONG TERM DEPOSITS</b>	18,002	18,590
<b>PROPERTY AND EQUIPMENT, NET</b>	36,842	26,338
Total assets	\$ 2,239,373	\$ 4,199,914
<b>Liabilities and stockholders' equity</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 827,561	\$ 797,515
Payroll and related accruals	131,287	130,223
Total current liabilities	958,848	927,738
<b>LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT</b>	19,364	71,338
<b>STOCKHOLDERS' EQUITY:</b>		
Preferred stock, \$0.0001 par value (20,000,000 shares authorized; none issued and outstanding)		
Common stock, \$0.0001 par value (200,000,000 authorized shares; 44,958,917 and 44,958,917 shares issued and outstanding as of March 31, 2008 and September 30, 2007, respectively)	4,495	4,495
Additional paid-in capital	9,278,533	8,968,930
Warrants	3,203,600	3,203,600
Deficit accumulated during the development stage	(11,225,467)	(8,956,187)
Services not yet rendered		(20,000)
Total stockholders' equity	1,261,161	3,200,838
Total liabilities and stockholders' equity	\$ 2,239,373	\$ 4,199,914

The accompanying notes are an integral part of the financial statements.

**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(US \$, except share data)

	Six months ended March 31		Three months ended March 31		Period from October 6, 1998* through March 31,
	2008	2007	2008	2007	2008
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>RESEARCH AND DEVELOPMENT COSTS</b>	\$ 900,677	\$ 482,870	\$ 386,187	\$ 314,898	\$ 3,613,855
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	1,387,419	1,631,800	634,593	998,934	7,766,293
<b>OPERATING LOSS</b>	2,288,096	2,114,670	1,020,780	1,313,832	11,380,148
<b>FINANCIAL INCOME</b>	(55,991)	(32,138)	(17,852)	(27,311)	(272,912)
<b>FINANCIAL EXPENSES</b>	37,175	21,467	16,303	14,421	100,606
<b>LOSS BEFORE TAXES ON INCOME</b>	2,269,280	2,103,999	1,019,231	1,300,942	11,207,842
<b>TAXES ON INCOME</b>		16,856		12,500	30,000
<b>LOSS FROM OPERATIONS OF THE COMPANY AND ITS CONSOLIDATED SUBSIDIARY</b>	2,269,280	2,120,855	1,019,231	1,313,442	11,237,842
<b>MINORITY INTERESTS IN LOSSES OF SUBSIDIARY</b>					(12,375)
<b>NET LOSS FOR THE PERIOD</b>	\$ (2,269,280)	\$ (2,120,855)	\$ (1,019,231)	\$ (1,313,442)	\$ (11,225,467)
<b>BASIC AND DILUTED LOSS PER COMMON SHARE</b>	\$ (0.05)	\$ (0.07)	\$ (0.02)	\$ (0.04)	
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES USED IN COMPUTING BASIC AND DILUTED LOSS PER COMMON SHARE</b>	44,958,917	31,204,923	44,958,917	33,913,257	

\* Inception date, see note 1a.

The accompanying notes are an integral part of the financial statements.

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**GAMMACAN INTERNATIONAL, INC.**

(A Development Stage Company)

**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

(US \$, except share data)

	<b>Number of Shares</b>	<b>Common Stock Amount</b>	<b>Warrants</b>	<b>Additional paid-in capital</b>	<b>Deficit accumulated during the development stage</b>	<b>Services not yet rendered</b>	<b>Total</b>
<b>Changes during the period from October 6, 1998 (date of inception) to September 30, 2005 (audited)</b>							
Common stock and warrants issued for cash	57,506,498	\$ 5,750	\$ 139,494	\$ 782,141	\$	\$	\$ 927,385
Contributed capital				7,025			7,025
Cancellation of shares at June 8, 2004	(32,284,988)	(3,228)		3,228			
Gain on issuance of subsidiary Stock to third party				86,625			86,625
Common stock and warrants issued for cash on November 11, 2004, net of issuance costs	978,000	97	367,892	766,630			1,134,619
Common stock and warrants issued for cash on January 25, 2005, net of issuance costs	32,000	3	12,037	24,760			36,800
Issuance of warrants to Consultants				97,192			97,192
Net loss					(1,712,618)		(1,712,618)
<b>Balance at September 30, 2005 (audited)</b>	26,231,510	2,622	519,423	1,767,601	(1,712,618)		577,028
Common stock and warrants issued for cash on October 31, 2005, net of issuance costs	666,666	67	72,410	365,670			438,147
Common stock and warrants issued for cash on December 20, 2005, net of issuance costs	1,555,556	156	269,641	804,998			1,074,795
Options issued to employees and directors				163,517			163,517
Options and warrants issued to non-employees				70,498			70,498
Net loss					(2,064,795)		(2,064,795)
<b>Balance at September 30, 2006 (audited)</b>	28,453,732	2,845	861,474	3,172,284	(3,777,413)		259,190
Common stock and warrants issued for cash on February 27, 2007, net of issuance costs	16,250,000	1,625	2,231,459	3,652,640			5,885,724
Common stock issued as part of the prepayment of the convertible promissory note	33,753	3		13,498			13,501
Amendment of warrants exercise price			110,667	(110,667)			
Stock based compensation expenses:							
Common stock issued for services	221,432	22		149,978			150,000
Services not yet rendered						(20,000)	(20,000)
Options issued to employees and directors				1,713,169			1,713,169
Options and warrants issued to non-employees				378,028			378,028

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Net loss					(5,178,774)		(5,234,274)
<b>Balance at September 30, 2007</b> <b>(audited)</b>	44,958,917	4,495	3,203,600	8,968,930	(8,956,187)	(20,000)	3,200,838
Fully accretion in respect of services not yet rendered						20,000	20,000
Options issued to employees and directors				255,913			255,913
Options and warrants issued to non-employees				53,690			53,690
Net loss					(2,269,280)		(2,269,280)
<b>Balance at March 31, 2008</b> <b>(unaudited)</b>	44,958,917	\$ 4,495	\$ 3,203,600	\$ 9,278,533	\$ (11,225,467)	\$	\$ 1,261,161

The accompanying notes are an integral part of the financial statements.



**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six months ended March 31,		Period from October 6, 1998* to March 31,
	2008	2007	2008
	Unaudited	Unaudited	Unaudited
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss for the period	\$ (2,269,280)	\$ (2,120,855)	\$ (11,225,467)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Income and expenses not involving cash flows:			
Depreciation	3,150	4,150	18,353
Financial expenses on convertible promissory note		9,431	
Exchange differences on long term deposits	588		850
Common stock issued for services	20,000	60,000	166,501
Minority interests in losses of a subsidiary			(12,375)
Write off of in process research and development			100,000
Employees and consultants stock based compensation expenses	309,603	912,578	2,694,949
Increase (Decrease) in liability for employee rights upon retirement	(2,693)	14,393	68,645
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(23,001)	(19,181)	(32,852)
Increase in other current assets	(23,029)	(39,146)	(68,640)
Increase in current liabilities	31,110	183,812	957,848
Net cash used in operating activities	(1,953,552)	(994,818)	(7,332,188)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Increase in short term investments		(4,300,000)	
Increase in long term deposits		(1,375)	(20,512)
Funds in respect of employee rights upon retirement		(12,319)	(49,281)
Purchase of property and equipment	(13,654)	(2,852)	(55,195)
Net cash used in investing activities	(13,654)	(4,316,546)	(124,988)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issuance of convertible promissory note		350,000	
Issuance of common stock and warrants net of issuance costs		5,885,724	9,538,553
Net cash provided by financing activities		6,235,724	9,538,553
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(1,967,206)	924,360	2,081,377
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	4,048,583	538,738	
<b>BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	\$ 2,081,377	\$ 1,463,098	\$ 2,081,377

\* Inception date, see note 1a.

**The accompanying notes are an integral part of the financial statements.**

**GAMMACAN INTERNATIONAL, INC.**

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**NOTE 1 - GENERAL:**

**a. Operation:**

GammaCan International, Inc. (A Development Stage Company) was incorporated on October 6, 1998, under the laws of the State of Delaware, under the name of San Jose International, Inc. Unless the context indicates otherwise, references to the *Company* refer to GammaCan International, Inc. and its Israeli subsidiary, GammaCan Ltd (the *Subsidiary*).

The Company is engaged in research and development in the biotechnology field and is considered a development stage company in accordance with Statement of Financial Accounting Standard ( *SFAS* ) No. 7 *Accounting and Reporting by Development Stage Enterprises* .

The Company's lead product candidate, VitiGam , is an anti-cancer immunotherapy derived entirely from the plasma of donors with vitiligo, a benign skin condition affecting up to 2% of the general population. The Company is developing VitiGam to treat melanoma. The Company has demonstrated that plasma from individuals with vitiligo contains anti-melanoma activities, and the Company is seeking to develop VitiGam for the treatment of Stage III and Stage IV melanoma.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the period from inception (October 6, 1998) through March 31, 2008 of \$11,225,467, as well as negative cash flow from operating activities. Based upon the Company's existing spending commitments, the Company may not have sufficient cash resources to meet its liquidity requirements through September 30, 2008. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives as the Company will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that the Company will be successful with those initiatives, management expects to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

These financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability.

**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

**b. Unaudited interim financial information**

The accompanying unaudited financial statements of the Company and the Subsidiary have been prepared in accordance with accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-QSB and Item 310 of Regulation S-B. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. For further information, refer to the financial statements and footnotes thereto included in the consolidated annual report on Form 10-KSB for the year ended September 30, 2007.

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 six-month period ended March 31, 2008, are not necessarily indicative of the results that may be expected for the year ended September 30, 2008.

**c. Income tax**

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( *FIN 48* ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* ( *FAS 109* ). This interpretation prescribes a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition of tax positions, classification on the balance sheet, interest and penalties, accounting in interim periods, disclosure, and transition. The Company adopted FIN 48 effective October 1, 2007. FIN 48 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect the operating results of the Company. The Company had no unrecognized tax benefits as of October 1, 2007. The result of the implementation of FIN 48 did not have any impact on the Company's financial statements. The Company recognizes interest and penalties related to its tax contingencies as income tax expense. As of October 1, 2007, the Company recorded \$30,000 of penalties related to tax contingencies.

As of October 1, 2007, the Company is subject to Israeli income tax examinations and to U.S. Federal income tax examinations for the tax years of 2004 through 2007. As of March 31, 2008, the Company did not record any change to its unrecognized tax benefits.

**GAMMACAN INTERNATIONAL, INC.**

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

**d. Recently issued accounting pronouncements**

1. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( *SFAS 157* ). SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). The Company is currently assessing the impact that SFAS 157 may have on its results of operations and financial position.
2. In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115* ( *SFAS 159* ). SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of SFAS 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose, at its initial application or at other specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). If a company elects the fair value option for its existing assets and liabilities, the effect as of the adoption date, shall be reported as a cumulative-effect adjustment to the opening balance of retained earnings. The Company is currently assessing the impact that SFAS 159 may have on its financial position.
3. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* ( *SFAS 141(R)* ). SFAS 141(R) changes the accounting for business combinations, including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance and income tax uncertainties. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is prohibited. The Company will be required to adopt SFAS 141(R) on October 1, 2009.

**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

4. In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51* ( *SFAS 160* ). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. An ownership interest in subsidiaries held by parties other than the parent should be presented in the consolidated statement of financial position within equity, but separate from the parent's equity. SFAS 160 requires that changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary should be accounted for similarly as equity transactions. When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary should be initially measured at fair value, with any gain or loss recognized in earnings. SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interests. SFAS 160 is effective for fiscal years (including interim periods within those fiscal years) beginning on or after December 15, 2008 (October 1, 2009 for the Company). Earlier adoption is prohibited. The statement shall be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirement which shall be applied retrospectively for all periods presented. The Company is currently evaluating the impact SFAS 160 will have on its consolidated financial statements.
5. In June 2007, the Emerging Issues Task Force (EITF) issued Issue No. 07-03, *Accounting for Nonrefundable Advance Payments for Goods or Services Received to Be Used in Future Research and Development Activities* ( *EITF No. 07-03* ). EITF No. 07-03 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred and amortized over the period that the goods are delivered or the related services are performed, subject to an assessment of recoverability. The provisions of EITF 07-03 will be effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). The provisions of EITF No. 07-03 are applicable for new contracts entered into on or after the effective date. Earlier application is not permitted.

**GAMMACAN INTERNATIONAL, INC.**

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 1 - GENERAL** (continued):

6. In December 2007, the FASB ratified EITF Issue No. 07-01, *Accounting for Collaborative Arrangements* ( *EITF 07-01* ). EITF 07-01 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-01 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-01 is effective for fiscal years beginning after December 15, 2008 (October 1, 2009, for the Company). EITF 07-01 shall be applied using modified version of retrospective transition for those arrangements in place at the effective date. An entity should report the effects of applying this Issue as a change in accounting principle through retrospective application to all prior periods presented for all arrangements existing as of the effective date, unless it is impracticable to apply the effects of the change retrospectively. The Company is currently assessing the impact that EITF 07-01 may have on its results of operations and financial position.
7. In March 2008, the FASB issued SFAS Statement No. 161 *Disclosures about Derivative Instruments and Hedging Activities* ( *SFAS No. 161* ). The new standard is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. It is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged (October 1, 2009, for the Company). The new standard also improves transparency about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under SFAS No. 133 *Accounting for Derivative Instruments and Hedging Activities* ( *SFAS No. 133* ); and how derivative instruments and related hedged items affect its financial position, financial performance, and cash flows. The Company is currently evaluating the effect SFAS No. 161 will have on its financial statement presentations.

**NOTE 2 - COMMITMENTS:**

- a. On December 13, 2007, the Company entered into a Share Purchase Agreement effective as of November 26, 2007 with ARP Biomed, Ltd. ( *ARP* ). The Share Purchase Agreement provides that subject to fulfillment of certain closing conditions, including the receipt of an Israeli tax ruling, ARP will sell to the Company 12.5% of the issued and outstanding shares of the Subsidiary such that at closing the Company will own 100% of the issued and outstanding shares of the Subsidiary. In consideration for such sale, the Company agreed to issue to ARP, at closing, 2,697,535 shares of its common stock, valued at \$1,348,768, calculated based upon the average of the closing price for the period which is two days before and after November 26, 2007, a warrant to acquire 1,123,973 shares of its common stock and an additional warrant to acquire 449,589 shares of its common stock, both valued at \$391,152 using the Black Scholes option-pricing model.

**GAMMACAN INTERNATIONAL, INC.**  
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

**NOTE 2 - COMMITMENTS (continued):**

The acquisition is to be accounted for by the purchase method. The purchase price will be allocated to in-process research and development.

- b.** On March 27, 2008, the Subsidiary sent a notice of termination, effective March 31, 2008, to Tel Ha Shomer-Medical Research Infrastructure and Services LTD. ( *THM* ) terminating the Research and Licensing Agreement originally entered into on December 13, 2005, as amended during the term (the *THM Agreement* ). The warrants to acquire 500,000 shares of the Company's common stock that the Company issued to THM were cancelled.

**NOTE 3 - STOCK BASED COMPENSATION:**

The following is a transaction that took place during the quarter ended March 31, 2008:

On March 19, 2008, options to purchase 600,000 shares of the Company's common stock were granted under the Company's 2007 Global Share Option Plan to the Company's new Chief Financial Officer. The options are exercisable at \$0.40 per share (equivalent to the traded market price on the date of grant) with one third vesting on each of the first, second and third anniversary of the date of grant. The fair value of these options on the date of grant was \$160,292, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 83%; risk-free interest rates of 2.36%; and expected lives of 5.02 years.

**NOTE 4 - LOSS PER SHARE:**

The total number of common stock options and warrants excluded from the calculations of diluted net loss was 24,972,558 for the six months ended March 31, 2008 (24,782,558 for the six months ended March 31, 2007).

**NOTE 5 SUBSEQUENT EVENTS:**

On April 10, 2008, options to purchase 50,000 of the Company's common stock were granted under the Company's 2007 Global Share Option Plan to an employee. The options are exercisable at \$0.37 per share (equivalent to the traded market price on the date of grant) with one third vesting on each of the first, second and third anniversary of the date of grant. The fair value of these options on the date of grant was \$12,332, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 82%; risk-free interest rates of 2.66%; and expected lives of 5.02 years.



**ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF PLAN OF OPERATION**

*The following information should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this Quarterly Report.*

*We have included in this Quarterly Report certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 concerning our business, operations and financial condition. Forward-looking statements consist of all non-historical information, and the analysis of historical information, including the references in this Quarterly Report to future revenues, collaborative agreements, future expense growth, future credit exposure, earnings before interest, taxes, depreciation and amortization, future profitability, anticipated cash resources, anticipated capital expenditures, capital requirements, and our plans for future periods. In addition, the words could , expects , anticipates , objective , plan , may affect , may depend , believes , estimates , projects and similar words and phrases are also intended to identify such forward-looking statements.*

*Actual results could differ materially from those projected in our forward-looking statements due to numerous known and unknown risks and uncertainties, including, among other things, unanticipated technological difficulties, the length, scope and outcome of our clinical trial, costs related to intellectual property, cost of manufacturing and higher consulting costs, product demand, changes in domestic and foreign economic, market and regulatory conditions, the inherent uncertainty of financial estimates and projections, the uncertainties involved in certain legal proceedings, instabilities arising from terrorist actions and responses thereto, and other considerations described as Risk Factors in our other filings with the SEC. Such factors may also cause substantial volatility in the market price of our common stock. All such forward-looking statements are current only as of the date on which such statements were made. We do not undertake any obligation to publicly update any forward-looking statement to reflect events or circumstances after the date on which any such statement is made or to reflect the occurrence of unanticipated events.*

As used in this Quarterly Report, the terms we , us , our , Company and GammaCan mean GammaCan International, Inc. and our subsidiary, GammaCan, Ltd., unless otherwise indicated.

All dollar amounts refer to US dollars unless otherwise indicated.

**Overview**

We are a development stage company and currently have no revenue from operations. Other than existing cash reserves and our intellectual property we have no significant assets, tangible or intangible. Presently, we do not have sufficient cash resources to meet our liquidity requirements through September 30, 2008 and we expect to seek to raise additional funds during that time period. There can be no assurance that we will raise additional funds on a timely basis, on terms acceptable to us or at all and there can be no assurance that we will generate revenues in the future, or that we will be able to operate profitably in the future, if at all. We have incurred net losses in each fiscal year since inception of our operations.

## Plan of Operation

### Short Term Business Strategy

We are a life science company focused on the development of immunotherapy and related approaches to treat cancer. Until recently, we have focused on the use of intravenous immunoglobulins, or *IgGs*, derived from human plasma to treat melanoma, prostate, and colon cancers. We believe that IgG therapy may be the basis of a more effective and efficient cancer treatment both as mono and as combination therapy as well as an adjuvant for cancer treatments (IgGs used in concert with other proprietary pharmaceuticals). Our business objective is to become a recognized leader in the development of immunotherapy including IgG-based therapies and related approaches to treat cancer.

IgG-based immunotherapy will require regulatory approval before being commercially marketed for human therapeutic use. Clinical trials generally include three phases that, together, may take several years to complete. Phase I clinical studies are conducted primarily to establish safety and determine the maximum tolerated dose, or *MTD*. Phase II studies are designed to determine preliminary efficacy and establish dosing. Phase III studies are conducted to demonstrate therapeutic efficacy in a statistically significant number of patients, at an optimal dose level, method or route of delivery into the body, and a schedule of administration. Once clinical trials are successfully completed, products may receive regulatory approval.

We are pursuing the development of IgG-based technology to develop therapies for the treatment of melanoma, as well as therapies directed toward disrupting the blood supply to cancers, referred to as anti-angiogenesis.

**Melanoma:** Our lead product candidate, VitiGam , is a first-in-class anti-cancer immunotherapy derived entirely from the plasma of donors with vitiligo, a benign autoimmune skin condition affecting up to two percent of the general population. We have demonstrated that plasma from individuals with vitiligo contains anti-melanoma activities. Based on this, we are developing VitiGam to initially address Stage III and Stage IV melanoma and possibly earlier stages of melanoma at a future time.

In June 2007, we completed a non-FDA Phase II clinical trial designed to test the safety and efficacy of standard IgG (collected and manufactured from general population donors, which may have included donors with vitiligo) in patients with prostate cancer, colon cancer and melanoma. In this trial, no serious untoward effects of IgGs were noted. In one patient with melanoma, the cancer remained stable or improved over eight cycles of therapy (approximately ten months).

In addition to the pre-clinical evidence we have accumulated using vitiligo-derived plasma, the above observations provide further validation for our plan to develop VitiGam .

We plan to file an Investigational New Drug Application, or *IND*, for VitiGam in the near future. We believe that the FDA is well acquainted with IgG-based therapies and their safety profiles resulting from a long history of regulatory approvals of IgG-based products.

In addition to VitiGam , we are also developing the following:

*Next generation (recombinant) VitiGam* - VitiGam is currently manufactured as a mixture that largely consists of IgG molecules (antibodies of the IgG type). We anticipate that within this mixture, only a subset of IgG molecules will be responsible for the biological activity of VitiGam . Next generation VitiGam will be composed of *only the IgGs required to exert the anti-melanoma effect*, thereby creating a more effective compound. Identifying the relevant IgGs may also permit cost reductions; and

*Cancer vaccines based on VitiGam* - An off-the-shelf cancer vaccine is considered a silver bullet in cancer therapy. We anticipate that based on our evolving understanding of the specific IgG molecules responsible for the biological activity of VitiGam, we may be in a position to identify the corresponding antigens that may be used to develop melanoma cancer vaccines.

**Anti-angiogenesis:** We are developing additional novel IgG-based therapies for cancer and other diseases. These therapies are based on the disruption of the blood supply to cells. Our scientists have shown that several mechanisms may be involved in mediating the anti-cancer effects of IgG-based immunotherapies. Angiogenesis is one of a number of well known pathways to deprive cells from their blood supply.

In June 2007, we announced the discovery of proprietary IgG sub-fractions in human plasma, which contain potent anti-angiogenic properties. These sub-fractions may be used for treatment of disorders resulting from neovascularization (the formation of new blood vessels or angiogenesis).

We have established a pre-clinical development program to define and characterize these anti-angiogenic anti-cancer fractions and to test their biological activity in animal models. We believe that successfully developed therapies derived from our novel IgG sub-fractions have the potential to address multi-billion dollar markets. For example, Avastin®, also known as *bevacizumab*, counteracts VEGF, a growth factor which stimulates neovascularization, and is approved to treat colon and other cancers. Sales for Avastin® in 2007 were in excess of \$2 billion.

We are also contemplating conducting additional clinical trials to test new formulations and/or combinations of IgG-based immunotherapy candidates and to test these formulations and/or methods for different cancers at different stages of disease progression with varying dosages and routes of administration. To achieve this, we may elect to partner with a pharmaceutical company to conduct these further clinical trials, although there can be no assurance that we will locate a pharmaceutical company able, or willing, to partner with us on terms commercially acceptable to us, in order to attain broad-based regulatory approval.

Although there can be no assurance that the FDA will approve VitiGam, or any other IgG immunotherapy candidate, we expect that, at a minimum, it will take a number of years to receive final approval and registration for commercial use as an anti-cancer agent. Our strategy is to collaborate with a suitable partner, although there can be no assurance that we will locate a suitable partner, to support late stage (Phase III) clinical development, registration and/or sales for our IgG-based cancer products.

#### **Long Term Business Strategy**

If our IgG-based cancer immunotherapy candidates show significant promise in clinical trials, and at this preliminary stage there can be no assurance that any such immunotherapy candidates will show significant promise, we plan to ultimately seek a strategic commercial

partner, or partners, with extensive experience in the development, commercialization, and marketing of cancer drugs and/or other infused therapeutic proteins, although there can be no assurance that we will locate a strategic commercial partner or partners on terms commercially acceptable to us. We anticipate such partner or partners would be responsible for, or substantially support, late stage clinical trials (Phase III) to ensure regulatory approvals and registrations in the appropriate territories in a timely manner. We further anticipate that the partner, or partners, would be responsible for sales and marketing of our IgG-based immunotherapies in certain agreed upon territories. Such planned strategic partnership, or partnerships, may provide a marketing and sales infrastructure for our products as well as financial and operational support for global clinical trials, post marketing studies, label expansions and other regulatory requirements concerning future clinical development in the United States and elsewhere. Any future strategic partner, or partners, may also provide capital and expertise that would enable the partnership to develop new formulations of IgG cancer immunotherapy suitable for patients at different stages of disease progression as well as IgG derivatives. Under certain circumstances, we may determine to develop one or more of our IgG based cancer immunotherapies on our own, either world-wide or in select territories.

#### **Other Planned Research and Development Activities**

In addition to conducting early-stage clinical trials, we plan to conduct pre-clinical research to accomplish the following:

Further deepen and broaden our understanding of the biology of our IgG products in cancer;

Develop alternative delivery systems and determine the optimal dosage for different patient groups;

Investigate alternative sources of immunoglobulin other than human plasma;

Develop novel IgG-based therapies; and

Develop successor products.

Our plan is to patent any successful inventions resulting from our future research activities and to exploit any other means that may exist to protect our future IgG anti-cancer therapies in the commercial markets; although at this early stage there can be no assurance that there will be any successful inventions resulting from such research activities.

#### **Other Planned Strategic Activities**

In addition to developing our own IgG-based anti-cancer therapies drug portfolio, we are, on an on-going basis, considering in-licensing and other means of obtaining additional lead molecules of technologies to complement and/or expand our current product portfolio. Our goal is to create a well-balanced product portfolio that includes lead molecules in different stages of development and addresses different medical needs.

### **Critical accounting policies and estimates**

Management's discussion and analysis of the financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments. We base our estimates on various factors, including historical experience that we believe 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 resources. Actual results may differ from these estimates under different assumptions or conditions.

We believe the following critical accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

#### **Going concern assumption**

The accompanying financial statements have been prepared assuming that we will continue as a going concern. We have net losses for the period from inception (October 6, 1998) through March 31, 2008 of \$11,225,467, as well as negative cash flow from operating activities. Based upon our existing spending commitments, we may not have sufficient cash resources to meet our liquidity requirements through September 30, 2008. Accordingly, these factors raise substantial doubt about our ability to continue as a going concern. Management is in the process of evaluating various financing alternatives as we will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that we will be successful with those initiatives, management expects to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

The financial statements do not include any adjustments that may be necessary should we be unable to continue as a going concern. Our continuation as a going concern is dependent on our ability to obtain additional financing as may be required and ultimately to attain profitability.

#### **Valuation of options and warrants**

We granted options to purchase shares of our common stock to employees and consultants and issued warrants in connection with fund raising.

On October 1, 2006 we adopted the revised Statement of Financial Accounting Standards ( *FAS* ) No. 123, *Share-Based Payment* ( *FAS 123R* ), which addresses the accounting for share-based payment transactions in which we obtain employee services in exchange for (a) equity instruments of the Company or (b) liabilities that are based on the fair value of our equity instruments or that may be settled by the issuance of such equity instruments. FAS 123R eliminates the ability to account for employee share-based payment transactions using APB 25, and requires instead that such transactions be accounted for using the grant-date fair value based method.

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The fair value of each stock option grant was estimated at the date of grant using a Black-Scholes option pricing model. The volatility is based on a historical volatility, by statistical analysis of the weekly share price for past periods. The expected term is the length of time until the expected dates of exercising the options, based on estimated data regarding employees' exercise behavior.

FAS 123R applies to all awards granted or modified after the Statement's effective date. In addition, compensation cost for the unvested portion of previously granted awards that remain outstanding on the Statement's effective date shall be recognized on or after the effective date, as the related services are rendered, based on the awards' grant-date fair value as previously calculated for the pro-forma disclosure under FAS 123.

We applied the modified prospective application transition method, as permitted by the Statement. Under such transition method, upon the adoption of FAS 123R, our financial statements for periods prior to the effective date of the Statement are not restated.

We account for equity instruments issued to third party service providers (non-employees) in accordance with the fair value based on an option-pricing model, pursuant to the guidance in EITF 96-18 *Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services*. The fair value of the options granted is revalued over the related service periods and recognized using the accelerated method.

### Deferred income taxes

Deferred taxes are determined utilizing the assets and liabilities method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Deferred tax balances are computed using the tax rates expected to be in effect when those differences reverse. A valuation allowance in respect of deferred tax assets is provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. We have provided a full valuation allowance with respect to our deferred tax assets.

Regarding our Israeli subsidiary, Gammacan Ltd, paragraph 9(f) of FAS 109, *Accounting for Income Taxes*, prohibits the recognition of deferred tax liabilities or assets that arise from differences between the financial reporting and tax bases of assets and liabilities that are measured from the local currency into dollars using historical exchange rates, and that result from changes in exchange rates or indexing for tax purposes. Consequently, the above mentioned differences are not reflected in the computation of deferred tax assets and liabilities.

### Income Taxes

The Company adopted FIN 48 effective October 1, 2007. FIN 48 requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect the operating results of the Company. The Company had no unrecognized tax benefits as of October 1, 2007. The result of the implementation of FIN 48 did not have any impact on the Company's financial statements.

**Results of Operations**

The following table summarizes certain statements of operations data for the Company for the six months period ended March 31, 2008 and 2007 (in US\$):

<b>Operating Data:</b>	<b>Six months ended</b>	
	<b>March 31, 2008</b>	<b>March 31, 2007</b>
Research and development costs	\$ 900,677	\$ 482,870
General and administrative expenses	1,387,419	1,631,800
Financial income, net	(18,816)	(10,671)
Loss before tax on income	2,269,280	2,103,999
Taxes on Income		16,856
Net loss for the period	\$ (2,269,280)	\$ (2,120,855)
Loss per common share basic and diluted	\$ (0.05)	\$ (0.07)
Weighted average common shares outstanding	44,958,917	31,204,923

**Research and development costs**

Research and development expenses are the costs incurred in the process of our pre-clinical research and our clinical trials. Clinical trial and pre-clinical expenses include regulatory consultant compensation and fees, research expenses, purchase of plasma, the cost of manufacturing IgG and payments to clinical research organizations and to medical centers for patient recruitment and treatment.

During the six months ended March 31, 2008 and 2007, research and development expenses included, among others, the cost of IgG used in the clinical trials and research work, payments to medical centers and research labs for clinical trial and pre-clinical trial work, regulatory and scientific consultants compensation, costs related to the maintenance of our registered patents, costs related to the filings of patent applications as well as salaries and related expenses of research and development staff.

During the six months ended March 31, 2008, research and development expenses totaled \$900,677, compared to \$482,870 for the six months ended March 31, 2007. The increase is attributable to assay development as well as pre-clinical work related to the filing of the IND for VitiGam .

**General and administrative expenses**

General and administrative expense includes the salaries and related expenses of our management, consulting costs, legal and professional fees, traveling, business development costs, insurance expenses and other general costs.

For the six months ended March 31, 2008, general and administrative expenses totaled \$1,387,419 compared to \$1,631,800 for the six months ended March 31, 2007. Costs incurred related to general and administrative activities in the six months ended March 31, 2008 reflect a

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decrease of \$362,000 in salary and related expenses due to lower stock based compensation expense and a reduction of headcount and a decrease of \$155,000 in stock based compensation expenses for consultants, offset by an increase of \$75,000 in professional, \$94,000 in legal and \$83,000 in consulting expenses and an increase in general expenses such as office and maintenance expenses.

### Financial income/expense, net

During the six months ended March 31, 2008 and 2007, we generated interest income on available cash and cash equivalents balance as well as bank charges.

### Liquidity and Capital Resources

Through March 31, 2008, we incurred losses in an aggregate amount of \$11,225,467. We have financed our operations from the private placements of equity and debt financing. Through March 31, 2008, we raised a total of \$9,538,553, net of transaction costs, through private placements of equity. We anticipate that additional financing will be through similar sources. As of March 31, 2008, we had \$2,081,377 of available cash, most of which is deposited in short term, interest bearing, bank deposits. To implement our business plan, as currently contemplated, we anticipate we will need approximately \$4 million for the remainder of our fiscal year, and approximately \$11 million for the twelve months following April 1, 2008.

Although we do not have material financing commitments, management is in the process of evaluating various financing alternatives as we will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that we will be successful with those initiatives, management is confident that it will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

### Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

### Planned Expenditures

The estimated expenses referenced herein are in accordance with our business plan. As our technology is still in the development stage, it can be expected that there will be changes in some budgetary items. Our planned expenditures for the twelve months following April 1, 2008 are as follows:

Category	Amount
Research & Development	\$ 8,079,000
General & Administrative Expenses	3,219,000
Finance Income, net	(116,000)
Total	\$ 11,182,000

As previously indicated, we are planning to file an IND with the FDA for VitiGam™. Our ability to proceed with this IND application as well as the commencement of the related clinical trial is dependent on several major factors including the ability to attract sufficient financing on terms acceptable to us.



**ITEM 3A(T) - CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

As of March 31, 2008, our management carried out an evaluation, under the supervision of our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our system of disclosure controls and procedures (as defined by Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ( the Exchange Act )). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by us under the Exchange Act.

**Changes in internal controls**

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

**PART II**

**ITEM 1 - LEGAL PROCEEDINGS**

From time to time we may become subject to litigation incidental to our business. We are not currently a party to any legal proceedings.

**ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

On April 10, 2008, we granted options to purchase 50,000 shares of our common stock under our 2007 Global Share Option Plan to an employee. The options are exercisable at \$0.37 per share which was the fair market value at the close of business on April 10, 2008 with one third vesting on each of the first, second and third anniversary of the date of grant. The issuance of these options was exempt from registration requirements pursuant to Section 4(2) of the Securities Act of 1933, as amended, as a transaction by an issuer not involving a public offering.

**ITEM 3 - DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4 - SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5 - OTHER INFORMATION**

None.

**ITEM 6 - EXHIBITS**

<b>Number</b>	<b>Exhibit</b>
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)

**SIGNATURES**

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

**GAMMACAN INTERNATIONAL, INC.**

Registrant

Date: May 14, 2008

By:

/s/ Limor Zur-Stoller

\_\_\_\_\_  
Limor Zur-Stoller  
Chief Financial Officer