

**FORM 10-QSB**

- Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **June 30, 2006**
- Transition Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-27239**

**GENEMAX CORP.**

(Name of small business issuer in its charter)

**NEVADA**

(State or other jurisdiction of incorporation or organization)

**88-0277072**

(I.R.S. Employer Identification No.)

**Suite 400, 1681 Chestnut Street,  
Vancouver, British Columbia, Canada**

(Address of principal executive offices)

**V6J 4M6**

(Zip Code)

**(604) 331-0400**

(Issuer's telephone number)

Check whether the issuer (1) filed all reports required 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  No

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

State the number of 29,172,176 shares of common stock as of August 21, 2006.

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

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**GENEMAX CORP.**

**Quarterly Report On Form 10-QSB  
For The Quarterly Period Ended June 30, 2006**

**FORWARD-LOOKING STATEMENTS**

This Form 10-QSB for the quarterly period ended June 30, 2006 contains forward-looking statements that involve risks and uncertainties. Forward-looking statements in this document include, among others, statements regarding our capital needs, business plans and expectations. Such forward-looking statements involve assumptions, risks and uncertainties regarding, among others, the success of our business plan, availability of funds, government regulations, operating costs, our ability to achieve significant revenues, our business model and products and other factors. Any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may", "will", "should", "expect", "plan", "intend", "anticipate", "believe", "estimate", "predict", "potential" or "continue", the negative of such terms or other comparable terminology. In evaluating these statements, you should consider various factors, including the assumptions, risks and uncertainties set forth in reports and other documents we have filed with or furnished to the SEC, including, without limitation, our Form 10-KSB/A for the year ended December 31, 2005. These factors or any of them may cause our actual results to differ materially from any forward-looking statement made in this document. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding future events, our actual results will likely vary, sometimes materially, from any estimates, predictions, projections, assumptions or other future performance suggested herein. The forward-looking statements in this document are made as of the date of this document and we do not intend or undertake to update any of the forward-looking statements to conform these statements to actual results, except as required by applicable law, including the securities laws of the United States.

**Item 1. Financial Statements**

The following unaudited consolidated interim financial statements of GeneMax Corp. are included in this Quarterly Report on Form 10-QSB:

<b>Description</b>	<b>Page</b>
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Interim Consolidated Statement of Stockholder's Deficit for the Period from December 31, 2005 to June 30, 2006	6
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**GENEMAX CORP.**  
**(a development stage company)**

**CONSOLIDATED BALANCE SHEETS**

	June 30, 2006	December 31, 2005
	(Unaudited)	
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 132,973	\$ 56,244
Prepaid expenses and other receivables	33,963	27,078
	166,936	83,322
<b>FURNITURE AND EQUIPMENT, net (Note 4)</b>	764	6,537
	\$ 167,700	\$ 89,859
<b>LIABILITIES AND STOCKHOLDERS' DEFICIT</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$ 825,520	\$ 891,439
Research agreement obligations (Note 3)	241,645	672,532
Convertible notes payable (Note 5)	683,944	482,667
Convertible note subscriptions received (Note 5)	461,000	60,000
Due to related parties (Note 6)	285,488	202,969
	2,497,597	2,309,607

**COMMITMENTS AND CONTINGENCIES** (Notes 1, 3, 5 and 9)

**STOCKHOLDERS' DEFICIT**

Capital stock (Note 7)

Common stock, \$0.001 par value, 50,000,000 shares authorized

29,172,176 shares issued and outstanding	29,172	29,172
Additional paid-in capital	11,326,942	10,379,913
Common stock purchase warrants	405,127	857,656
Deficit accumulated during the development stage	(14,019,893)	(13,420,369)
Accumulated other comprehensive loss	(71,245)	(66,120)
	(2,329,897)	(2,219,748)
	\$ 167,700	\$ 89,859

The accompanying notes are an integral part of these consolidated financial statements.

**GENEMAX CORP.**  
**(a development stage company)**

**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(Unaudited)**

	Three months ended June 30,		Six months ended June 30,		July 27, 1999 (inception) to June 30,
	2006	2005	2006	2005	2006
<b>INTEREST INCOME</b>	\$ -	\$ 2,846	\$ -	\$ 2,846	\$ 30,530
<b>EXPENSES</b>					
Consulting fees	3,575	2,193	3,575	14,088	661,898
Consulting fees - stock-based	-	-	-	-	2,824,775
Depreciation	2,700	8,916	5,622	17,669	195,285
Gain on settlement of debts	(28,813)	-	(28,813)	(142,549)	(171,362)
Interest	100,337	-	344,259	-	461,076
Management fees and salaries	34,262	45,444	50,278	79,765	1,161,900
Office and general	2,574	63,284	15,418	124,793	1,604,050
Professional fees	62,984	94,973	121,997	124,404	1,714,413
License fees	5,000	-	5,000	-	516,222
Research and development	48,633	235,105	76,315	250,099	4,011,410
Research and development - stock-based	-	-	-	-	612,000
Transfer agent	2,390	11,648	5,720	12,925	250,691
Travel	103	970	153	6,279	208,065

	233,745	462,533	599,524	487,473	14,050,423
<b>NET LOSS</b>	\$ (233,745)	\$ (459,687)	\$ (599,524)	\$ (484,627)	\$ (14,019,893)
<b>Basis and Diluted Net Loss per Share</b>	\$ (0.01)	\$ (0.02)	\$ (0.03)	\$ (0.02)	
<b>Weighted Average Common Shares Outstanding - Basic and Diluted</b>	29,172,176	27,268,332	29,172,176	27,268,332	

The accompanying notes are an integral part of these consolidated financial statements.

**GENEMAX CORP.**  
(a development stage company)  
**CONSOLIDATED STATEMENT OF STOCKHOLDERS' DEFICIT**  
**FOR THE PERIOD FROM DECEMBER 31, 2005 TO JUNE 30, 2006**

	Common Stock Number of shares	Common Stock Amount	Additional Paid-in Capital	Common Stock Subscriptions	Common Stock Purchase Warrants	Deficit Accumulated During the Development Stage	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2005	29,172,176	\$ 29,172	\$ 10,379,913	\$ -	\$ 857,656	\$(13,420,369)	\$ (66,120)	\$(2,219,748)
Fair value of beneficial conversion feature of 2006 convertible notes (Note 5)	--	--	205,579	--	--	--	--	205,579
Fair value of warrants issued in connection with 2006 convertible notes (Note 5)	--	--	--	--	288,921	--	--	288,921
Common stock purchase warrants expired	-	-	741,450	-	(741,450)	-	-	-
Net loss	-	-	-	-	-	(599,524)	-	(594,371)
Currency translation adjustment	-	-	-	-	-	-	(5,125)	(5,125)
Balance, June 30, 2006 (Unaudited)	29,172,176	\$ 29,172	\$ 11,326,942	\$ -	\$ 405,127	\$(14,019,893)	\$ (71,245)	\$(2,329,897)

The accompanying notes are an integral part of these consolidated financial statements.

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(Unaudited)**

	Six months ended June 30		July 27, 1999 (inception) to June 30,
	2006	2005	2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss	\$ (599,524)	\$ (484,627)	\$ (14,019,893)
Adjustments to reconcile net loss to net cash from operating activities:			
- amortization of deferred finance fees	-	-	(33,300)
- depreciation	5,773	17,669	195,436
- non-cash interest and finance fees	301,277	66,617	376,677
- non-cash consulting fees	-	-	5,750
- non-cash license fees	-	-	10,500
- stock-based compensation	-	-	3,436,775
- convertible debenture adjustments	-	-	51,817
- non-cash gain on settlement of debts	(28,813)	(142,549)	(171,362)
- prepaid expenses and other receivables	(6,885)	(48,173)	(27,963)
- accounts payable and accrued liabilities	(37,106)	(150,027)	1,085,781
- research agreement obligations	(430,887)	(228,502)	241,645
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(796,165)</b>	<b>(969,592)</b>	<b>(8,848,137)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of furniture and equipment	-	(1,972)	(196,200)
Pre reverse acquisition advances from GMC	-	-	250,000
Cash acquired on reverse acquisition of GMC	-	-	173,373
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<b>-</b>	<b>(1,972)</b>	<b>227,173</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds on sale and subscriptions of common stock	-	1,162,064	7,055,605
Deferred finance fees	-	-	(198,181)
Convertible loan subscriptions received	461,000	-	521,000
Proceeds from convertible loans payable	434,500	-	934,500
Repayment of convertible note payable	(100,000)	-	(100,000)
Loans payable	-	-	136,245
Advances (to) from related parties	82,519	(15,252)	476,013
<b>NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES</b>	<b>878,019</b>	<b>1,146,812</b>	<b>8,825,182</b>
<b>EFFECT OF EXCHANGE RATE CHANGES</b>	<b>(5,125)</b>	<b>15,276</b>	<b>(71,245)</b>
<b>NET INCREASE IN CASH</b>	<b>76,729</b>	<b>190,974</b>	<b>132,973</b>
<b>CASH, BEGINNING OF PERIOD</b>	<b>56,244</b>	<b>11,646</b>	<b>-</b>
<b>CASH, END OF PERIOD</b>	<b>\$ 132,973</b>	<b>\$ 202,620</b>	<b>\$ 132,973</b>

**SUPPLEMENTAL DISCLOSURES:**

Interest paid	\$	12,133	\$	-	\$	45,244
Taxes paid	\$	-	\$	-	\$	-

**Non-cash investing and financing activities:** Refer to Notes 5, 6 and 7.

The accompanying notes are an integral part of these consolidated financial statements.

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**GENEMAX CORP.**  
**(a development stage company)**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2006 (Unaudited)**

**NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION**

On May 9, 2002, GeneMax Corp. ("GMC" or the "Company"), a Nevada corporation entered into a letter of intent to acquire 100% of the issued and outstanding common shares of GeneMax Pharmaceuticals Inc. (a development stage company) ("GPI"), in exchange for a total of 11,431,965 restricted shares of common stock of GMC. During July and August, 2002 the Company completed the transaction pursuant to a definitive Share Exchange Agreement and issued 11,231,965 restricted shares of common stock to the GPI stockholders and 200,000 shares of common stock as a finder's fee. This acquisition was accounted for as a reverse merger. GPI is a private Delaware company incorporated July 27, 1999 which has a wholly-owned subsidiary, GeneMax Pharmaceuticals Canada Inc. ("GPC"), a private British Columbia company incorporated May 12, 2000. GPI is a development stage company which was formed for the purpose of building a biotechnology business specializing in the discovery and development of immunotherapeutic agents aimed at the treatment and eradication of cancer, and therapies for infectious diseases, autoimmune disorders and transplant tissue rejection.

During 2000 GPI and the University of British Columbia ("UBC") entered into a world-wide license agreement providing GPI the exclusive license rights to certain patented and unpatented technologies originally invented and developed by UBC. Also during 2000 GPI and UBC entered into a Collaborative Research Agreement ("CRA") appointing UBC to carry out further development of the licensed technology and providing GPI the option to acquire the rights to commercialize any additional technologies developed within the CRA in consideration for certain funding commitments. The lead product resulting from these licenses is a cancer immunotherapy vaccine, on which the Company has been completing pre-clinical work in anticipation of clinical trials. Specifically the Company has advanced the technology through issuance of U.S. patents, tested various viral vectors needed to deliver the gene that forms the basis for the vaccine, licensed a preferred viral vector and contracted out production of a clinical grade vaccine. The Company plans to continue development of the lead product vaccine (Transporters of Antigen Processing ("TAP")) through clinical trials. The other technologies licensed include assays, which the Company plans to use for generation of a pipeline of immune-modulation products. The assay technology acquired has received U.S. patent protection.

The consolidated financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As at June 30, 2006, the Company has a working capital deficiency of \$2,330,661, a capital deficiency of \$2,329,897 and has incurred significant losses since inception and further losses are anticipated in the development of its products raising substantial doubt as to the Company's ability to continue as a going concern. The ability of the Company to continue as a going concern is dependent on raising additional capital to fund ongoing research and development and ultimately on generating future profitable operations. Costs relating to future clinical trials of the Company's cancer immunotherapy vaccine are a part of normal product development and advancement. Since internally generated cash flow will not be sufficient to fund development and commercialization of the Company's products, the Company will require significant additional financial resources and will be dependant on future financings to fund its ongoing research and development as well as other working capital requirements. The Company's future capital requirements will depend on many factors including the rate and extent of scientific progress in its research and development programs, the timing, cost and scope involved in its clinical trials, obtaining regulatory approvals and pursuing further patent protections and the timing and costs of its commercialization activities. The Company's operations and financing requirements are expected to expand upon entering clinical trials with its TAP cancer vaccine.

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**Unaudited Interim Financial Statements**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and conforms with the instructions to Form 10-QSB and Regulation S-B as promulgated by the Securities and Exchange Commission ("SEC"). They may not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the consolidated financial statements for the year ended December 31, 2005 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited consolidated financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended June 30, 2006 are not necessarily indicative of the results that may be expected for the year ending December 31, 2006.

**NOTE 2 - STOCK-BASED COMPENSATION**

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123R, "Share-Based Payment", which replaced SFAS No. 123, "Accounting for Stock-Based Compensation" and superseded APB Opinion No. 25, "Accounting for Stock Issued to Employees". In January 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment", which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on the grant date fair value of the award. SFAS No. 123R was to be effective for interim or annual reporting periods beginning on or after June 15, 2005, but in April 2005 the SEC issued a rule that will permit most registrants to implement SFAS No. 123R at the beginning of their next fiscal year, instead of the next reporting period as required by SFAS No. 123R. The pro-forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative

to financial statement recognition. Under SFAS No. 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS No. 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company has adopted the requirements of SFAS No. 123R for the fiscal year beginning on January 1, 2006; however, no compensation expense was recorded for stock options existing prior to the adoption in the first quarter of 2006 as all of these options were fully vested. Stock-based compensation expense for awards granted prior to January 1, 2006 was based on the grant date fair-value as determined under the pro-forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

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During the six months ended June 30, 2006, the Company has not granted any stock options and has not recorded any stock-based compensation.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services" ("EITF 96-18"). Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

### **NOTE 3 - RESEARCH AGREEMENTS**

#### **University of British Columbia ("UBC")**

Effective September 14, 1999, GPI entered into an Option Agreement ("Option") whereby UBC granted GPI an option to obtain a world-wide license from UBC providing GPI the exclusive license rights to certain patented and unpatented cancer immuno-therapy technologies originally invented and developed by UBC. The Option was for a term of 180 days and prior to being eligible to exercise the Option, GPI was to make a reasonable commercial effort to raise equity funding in an amount not less than CAN\$1,000,000 to fund ongoing research and issue 500,000 founders' common shares to UBC and an additional 3,600,000 founders' common shares to certain principals involved in the UBC research. Having satisfied all of the conditions on or before March 6, 2000, GPI exercised the Option and obtained from UBC, the exclusive license rights as described above for meeting the specific terms of the Option plus a further payment of \$78,743. The license was to terminate after 15 years or upon the expiration of the last patent obtained relating to the licensed technology. The cost of obtaining any patents was to be the responsibility of GPI. The technology remained the property of UBC, however, it could have been utilized and improved by GPI. Concurrent with the execution of the license, the head researcher at UBC became a director of GPI.

GPI and UBC entered into a Collaborative Research Agreement ("CRA") dated September 1, 2000 appointing UBC to carry out further development of the licensed technology and providing GPI the option to acquire the rights to commercialize any additional technologies developed within the CRA in consideration for certain funding commitments totaling CAN\$498,980 to be paid in four equal installments of CAN\$124,725 due upon execution of the CRA, September 30, 2000, January 1, 2001 and June 30, 2001 of which \$374,215 was paid. Through a series of amendments between November 28, 2000 and September 9, 2002, the funding commitment was increased to a total of CAN\$2,973,049 of which CAN\$991,515 was to be paid prior to December 31, 2002, CAN\$1,135,801 to be paid in 2003 and CAN\$471,518 to be paid in 2004. As at December 31, 2004, CAN\$235,759 (2003 - CAN\$471,518) was payable in connection with the original CRA terms. In addition, as required by the CRA, GPI has purchased certain laboratory equipment in connection with the ongoing research. The CRA ended on its scheduled termination date of August 31, 2004. For the period from September 1, 2004 to December 31, 2004, the Company recorded a further CAN\$568,195 in connection with ongoing research and patent activities and cost overruns on the original CRA with UBC resulting in a total of CAN\$803,954 owing to UBC as at December 31, 2004.

The Company and UBC negotiated a one-year extension of the CRA commencing March 1, 2005 with a total funding commitment by the Company of \$294,696. In addition, the Company and UBC agreed on a payment schedule for the new CRA amount and the December 31, 2004 payable totalling CAN\$1,098,650 as follows; CAN\$408,674 on execution of the definite agreement; CAN\$173,674 on each of May 1, August 1 and December 1, 2005; CAN\$100,000 on March 1, 2006 and CAN\$68,954 on May 1, 2006.

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During the quarter ended March 31, 2004, the Company entered in to an exclusive worldwide license agreement with UBC for the use of a novel assay technology intended to be used to screen and select new drugs that regulate immune responses. The term of the license was for the longer of 20 years or the last expiry of a patent obtained in connection with the technology. In consideration for the license, the Company issued to UBC 10,000 restricted shares of common stock with a fair value of \$10,000 and agreed to pay an annual maintenance fee of \$500 and all costs required to obtain any patents related thereto.

On December 23, 2005, the Company signed a letter of intent with UBC whereby all existing financial claims by UBC (collectively, the "UBC Financial Claims") would be satisfied (the "Settlement") in consideration of UBC providing GeneMax with an option to acquire outright all of UBC's right title and interest in the technologies licensed to Genemax. The letter of intent was followed by the completion of a definitive agreement on January 24, 2006 (see Note 11).

Under the terms of the agreement the Company is obligated to pay UBC CAN\$556,533 as follows:

- a. CAN\$50,000 (paid); and
- b. CAN\$300,000 by March 31, 2006 (paid); and

c. CAN\$206,533 on or before December 31, 2006; with the understanding that, should the Company complete an aggregate private and/or public financing of CAN\$2,000,000 before December 31, 2006, this payment shall become immediately due and payable to UBC by the Company within five calendar days of the Company attaining such aggregate financing.

Under the terms of the agreement, the Company is also obligated to pay any other costs or expenses which may be due and owing by GeneMax to UBC under the license agreements and the CRA as at the effective date which, in the aggregate, shall not exceed CAN\$10,000.

Under the terms of the agreement, the Company also assumed responsibility for the management, maintenance and protection of all patents and patent applications filed in connection with the technology.

In accordance with the terms of agreement, if the option to purchase is terminated then the Company shall have no right, entitlement or interest, in and to any of the technology, and the payment(s) theretofore made to UBC by the Company shall be non-refundable. In addition, and to the extent that any portion of the UBC Financial Claims under the settlement have not otherwise been contributed to through any purchase price payment(s) having been made, upon any such termination the Company shall continue to be obligated to UBC for the balance of any such then unsatisfied UBC Financial Claims with interest then accruing thereon at the rate 10% per annum and compounded semi-annually while any portion of the UBC Financial Claims remain outstanding.

#### **Crucell Holland B.V. ("Crucell") - Research License and Option Agreement**

Effective August 7, 2003, Crucell and GPI entered into a five-year Research License and Option Agreement whereby Crucell granted to GPI a non-exclusive worldwide license for the research use of its adenovirus technology. The Agreement includes an option for a non-exclusive worldwide commercial license to manufacture, use, offer for sale, sell and import products using the technology. Under the terms of the agreement, the Company is required to make initial and ongoing option maintenance payments over the five-year term totaling 450,000 Euros. To December 31, 2003, the Company had made all payments required totaling \$115,490 (100,000 Euros). A further \$120,697 (100,000 Euros) was incurred during 2004 (not paid), and an additional \$126,355 (100,000 Euros) was incurred during 2005, leaving a total of \$236,880 (200,000 Euros) owing as at December 31, 2005.

Effective June 6, 2005, Crucell gave the Company notice of default whereby the Company had 3 months to remedy the default. On November 16, 2005, Crucell provided notice of Termination by Default due the Company's failure to remedy the default within the required 3 month period. In May 2006 the Company negotiated a reinstatement of the original Research and License Option Agreement with Crucell and paid Crucell on April 2006 123,590 Euros (US\$151,521) in connection with the reinstatement. Under the revised terms of the agreement, the Company will pay Crucell 12 monthly payments of 10,300 Euros starting May 2006 (paid to date) and a 75,000 Euros annual license fee (adjusted for CPI) in order to keep the reinstated agreement in good standing. As of this date the Company has not paid the 78,150 Euros annual license fee (including CPI adjustment) payment that is due in August 2006.

#### **Molecular Medicine BioServices, Inc. ("Molecular Medicine") - Production Service Agreement**

Effective March 18, 2003 Molecular Medicine and GMC entered into a Production Service Agreement, as amended on August 29, 2003, whereby Molecular Medicine will produce the clinical vector for delivery of the TAP gene used in the Company's cancer immunotherapy product. Total obligations under the contract are \$232,000 payable to Molecular Medicine plus an estimated \$110,000 to \$145,000 in third-party testing costs. To December 31, 2003 the Company had made all payments required under the terms of the agreement totaling \$108,500. The Company was in breach of its contractual obligations with Molecular Medicine in respect of payments of \$15,000 for Phase I of the project. The parties have agreed that advance payments that had been made for subsequent phases could be allocated to the Phase I deficiency so that all payments that were due under the PSA have now been paid in full and the Company has a credit of approximately \$78,000 with Molecular Medicine to be applied towards future vaccine production.

#### **NOTE 4 - FURNITURE AND EQUIPMENT**

Furniture and equipment consisted of the following:

	<b>June 30, 2006</b>	<b>December 31, 2005</b>
	(unaudited)	
Office furniture and equipment	\$10,425	\$10,425
Laboratory equipment	183,803	183,803
Computer equipment	1,972	1,972
	196,200	196,200
Less: accumulated depreciation	(195,436)	(189,663)
	\$ 764	\$ 6,537

#### **NOTE 5 - CONVERTIBLE NOTES PAYABLE**

##### **2004 Convertible Notes and Debenture Financing**

During the year ended December 31, 2004, the Company issued two unsecured convertible promissory notes in the principal amount of \$500,000, that bear interest at 8% per annum and were due twelve months from the date of issue. The unpaid amount of principal and interest may be converted at



any time at the holder's option into shares of the Company's common stock at a price of \$0.60 per share. The holders of the notes were also granted common stock purchase warrants entitling the holder to purchase an additional 416,667 shares of the Company's common stock at a price of \$0.66 per share for a period of 2 years. Further, the Company granted 125,000 common stock purchase warrants with an estimated fair value of \$15,000 as a finder's fee entitling the holder to purchase an additional 83,333 and 41,667 shares of the Company's common stock at a price of \$0.60 and \$0.66 per share, respectively, for a period of 2 years.

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The Company also incurred \$74,100 of costs in connection with this financing resulting in a total of \$89,100 being recorded as deferred finance fees. These costs will be expensed over the term of the convertible promissory notes; the remaining unamortized amount will be charged to stockholders' equity if the notes are converted. As of December 31, 2004, \$48,300 of the deferred finance fees were expensed. As at December 31, 2005, \$28,556 (2004 - \$21,667) of accrued and unpaid interest on the convertible note was included in accounts payable.

The fair value of the convertible promissory notes at issuance was estimated to be \$450,000. This value was based on an estimated fair value interest rate on debt with comparable risk profiles of 20% per annum. As a result, the fair value of the equity component of this instrument (comprised of the common stock purchase warrants and the debt conversion feature) was estimated to be \$50,000. The equity component was attributed entirely to the common stock purchase warrants and recorded as a separate component of stockholders' equity as the conversion feature did not have a beneficial intrinsic value and its fair value was otherwise determined not to be material. The Company will record a further interest expense over the term of the notes of \$50,000 resulting from the difference between the stated and fair value interest rates such that the carrying value of the notes will be increased to the face value of \$500,000 at maturity. To December 31, 2004, a further interest expense of \$27,100 was accrued resulting in a carrying value of the notes of the notes at December 31, 2004 of \$477,100.

Effective January 31, 2005, the parties agreed to amend the terms of the convertible notes payable to extend the maturity date to April 28, 2006, reduce the conversion price from \$0.60 to \$0.30 and to reduce the warrant exercise price from \$0.66 to \$0.30 for the period to December 31, 2005 and to \$0.50 for the remainder of the original warrant term. In addition, the term of the warrants will be extended for a period of greater than the original two years, up to a maximum of ten years, dependent on the Company obtaining specified listing status of the Company's common stock as per the amending agreement. As at the date of this modification, the Company estimated the fair value of the modified convertible promissory notes to be \$435,000 based on an estimated fair value interest rate on debt with comparable risk profiles of 20% per annum. As a result, the fair value of the equity component of this modified instrument (being the amended common stock purchase warrants) was estimated to be \$46,250. The Company will record a further interest expense over the amended term of the notes of \$65,000 resulting from the difference between the stated and fair value interest rates such that the carrying value of the notes will be increased to the face value of \$500,000 at maturity. To December 31, 2005, a further interest expense of \$47,667 was accreted, resulting in a carrying value of the notes of \$482,667.

In June 2006, the Company repaid \$100,000 on one of the convertible notes. During the six months ended June 30, 2006, a further interest expense of \$6,667 has been accrued on the unpaid balance of \$400,000.

#### **2006 Convertible Note and Debenture Financing**

On March 23, 2006, the Company completed a convertible debenture financing of \$494,500 for which the Company has issued convertible promissory notes that bear interest at 8% per annum in the first year and 12% per annum in the second year. If not converted, the notes are due one year from the date of loan advance. The unpaid amount of principal and accrued interest may be converted at any time at the holder's option into shares of the Company's common stock at a price of \$0.10 per convertible unit. Each convertible unit, upon conversion, is comprised of one common share of the Company and, without conversion, one non-transferable and detached share purchase warrant of the Company, which are issuable and exercisable without conversion.

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The warrants forming part of the convertible units are detachable from any conversion and non-transferable, and each such warrant entitles the holder to purchase one additional common share of the Company for a period of five years from the date of the issue at an exercise price of \$0.10 per share during the first two years, \$0.20 per share during the third year, \$0.30 per share during the fourth year; and \$0.40 per share during the fifth year.

The Company has the right to redeem the convertible promissory notes at any time upon giving certain notice to the holder(s), and subject to paying a 20% premium in cash or shares (based on the previous 30 day average trading price of the Company's shares).

In accordance with EITF 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios", the Company recognized the value of the embedded beneficial conversion feature of \$205,579 as additional paid-in capital as the secured convertible notes were issued with an intrinsic value conversion feature.

Accordingly, the Company recorded \$205,579 of interest expense, being the difference between the stated value and carrying value at the date of issuance. In addition, in accordance with EITF 00-27, "Application of Issue No. 98-5 to Certain Convertible Instruments", the Company has allocated the proceeds of issuance between the convertible debt and the detachable warrants based on their relative fair values. Accordingly, the Company recognized the fair value of the warrants of \$288,921 as a component of stockholders' deficit. The Company will record further interest expense over the term of the secured convertible notes of \$2,921 resulting from the difference between the stated value and carrying value at the date of issuance. The carrying value of the convertible notes will be accreted to the face value of \$494,500 at maturity or the date of conversion. During the six months ended June 30, 2006, accrued interest of \$9,973 has been included in accrued liabilities, and interest expense of \$7,293 has been accreted increasing the carrying value of the convertible debentures to \$283,944.

Subsequent to March 23, 2006, the Company received an additional \$461,000 of subscriptions as part of a second tranche of convertible debenture financing that was not completed at June 30, 2006.

#### **NOTE 6 -RELATED PARTY TRANSACTIONS**

During 2004, the Company entered into a new consulting agreement with the Company's Chief Scientific Officer ("CSO") for a term ending December 31, 2007 at an amount of CAN\$10,000 per month. The Company has also agreed to grant to the CSO options to acquire up to 2,500,000 shares of the Company's common stock at a price to be determined, subject to further approvals. In addition, the CSO has agreed to settle all amounts due from the Company totaling \$92,200 in exchange for 452,100 shares of the Company's common stock. To date, the shares have not been issued and no gain or loss will be recorded in connection with this settlement until completed.

A former CEO made a claim for amounts owing during his tenure as CEO in the British Columbia small claims court. The Company settled the claim in June 2006 by making a payment of \$11,681.

During the six months ended June 30, 2006, the Company paid or accrued management fees of \$31,424 to the management company of the current president of the Company, and management fees of \$18,854 to the CFO of the Company.

The following amounts have been incurred to these related parties:

	<b>Six months ended June 30,</b>	
	<b>2006</b>	<b>2005</b>
Management fees (former CEO and former CFO)	\$ 50,278	\$ 77,387
Research and development (CSO)	54,792	38,930
	<b>\$ 105,250</b>	<b>\$ 115,777</b>

As at June 30, 2006, the Company has total commitments remaining relating to the management agreement with the CSO for the periods ending June 30, 2007 and 2008 of approximately \$107,739 and \$83,000, respectively.

During the six months ended June 30, 2006, GPI and the Company incurred \$105,250 in fees related parties and made repayments of \$26,775. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

#### **NOTE 7 - CAPITAL STOCK**

During 2005 the Company completed a private placement financing of 9,068,301 units at a price of \$0.15 per unit for gross proceeds of \$1,360,245. Each unit is comprised of one common share and one-half of a common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire an additional common share of the Company for a period of two years at a price of \$0.15 before the earlier of four months from the issue date of the warrant and the date the Company completes an additional financing of not less than \$2,000,000, \$0.30 for the balance of the first year and thereafter at \$0.50. The Company paid finders' fees in connection with certain of the proceeds placed comprised of 8% of the cash placed and finders warrants for 5% of the units placed. The Company paid a total of \$97,620 in cash finder's fees, \$100,561 in legal and other issue costs and issued a total of 406,748 finder's warrants. The total fair value of the unit warrants and finder's warrants was estimated to be \$116,206 and was recorded as separate component of stockholders' equity.

#### **Stock Option Plan**

On September 30, 2002 the Board of Directors of the Company approved the adoption of a new stock option plan (the "Plan") allowing for the granting of up to 3,500,000 options to directors, officers, employees and consultants of the Company and its subsidiaries. Options granted under the Plan shall be at prices and for terms as determined by the Board of Directors with terms not to exceed 10 years. The Plan further provides that the Board of Directors may grant to any key personnel of the Company who is eligible to receive options, one or more Incentive Stock Options at a price not less than fair market value and for a period not to exceed 10 years from the date of grant. Options and Incentive Stock Options granted under the Plan may have vesting requirements as determined by the Board of Directors. Through multiple Form S-8 Registration Statement filings, the total number of approved shares under the Plan is 12,250,000.

#### **Stock Options**

The Company's stock option activity is as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2005	3,125,000	\$0.56	5.43 years
Balance, June 30, 2006 (unaudited)	3,125,000	\$0.56	4.94 years

#### **Share Purchase Warrants**

The Company's share purchase warrant activity is as follows:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Life
Balance, December 31, 2005	6,696,368	\$0.39	0.88 years
Issued	4,945,000	\$0.10	
Expired	(1,755,470)	\$0.61	

## NOTE 8 - INCOME TAXES

There were no temporary differences between the Company's tax and financial bases that result in deferred tax assets, except for the Company's net operating loss carry forwards amounting to approximately \$9,700,000 (December 31, 2004 - \$8,900,000) which may be available to reduce future year's taxable income. These carry forwards will expire, if not utilized, commencing in 2008. Management believes that the realization of the benefits from these deferred tax assets appears uncertain due to the Company's limited operating history and continuing losses. Accordingly, a full deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded.

## NOTE 9 - SUBSEQUENT EVENTS

In July 2006, the Company received an additional \$180,000 of subscriptions on a second tranche of convertible debenture financing to be completed later in 2006.

In July 2006, the Company repaid the remaining \$100,000 of principal debt outstanding on one of the 2005 convertible notes (Note 5).

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## Item 2. Management's Discussion and Analysis

As used in this Quarterly Report: (i) the terms "we", "us", "our", "GeneMax" and the "Company" mean GeneMax Corp. and its wholly owned subsidiary, GeneMax Pharmaceuticals Inc. which wholly owns GeneMax Pharmaceuticals Canada Inc., unless the context otherwise requires; (ii) "SEC" refers to the Securities and Exchange Commission; (iii) "Securities Act" refers to the *Securities Act of 1933*, as amended; (iv) "Exchange Act" refers to the *Securities Exchange Act of 1934*, as amended; and (v) all dollar amounts refer to United States dollars unless otherwise indicated.

The following discussion of our plan of operations, results of operations and financial condition as at and for the six months ended June 30, 2006 should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the six months ended June 30, 2006 included in this quarterly report, as well as our Annual Report on Form 10-KSB/A for the year ended December 31, 2005.

### Overview

#### Our Business

We are focused on developing innovative therapeutics to treat serious disorders, primarily for cancer and infectious diseases. Since our inception we have devoted substantially all of our resources to research and development activities, primarily with early stage research in the field of gene therapy. We are currently conducting preclinical studies using our TAP gene technology in combination with an in-licensed adeno virus, with the aim of completing our preclinical trials and filing an Investigational Drug Application for cancer in 12 months. We are also pursuing vaccine developments for infectious diseases using our TAP gene technology and an in-licensed Modified Vaccinia Ankara virus with the aim of establishing licensing and partnering relationships to generate revenue and advance our in-house projects closer to commercial products.

We are a development stage company and have primarily supported the financial needs of our research and development activities since our inception through public offerings and private placements of our equity securities. We have not received any revenue from the sale of our products in development, and we do not anticipate generating revenue from the sale of products in the foreseeable future. In order to carry out our corporate operational plan and to support the anticipated future needs of our research and development activities, we expect that we will have cash requirements of approximately \$5,000,000 over the next 24 months, which we expect to obtain through additional equity financings. The funding that we need would, if obtained, be used to support our activities surrounding our proposed clinical grade production of our lead TAP vaccine product, commencement of human clinical studies, advance the development of our prophylactic vaccine campaign and proceed with potential acquisitions or in-licensing of new technologies or products. In the event that we are able to secure funding through the sale of the Company's securities, it is expected that we will expand the Company's management team to include a Director of Corporate Development, a Director of Regulatory Affairs, a Director of Research and a Controller. It is also anticipated that as we advance our product development in oncology and prophylactic vaccines, we will incrementally increase the number of scientists employed by the Company to approximately six.

If we are able to generate revenues in the next few years, we expect the source of such revenue to consist of payments under collaborative arrangements with third parties, government grants, and license fees. We have incurred losses since our inception and expect to incur losses over the next several years due to our lack of any substantial source of revenue and the continuation of our ongoing and planned research and development efforts, including preclinical studies and clinical trials. There can be no assurance that we will successfully acquire, develop, commercialize, manufacture, or market our product candidates or ever achieve or sustain product revenues or profitability.

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#### University of British Columbia Agreement

We had conducted our research and development at the University of British Columbia ("UBC") under a Collaborative Research Agreement ("CRA"), however, as a consequence of our Option and Settlement Agreement with UBC, we presently plan to conduct our own research and development and continue to contract out clinical grade production of our TAP based vaccines. In addition, we in-license our adeno and MVA vectors and receive technical assistance from our licensing partners.

In August 2004 the CRA expired and could not be continued because the Company lacked the financial resources. However, UBC did not terminate the research activities and research and development continued at UBC through December 2004 on the understanding that the expenses incurred would be paid once the Company received further financing or would be incorporated into the terms of a new agreement. As of December 31, 2004, outstanding debt of GeneMax to UBC incurred pursuant to this arrangement was approximately \$803,953.

In December 2005, we signed a letter of intent with UBC whereby all existing financial claims by UBC would be satisfied in consideration of UBC providing GeneMax with an option to acquire outright all of UBC's right title and interest in the technologies licensed to Genemax. The letter of intent was followed by the completion of a definitive agreement on January 24, 2006.

Under the terms of the agreement we are obligated to pay UBC \$479,975 (CDN\$ 556,533) as follows:

- a. \$42,992 (CDN\$50,000) (paid); and
- b. \$258,538 (CDN\$300,000) by March 31, 2006 (paid); and
- c. \$178,445 (CDN\$206,533) on or before December 31, 2006; with the understanding that, should we complete an aggregate private and/or public financing of \$1,719,690 (CDN\$2,000,000) before December 31, 2006, this payment shall become immediately due and payable to UBC.

Under the terms of the agreement, we are also obligated to pay any other costs or expenses which may be due and owing by GeneMax to UBC under the license agreements and the CRA as at the effective date which, in the aggregate, shall not exceed \$8,598 (CDN\$10,000).

Under the terms of the agreement, we also assumed responsibility for the management, maintenance and protection of all patents and patent applications filed in connection with the technology.

In accordance with the terms of agreement, if the option to purchase is terminated then we shall have no right, entitlement or interest, in and to any of the technology, and the payment(s) theretofore made to UBC shall be non-refundable. In addition, and to the extent that any portion of the UBC financial claims under the settlement have not otherwise been contributed to through any purchase price payment(s) having been made, upon any such termination we shall continue to be obligated to UBC for the balance of any such then unsatisfied UBC financial claims with interest then accruing thereon at the rate 10% per annum and compounded semi-annually while any portion of the UBC financial claims remain outstanding.

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### ***Molecular Medicine Agreement***

We have a Production Services Agreement with Molecular Medicine for the production of a chemical grade of our TAP adeno based vaccine for pre-clinical toxicology analysis. However, in August of 2004 we ceased production of our clinical grade vaccine due to technical difficulties related to the yields of vaccine. Crucell is currently in the process of solving technical issues associated with production yields of the vaccine. Despite the technical difficulties we anticipate a clinical grade TAP based vaccine to be produced utilizing the adeno vector from Crucell or our in-house adeno virus vector to allow the Company to meet its milestones for completing toxicology analysis by the end of 2006. We anticipate commencing chemical grade production of our oncology vaccine in 2007.

The Company was in breach of its contractual obligations with Molecular Medicine in respect of payments due for Phase I of the project. The parties have agreed that advance payments that had been made for subsequent phases could be allocated to the Phase I deficiency so that all payments that were due under the PSA have now been paid in full and the Company has a credit of approximately \$78,000 with Molecular Medicine to be applied towards future vaccine production.

### ***Crucell Agreement***

Pursuant to the Research License and Option Agreement Crucell granted GeneMax a non-exclusive, worldwide license for Crucell's adenovirus technology and an option for a non-exclusive, worldwide commercial license to manufacture, use, offer for sale, sell and import products using the licensed technology in the therapy of human subjects by administering a modified and proprietary adeno virus vector (used to package GeneMax's TAP gene technology and deliver it to the target cancer cell in the patient) including, but not limited to, therapeutic gene sequence(s). The Research License and Option Agreement provided for bi-annual license maintenance fees of Euros 50,000, exclusive of applicable taxes, during the first two years of the agreement, and an annual license maintenance fees of Euros 75,000, exclusive of applicable taxes, starting on the third anniversary until the expiration of the agreement on August 7, 2008. Total obligations under this agreement were Euros 450,000.

To December 31, 2003, the Company had made payments required totaling \$115,490 (€100,000) to Crucell pursuant to the terms of the Research License and Option Agreement. Pursuant to the terms of the Research License and Option Agreement, a further \$120,697 (€100,000) was incurred (not paid) during 2004 and an additional \$126,355 (€100,000) was incurred during 2005 leaving a total of \$236,880 (€200,000) owing as at December 31, 2005. As of the date of this Annual Report the Company had not paid this amount. Pursuant to the Research License and Option Agreement, if a party defaults in the performance of or fails to be in compliance with any material condition of this agreement, the Research License and Option Agreement may be terminated if the default or noncompliance is not remedied or steps initiated to remedy three months after receipt in writing to the defaulting party. Effective June 6, 2005, Crucell gave the Company notice of default whereby the Company had three months to remedy the default. On November 16, 2005, Crucell provided notice of Termination by Default due to the Company's failure to remedy the default within the required three month period.

In May 2006 we negotiated a reinstatement of the original Research and License Option Agreement with Crucell and paid Crucell 123,590 Euros (US\$151,521) in connection with the reinstatement. Under the revised terms of the agreement, the Company will pay Crucell 12 monthly payments of 10,300 Euros starting May 2006 (paid to date) and a 75,000 Euros annual license fee (adjusted for CPI) in order to keep the reinstated agreement in good standing. As of this date the Company has not paid the 78,150 Euros annual license fee payment that is due in August 2006.

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### ***National Institute of Health Agreement***

We also have a License Agreement with the National Institute of Health (USA) for the use of the Modified Vaccinia Ankora (MVA) virus for the development of vaccines. We will continue to license this technology for the development of prophylactic vaccines against infectious diseases. Under the terms of this agreement we are required to pay a royalty of \$2,500 per year, which was brought to good standing with a payment of \$5,000 subsequent to the end of the first quarter.

### ***Our Financial Condition***

During the next 12 months we anticipate that we will not generate any revenue. We had cash of \$132,973 and a working capital deficit of \$2,330,661 at June 30, 2006. We will require significant additional financial resources and will be dependant on future financings to fund our ongoing research and development as well as other working capital requirements.

## Plan of Operation and Funding

Management believes that an estimated \$5,000,000 is required over the next two years for expenses associated with the balance of pre-clinical development and completion of Phase I clinical trials for the TAP Cancer Vaccine and for various operating expenses.

The Company has not generated any cash flow to fund its operations and activities due primarily to the nature of lengthy product development cycles that are normal to the biotech industry. Therefore, the Company must raise additional funds in the future to continue operations. The Company intends to finance its operating expenses with further issuances of common stock. The Company believes that anticipated future private placements of equity capital and debt financing, if successful, may be adequate to fund the Company's operations over the next twenty -four months. Thereafter, the Company expects it will need to raise additional capital to meet long-term operating requirements. The Company's future success and viability are dependent on the Company's ability to raise additional capital through further private offerings of its stock or loans from private investors. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to conduct our proposed business operations successfully, which could significantly and materially restrict or delay the Company's overall business operations.

## Results of Operations

### Six Months Ended June 30, 2006 Compared with Six Months Ended June 30, 2005

The following table sets out our consolidated loss for the periods indicated:

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	Six months ended	
	June 30,	
	2006	2005
<b>INTEREST INCOME</b>	\$ -	\$ 2,846
<b>EXPENSES</b>		
Consulting fees	3,575	14,088
Consulting fees - stock-based	-	-
Depreciation	5,622	17,669
Gain on settlement of debts	(28,813)	(142,549)
Interest	344,259	-
Management fees and salaries	50,278	79,765
Office and general	15,418	124,793
Professional fees	121,997	124,404
License fees	5,000	-
Research and development	76,315	250,099
Research and development - stock-based	-	-
Transfer agent	5,720	12,925
Travel	153	6,279
	599,524	487,473
<b>NET LOSS</b>	\$ (599,524)	\$ (484,627)

Net revenues from operations during the six months ended June 30, 2006 and 2005 were \$0. The lack of revenues to date is the result of emphasis on the research and development of the TAP technologies.

Depreciation expense during the six months ended June 30, 2006 was \$5,622 compared to \$17,669 incurred during the six months ended June 30, 2005. The Company did not acquire any fixed assets during the current period.

The Company recorded interest expense of \$344,259 during the six months ended June 30, 2006 (2005-Nil), of which \$301,277 was the result of non-cash fair value assessments regarding the Company's convertible debentures. No such financings existed in the prior period of 2005.

Management fees were \$50,278 during the six months ended June 30, 2006 compared to \$79,765 during the six months ended June 30, 2005. The decrease was primarily due to generally lower levels of corporate activity in 2006.

Office and general expenses incurred during the six months ended June 30, 2006 were \$15,418 compared to \$124,793 during the six months ended June 30, 2005. The significant decrease was a reflection of the overall lower level of corporate activity in 2006.

Professional fees primarily for legal and accounting services were \$121,997 during the six months ended June 30, 2006 compared to \$124,404 during the six months ended June 30, 2005. Current period legal costs were attributable to primarily to convertible debenture financing matters and the renegotiated agreement with Crucell.

Research and development costs during the six months ended June 30, 2006 were \$76,315 compared to \$250,099 during the six months ended June 30, 2005, and consisted entirely of personnel costs related to research and development. The significant decrease was a reflection of the overall lack of research and development level actually undertaken by our company in a lab during 2006.

During the six months ended June 30, 2006, the Company was successful in negotiating write-offs with certain accounts payable, resulting in a gain on settlement of debts totaling \$28,813 during the period.

As a result of the above, during the six months ended June 30, 2006 the Company recorded total expenses of \$599,524, compared to total expenses of \$487,473 for the six months ended June 30, 2005.

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Of the \$599,524 incurred as operating expenses, the Company recorded an aggregate of \$136,494 in fees payable to certain directors and/or private companies controlled by those directors of the Company pursuant to management services provided and existing research and development agreements.

As a result of the above, the Company's net losses during the six months ended June 30, 2006 were \$599,524 or \$0.03 per share as compared to a net loss of \$484,627 or \$0.02 per share during the six months ended June 30, 2005.

### **Liquidity and Capital Resources**

At June 30, 2006, the Company had \$132,973 in cash. Generally, the Company has financed operations to date through the proceeds of the private placement of equity securities. The Company received \$895,500 cash during the six months ended June 30, 2006 from financing activities, of which \$494,500 related to proceeds from a convertible debenture financing completed on March 24, 2006 and \$401,000 of subscription proceeds received on a second tranche of a convertible debenture financing not yet completed.

### ***Operating Activities***

Net cash used in operating activities during the six months ended June 30, 2006 was \$796,165. The Company had no revenues year-to-date. Expenditures during the current quarter primarily consisted of technology payments to Crucell and convertible debenture interest.

### ***Financing Activities***

Net cash provided by financing activities during the six months ended June 30, 2006 was \$878,019, compared to \$1,146,812 in the prior period of 2005, primarily relating to our convertible debenture financings. The Company repaid \$100,000 on an outstanding convertible note during the second quarter.

At June 30, 2006, GeneMax had 3,125,000 stock options and 9,885,898 share purchase warrants outstanding. The outstanding stock options have a weighted average exercise price of \$0.56 per share. The outstanding warrants have a weighted average exercise price of \$0.33 per share. Accordingly, as of June 30, 2006, the outstanding options and warrants represented a total of 13,010,898 shares issuable for a maximum of approximately \$4,237,958 if these options and warrants were exercised in full. The exercise of these options and warrants is completely at the discretion of the holders. There is no assurance that any of these options or warrants will be exercised.

As of June 30, 2006, we anticipate that we will need significant financing to enable us to meet our anticipated expenditures for the next 24 months, which is anticipated to be \$5,000,000 assuming a single Phase 1 clinical trial.

The Company has not generated any cash flow to fund its operations and activities due primarily to the nature of lengthy product development cycles that are normal to the biotech industry. Therefore, the Company must raise additional funds in the future to continue operations. The Company intends to finance its operating expenses with further issuances of common stock. The Company believes that anticipated future private placements of equity capital and debt financing, if successful, may be adequate to fund the Company's operations over the next twenty-four months. Thereafter, the Company expects it will need to raise additional capital to meet long-term operating requirements. The Company's future success and viability are dependent on the Company's ability to raise additional capital through further private offerings of its stock or loans from private investors. Additional financing may not be available upon acceptable terms, or at all. If adequate funds are not available or are not available on acceptable terms, we may not be able to conduct our proposed business operations successfully, which could significantly and materially restrict or delay the Company's overall business operations.

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### ***Going Concern***

The Company's financial statements have been prepared assuming that it will continue as a going concern and, accordingly, do not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should the Company be unable to continue in operation. Our ability to continue as a going concern is dependent upon our ability to obtain the necessary financing to meet our obligations and pay our liabilities arising from our business operations when they come due. We will be unable to continue as a going concern if we are unable to obtain sufficient financing.

### ***Off-Balance Sheet Arrangements***

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

### ***Critical Accounting Policies***

Our consolidated financial statements and accompanying notes have been prepared in accordance with United States generally accepted accounting principles applied on a consistent basis. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods.

We regularly evaluate the accounting policies and estimates that we use to prepare our consolidated financial statements. In general, management's estimates are based on historical experience, on information from third party professionals, and on various other assumptions that are believed to be reasonable under the facts and circumstances. Actual results could differ from those estimates made by management.

### ***Use of Estimates and Assumptions***

Preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant areas requiring management's estimates and assumptions are determining the fair value of stock-based compensation, the fair value of the components of the convertible notes payable and the useful life of furniture and equipment.

### ***Furniture and Equipment***

Furniture and equipment are stated at cost. Depreciation is computed at the following rates over the estimated useful lives of the assets: Office furniture and equipment - 36 months straight-line; Laboratory equipment - 60 months straight-line; Computer equipment - 24 months straight line.

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### ***Fair Value of Financial Instruments***

In accordance with the requirements of Statement of Financial Accounting Standards ("SFAS") No. 107, "Disclosures about Fair Value of Financial Instruments," the Company has determined the estimated fair value of financial instruments using available market information and appropriate valuation methodologies. The fair value of financial instruments classified as current assets or liabilities including cash, loans, obligations, and accounts payable and amounts due to related parties approximate carrying values due to the short-term maturity of the instruments.

### ***Stock-Based Compensation***

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 123R, "Share-Based Payment", which replaced SFAS No. 123, "Accounting for Stock-Based Compensation" and superseded APB Opinion No. 25, "Accounting for Stock Issued to Employees". In January 2005, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment", which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on the grant date fair value of the award. SFAS No. 123R was to be effective for interim or annual reporting periods beginning on or after June 15, 2005, but in April 2005 the SEC issued a rule that will permit most registrants to implement SFAS No. 123R at the beginning of their next fiscal year, in stead of the next reporting period as required by SFAS No. 123R. The pro-forma disclosures previously permitted under SFAS No. 123 no longer will be an alternative to financial statement recognition. Under SFAS No. 123R, the Company must determine the appropriate fair value model to be used for valuing share-based payments, the amortization method for compensation cost and the transition method to be used at date of adoption. The transition methods include prospective and retroactive adoption options. Under the retroactive options, prior periods may be restated either as of the beginning of the year of adoption or for all periods presented. The prospective method requires that compensation expense be recorded for all unvested stock options and restricted stock at the beginning of the first quarter of adoption of SFAS No. 123R, while the retroactive methods would record compensation expense for all unvested stock options and restricted stock beginning with the first period restated. The Company has adopted the requirements of SFAS No. 123R for the fiscal year beginning on January 1, 2006; however, no compensation expense was recorded for stock options existing prior to the adoption in the first quarter of 2006 as all of these options were fully vested. Stock-based compensation expense for awards granted prior to January 1, 2006 was based on the grant date fair-value as determined under the pro-forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. The Company applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure", as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

During the six months ended June 30, 2006, the Company has not granted any stock options and has not recorded any stock-based compensation.

The Company accounts for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring or in Conjunction with Selling Goods or Services" ("EITF 96-18"). Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earlier of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

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### ***Recent Accounting Pronouncements***

In December 2004, the FASB issued SFAS No. 123R, "Share-Based Payment". SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services. It also addresses transactions in which an entity incurs liabilities

in exchange for goods or services that are based on the fair value of the entity's equity instruments or that may be settled by the issuance of those equity instruments. SFAS No. 123R focuses primarily on accounting for transactions in which an entity obtains employee services in share-based payment transactions. SFAS No. 123R requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued. Public entities that file as small business issuers will be required to apply SFAS No. 123R in the first interim or annual reporting period that begins after December 15, 2005. Management is currently evaluating the impact of the adoption of this standard on the Company's reported financial position or results of operations.

In March 2005, the SEC staff issued Staff Accounting Bulletin ("SAB") No. 107, "Share-Based Payment", to give guidance on the implementation of SFAS No. 123R. The Company will consider SAB No. 107 during the implementation of SFAS No. 123R.

In May 2005, the FASB issued SFAS No. 154, "Accounting for Changes and Error Corrections - A Replacement of APB Opinion No. 20 and the FASB Statement No. 3". Under the provisions of SFAS No. 154, a voluntary change in accounting principle requires retrospective application to prior period financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. A change in depreciation, amortization, or depletion method for long-lived, non-financial assets must be accounted for as a change in accounting estimate affected by a change in accounting principle. The guidance contained in APB No. 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate was not changed. The Company will implement this new standard beginning January 1, 2006. This standard is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In March 2005, the FASB issued FASB Interpretation ("FIN") No. 47, *Accounting for Conditional Asset Retirement Obligations*. Under the provisions of FIN No. 47, the term conditional asset retirement obligation as used in SFAS No. 143, *Accounting for Asset Retirement Obligations*, refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity while the obligation to perform the asset retirement activity is unconditional. Accordingly, an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be reasonably estimated. The fair value of a liability for the conditional asset retirement obligation is required to be recognized when incurred--generally upon acquisition, construction, or development and/or through the normal operation of the asset. The Company has adopted FIN No. 47 as of December 31, 2005. Adoption of this pronouncement did not have a significant effect on the 2005 financial statements, and management does not expect this pronouncement to have a significant effect on the Company's future reported financial position or earnings.

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## Risk Factors

**An investment in GeneMax entails numerous risks and uncertainties, including those listed below, that should be carefully considered. These risk and uncertainties could cause our actual results to differ materially from those expected which would have a material adverse effect on our business and financial condition.**

**We have a history of operating losses.**

We continue to incur losses and are will require additional financing to continue our operations. We have incurred operating losses and negative cash flow from operations for most of our history. Losses incurred since our inception have aggregated \$14,014,740 and there can be no assurance that we will be able to generate positive cash flows to fund our operations in the future or to pursue our strategic objectives. We believe that we will have sufficient cash to satisfy our needs for at least the next four to six months. We will need to raise additional capital, most likely via the sale of equity securities, to fund our operations. There can be no assurance that we will be able to obtain such financing on terms satisfactory to us, if at all. Any additional equity financing may be dilutive to existing stockholders, and debt financing, if available, may include restrictive covenants. If adequate funds are not available, we might be required to limit our research and development activities or our selling, marketing and administrative activities any of which could have a material adverse effect on the future of the business.

Further, we do not have any products that generate revenue and expect our operating losses to increase significantly as we commence clinical trials. We do not expect to earn significant revenue for several years, and may never do so. Continued operating losses and the failure to satisfy our financial obligations will have a material adverse effect upon our financial condition and the future of our business.

**The independent auditor's report accompanying our December 31, 2005 consolidated financial statements contains an explanatory paragraph expressing substantial doubt about our ability to continue as a going concern.**

These consolidated financial statements have prepared "assuming that the Company will continue as a going concern," which contemplates that we will realize our assets and satisfy our liabilities and commitments in the ordinary course of business. Our ability to continue as a going concern is dependent on raising additional capital to fund ongoing research and development and ultimately on generating future profitable operations. There can be no assurance that we will be able to raise sufficient additional capital or eventually positive cash flow from operations to address all of our cash flow needs. If we were not able to find alternative sources of cash or generate positive cash flow from operations, our business and financial condition would be materially and adversely affected.

**We depend upon collaborative relationships and third parties for product development and commercialization, and are in breach of many of the agreements with these parties.**

We have historically entered into research and development agreements with collaborative partners. Pursuant to these agreements, our collaborative partners provide us with the intellectual property and options for the license of the intellectual property necessary to develop and commercialize our product candidates. We will continue to rely on future collaborative partners for the development of products and technologies. There can be no assurance that we will be able to negotiate such collaborative arrangements on acceptable terms, if at all, or that current or future collaborative arrangements will be successful. To the extent that we are not able to establish such arrangements, we could be forced to undertake such activities at our own expense. The amount and timing of resources that any of these partners devotes to these activities will generally be based on progress by us in our product development efforts. Some of our collaborative arrangements may be terminated by the partner upon prior notice without cause and there can be no assurance that any of these partners will perform its contractual obligations or that it will not terminate its agreement.

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In August 2004 our CRA with UBC expired and could not be continued because the Company lacked the financial resources. However, UBC did not terminate the research activities and research and development continued at UBC through December 2004 on the understanding that the expenses



incurred would be paid once the Company received further financing or would be incorporated into the terms of a new agreement. As of December 31, 2004, outstanding debt of GeneMax to UBC incurred pursuant to this arrangement was approximately \$803,953. In December 2005, we signed a letter of intent with UBC whereby all existing financial claims by UBC would be satisfied in consideration of UBC providing GeneMax with an option to acquire outright all of UBC's right title and interest in the technologies licensed to Genemax. The letter of intent was followed by the completion of a definitive agreement on January 24, 2006.

Under the terms of the agreement we are obligated to pay UBC \$479,975 (CDN\$ 556,533) as follows:

- a. \$42,992 (CDN\$50,000) (paid); and
- b. \$258,538 (CDN\$300,000) by March 31, 2006 (paid); and
- c. \$178,445 (CDN\$206,533) on or before December 31, 2006; with the understanding that, should we complete an aggregate private and/or public financing of \$1,728,011 (CDN\$ 2,000,000) before December 31, 2006, this payment shall become immediately due and payable to UBC.

Under the terms of the agreement, we are also obligated to pay any other costs or expenses which may be due and owing by GeneMax to UBC under the license agreements and the CRA which, in the aggregate, shall not exceed \$8,598 (CDN\$10,000).

Under the terms of the agreement, we also assumed responsibility for the management, maintenance and protection of all patents and patent applications filed in connection with the technology.

In accordance with the terms of agreement, if the option to purchase is terminated then we shall have no right, entitlement or interest, in and to any of the technology, and the payment(s) theretofore made to UBC shall be non-refundable. In addition, and to the extent that any portion of the UBC financial claims under the settlement have not otherwise been contributed to through any purchase price payment(s) having been made, upon any such termination we shall continue to be obligated to UBC for the balance of any such then unsatisfied UBC financial claims with interest then accruing thereon at the rate 10% per annum and compounded semi-annually while any portion of the UBC financial claims remain outstanding.

To December 31, 2003, the Company had made payments required totaling \$115,490 (€100,000) to Crucell pursuant to the terms of the Research License and Option Agreement. Pursuant to the terms of the Research License and Option Agreement, a further \$120,697 (€100,000) was incurred (not paid) during 2004 and an additional \$126,355 (€100,000) was incurred during 2005 leaving a total of \$236,880 (€200,000) owing as at December 31, 2005. As of the date of this Annual Report the Company had not paid this amount. Pursuant to the Research License and Option Agreement, if a party defaults in the performance of or fails to be in compliance with any material condition of this agreement, the Research License and Option Agreement may be terminated if the default or noncompliance is not remedied or steps initiated to remedy three months after receipt in writing to the defaulting party. Effective June 6, 2005, Crucell gave the Company notice of default whereby the Company had three months to remedy the default. On November 16, 2005, Crucell provided notice of Termination by Default due to the Company's failure to remedy the default within the required three month period. In May 2006 the Company negotiated a reinstatement of the original Research and License Option Agreement with Crucell and paid Crucell on April 2006 123,590 Euros (US\$151,521) in connection with the reinstatement. Under the revised terms of the agreement, the Company must pay Crucell 12 monthly payments of 10,300 Euros starting May 2006 (paid to date) and a 75,000 Euros annual license fee (plus adjustment for CPI) in order to keep the reinstated agreement in good standing. As of this date the Company has not paid the 78,150 Euros annual license fee (including CPI adjustment) payment that is due in August 2006.

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The Company was in breach of its contractual obligations with Molecular Medicine in respect of payments due under the PSA for Phase I. The parties have agreed that advance payments that had been made for subsequent phases could be allocated to the Phase I deficiency so that all payments that were due under the PSA have now been paid in full and we have a \$78,000 surplus which can be applied towards subsequent phases of the project.

**Preclinical testing and future clinical trials may take longer than anticipated, and we may be unable to complete them at all.**

While management believes that the Phase I human clinical trials of the TAP Cancer Vaccine in oncology will commence early in fiscal year 2007 there can be no assurances that they will occur on this time frame, if at all. We may not commence or complete the pivotal clinical trials of the TAP Cancer Vaccine or commence or complete clinical trials involving any other product candidates or may not conduct them successfully. Further, our development costs will increase if we experience any future delays in the preclinical trials or clinical trials for the TAP Cancer Vaccine or other potential products or if we are required to perform additional or larger clinical trials than currently planned. Any substantial delay of or the failure to complete the clinical trials would have a material adverse effect upon our business.

If testing of a particular product candidate does not yield successful results, then we will be unable to commercialize that product. We must demonstrate the safety and efficacy of the TAP Cancer Vaccine and its other potential products in humans through extensive preclinical and clinical testing. We may experience numerous unforeseen events during, or as a result of, the testing process that could delay or prevent commercialization of our product candidates. Further, clinical testing is very expensive, the process takes many years, and the outcome is uncertain. Unsuccessful results from preclinical and clinical testing will have a material adverse effect on our business.

**Our products and activities are subject to regulation by various governments and government agencies.**

The testing of our products is subject to regulation by numerous governmental authorities, principally the FDA and certain foreign regulatory agencies. Pursuant to the Federal Food, Drug, and Cosmetic Act, and the regulations promulgated there under, the FDA regulates the preclinical and clinical testing, development, and commercialization of our potential products. Noncompliance with applicable requirements can result in, among other consequences, fines, injunctions, civil penalties, recall or seizure of products, repair, replacement or refund of the cost of products, total or partial suspension of production, failure of the government to grant pre-market clearance or pre-market approval for devices, withdrawal of marketing clearances or approvals, and criminal prosecution.

Government regulation imposes significant costs and restrictions on the development and commercialization of our products and services. Our success will depend on our ability to satisfy regulatory requirements. We may not receive required regulatory approvals on a timely basis, if at all. Government agencies heavily regulate the production and sale of healthcare products and the provision of healthcare services. In particular, the FDA and comparable agencies in foreign countries must approve human therapeutic and diagnostic products before they are marketed, as well as the facilities in which they are made. This approval process can involve lengthy and detailed laboratory and clinical testing, sampling activities and other costly and

time-consuming procedures. Our failure to comply with applicable regulatory approval requirements may lead regulatory authorities to take action against us, which may delay or cease the development and commercialization of our product candidates.

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Therapies that have received regulatory approval for commercial sale may continue to face regulatory difficulties. The FDA and comparable foreign regulatory agencies, may require post-marketing clinical trials or patient outcome studies. In addition, regulatory agencies subject a marketed therapy, its manufacturer and the manufacturer's facilities to continual review and periodic inspections. The discovery of previously unknown problems with a therapy, the therapy's manufacturer or the facility used to produce the therapy could prompt a regulatory authority to impose restrictions on the therapy, manufacturer or facility, including withdrawal of the therapy from the market.

**Competition in the human medical diagnostics industry is, and is expected to remain, significant, and we may never obtain market acceptance of our product candidates.**

Competition in the cancer therapeutics field is intense and is accentuated by the rapid pace of technological development. Our competitors range from development stage diagnostics companies to major domestic and international pharmaceutical companies. Many of these companies have financial, technical, marketing, sales, manufacturing, distribution and other resources significantly greater than ours. In addition, many of these companies have name recognition, established positions in the market and long standing relationships with customers and distributors. Moreover, the industry has recently experienced a period of consolidation, during which many of the large domestic and international pharmaceutical companies have been acquiring mid-sized diagnostics companies, further increasing the concentration of resources. Our future success will depend on our ability to effectively develop and market our product candidates against those of our competitors. If our product candidates receive marketing approval, but cannot compete effectively in the marketplace, our business and financial position would suffer greatly. There can be no assurance that technologies will not be introduced that could be directly competitive with or superior to our technologies.

Market acceptance of the TAP Cancer Vaccine and our other product candidates is uncertain. Even if the TAP Cancer Vaccine and other potential products are approved and sold, physicians may not ultimately use them or may use them only in applications more restricted than we expect. Physicians will only prescribe a product if they determine, based on experience, clinical data, side effect profiles and other factors, that it is beneficial and preferable to other products and treatments then in use. Many other factors influence the adoption of new products, including marketing and distribution restrictions, course of treatment, adverse publicity, product pricing, the views of thought leaders in the medical community, and reimbursement by third-party payers. Failure to obtain market acceptance of our product candidates will have a material adverse effect upon our business.

**We depend on key employees.**

Due to the specialized nature of our business, our success will be highly dependent upon our ability to attract and retain qualified scientific and executive personnel. Our success depends to a significant extent upon our key management, including Aris Morfopoulos, our President and Chief Executive Officer, and Dr. Wilfred Jefferies, our Chief Scientific Officer. There can be no assurance that we will be successful in attracting and retaining the personnel we require to develop and market our product candidates and to conduct our operations successfully. Failure to retain Mr. Morfopoulos or Dr. Jefferies would have a material adverse effect upon our business.

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**Our success depends, in part, on our ability to obtain patents and license patent rights, to maintain trade secret protection and to operate without infringing on the proprietary rights of others.**

Our success depends in part on our ability to obtain and maintain patent protection for the technology underlying our product candidates, both in the United States and in other countries. We cannot assure you that any of our current or future patent applications will result in issued patents, or that any patents issued to us or licensed by us will not be challenged, invalidated or held unenforceable. Further, we cannot guarantee that any patents issued to us will provide us with a significant competitive advantage. If we fail to successfully enforce our proprietary technology or otherwise maintain the proprietary nature of our intellectual property with respect to our significant current and proposed products, it would have a material adverse effect upon our business. We could incur substantial costs in defending the Company or our licensees in litigation brought by others who claim that we are infringing on their intellectual property rights. The potential for reduced sales and increased legal expenses would have a negative impact on our cash flow and thus our overall business could be adversely affected.

**The testing, manufacturing and marketing of therapeutic medical technology entails an inherent risk of product liability claims.**

To date, we have experienced no product liability claims, but any such claims arising in the future could have a material adverse effect on our business, financial condition and results of operations. Potential product liability claims may exceed the amount of our insurance coverage or may be excluded from coverage under the terms of our policy or limited by other claims under our umbrella insurance policy. Additionally, there can be no assurance that our existing insurance can be renewed by us at a cost and level of coverage comparable to that presently in effect, if at all. In the event that we are held liable for a claim against which we are not insured or for damages exceeding the limits of our insurance coverage, such claim could have a material adverse effect on our cash flow and thus potentially have a materially adverse effect on our business, financial condition and results of operations.

**We use hazardous materials in some of our research and development activities.**

Our research activities sometimes involve the controlled use of various hazardous materials. Although we believe that our safety procedures for handling and disposing of such materials comply with the standards prescribed by state and federal regulations, the risk of accidental contamination or injury from these materials cannot be completely eliminated. We could be held liable for any damages that might result from any such accident involving such hazardous materials. Any such liability could have a material adverse effect on our business and financial condition.

**There has, to date, been no active public market for our common stock, and there can be no assurance that an active public market will develop or be sustained.**

Our common stock has been traded on the OTCBB since prior to the acquisition of GeneMax Pharmaceuticals Inc. Both before and since the acquisition trading in our common stock has been sporadic with insignificant volume. Moreover, the over-the-counter markets for securities of very small companies historically have experienced extreme price and volume fluctuations. These broad market fluctuations and other factors, such as new

product developments, trends in our industry, the investment markets, economic conditions generally, and quarterly variation in our results of operations, may adversely affect the market price of our common stock. In addition, our common stock is subject to rules adopted by the SEC regulating broker-dealer practices in connection with transactions in "penny stocks." Such rules require the delivery prior to any penny stock transaction of a disclosure schedule explaining the penny stock market and all associated risks and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and accredited investors, which are generally defined as institutions or an investor with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 together with the spouse. For these types of transactions the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to sale. The additional burdens imposed upon broker-dealers by such requirements may discourage broker-dealers from effecting transactions in securities subject to the penny stock rules. We do not intend to pay any cash dividends on our common stock in the foreseeable future. Significant fluctuations in our stock price may have a material adverse effect upon our shareholders.

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### **We are controlled by management.**

As of June 30, 2006, our officers and directors owned of record approximately 2,770,465 or 9.50% of the outstanding shares of common stock. If they exercise all of the options that they currently hold, they would own 5,820,465, shares of our common stock or 18.06% of the outstanding shares of common stock. Due to their stock ownership, the officers and directors may be in a position to elect the Board of Directors and to control our business and affairs, including certain significant corporate actions such as acquisitions, the sale or purchase of assets and the issuance and sale of the Company's securities. The interest of our officers and directors may differ from the interests of other shareholders.

As of June 30, 2006, we had reserved 10,000,000 shares of common stock for issuance upon exercise of options which have been or may be granted pursuant to our stock option plans, of which options to purchase 3,125,000 shares were outstanding as of June 30, 2006. Additionally, as of June 30, 2006, there were 9,885,898 warrants outstanding to purchase our common stock. Sales of common stock underlying these stock options and warrants would have a significant dilutive effect upon our current shareholders and may adversely affect the price of the common stock.

Pursuant to the terms and provisions of the 442668 B.C. Consulting Agreement, Dr. Jefferies was entitled to performance based stock options pursuant to which Dr. Jefferies' fully diluted equity ownership interest would be modified to 25% of the total issued and outstanding shares of common stock. The provision was to expire on December 31, 2007 and was subject to the achievement of performance milestones to be mutually agreed upon us and Dr. Jefferies and regulatory approvals of applicable jurisdictions. As of the date of this report the 442668 B.C. Consulting Agreement has been renegotiated and such provision has been eliminated.

### **Item 3. Controls and Procedures**

As required by Rule 13a-15 under the Exchange Act, we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this quarterly report. This evaluation was carried out under the supervision and with the participation of our management, including our principal executive officer and principal financial officer. Based upon that evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective as at the end of the period covered by this quarterly report to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the rules and forms of the SEC.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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There have been no changes in our internal controls over financial reporting that occurred during our most recent quarterly period that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

Other than as disclosed below, to our knowledge there are presently no material legal proceedings pending or threatened against the Company.

On September 8, 2004 the Company filed suit in the District Court, City and County of Denver, Colorado, against X-Clearing Corporation ("X-Clearing"), its transfer agent, referred to herein as X-Clearing. We alleged that X-Clearing was in breach of our October 2, 2001 transfer agent agreement (as amended September 21, 2004) with X-Clearing and asked for a declaratory judgment and to have certain records and documents returned to us so that we could pursue a transfer agency relationship with another transfer agent.

At a hearing held on September 22, 2004, X-Clearing argued that the transfer agency agreement had not been properly terminated, and the court made a preliminary determination consistent with X-Clearing's position. Subsequent to the September 22, 2004 hearing the Company actively sought a settlement with X-Clearing, however, was unable to do so.

In March 2005 both X-Clearing and the Company filed additional court documentation in respect of the matter and a hearing was set for March 18, 2005. Immediately prior to the hearing a settlement was negotiated whereby the Company agreed to pay \$200,000 to X-Clearing in exchange for all of its corporate records. The parties also exchanged various indemnity agreements. As at the date of this report, the parties were formalizing documentation in order to formally dismiss the subject suit; the \$200,000 having been paid by the Company.

In November 2005, the Company's previous Chief Operating Officer, Konstantine Sarafis, commenced legal proceedings in the Provincial Court of British Columbia, Small Claims Division, alleging that approximately \$12,582 was due and owing to him by the Company under his previous employment arrangement with the Company. In June 2006 the Company settled the claim by making a payment of \$11,681.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

None.

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**Item 3. Defaults Upon Senior Securities**

Not Applicable.

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

Not Applicable.

**Item 5. Other Information**

Not Applicable.

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

1. Exhibits

- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1933, as amended.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1933, as amended.
- 32.1 Certification Pursuant to 18 U.S.C. 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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**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.

**GENEMAX CORP.**

*/s/ "Aris Morfopoulos"*

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Aris Morfopoulos  
President, Chief Executive Officer, Principal  
Executive Officer and a director  
Date: August 21, 2006.

*/s/ "Patrick A. McGowan"*

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Patrick A. McGowan  
Secretary, Treasurer, Chief Financial Officer,  
Principal Accounting Officer and a director  
Date: August 21, 2006.

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## CERTIFICATION

I, Aris Morfopoulos, certify that:

- (1) I have reviewed this Report on Form 10-QSB for the quarterly period ended June 30, 2006 of GeneMax Corp.;
- (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 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 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 year end that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the 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 functions):
  - (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 information; 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.

Date: August 21, 2006.

/s/ "Aris Morfopoulos"

By: Aris Morfopoulos

Title: Chief Executive Officer

## CERTIFICATION

I, Patrick A. McGowan, certify that:

- (1) I have reviewed this Report on Form 10-QSB for the quarterly period ended June 30, 2006 of, GeneMax Corp.;
- (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 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 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 year end that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- (5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the 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 functions):
  - (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 information; 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.

Date: August 21, 2006.

/s/ "Patrick A. McGowan"

By: Patrick A. McGowan  
Title: Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER  
AND CHIEF FINANCIAL OFFICER**

**PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned, Dr. Aris Morfopoulos, the Chief Executive Officer of GeneMax Corp., and Patrick A. McGowan, the Chief Financial Officer of GeneMax Corp., each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge, the Report on Form 10-QSB of GeneMax Corp., for the quarterly period ended June 30, 2006, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Report on Form 10-QSB fairly presents in all material respects the financial condition and results of operations of GeneMax Corp.

Date: August 21, 2006.

*/s/ "Aris Morfopoulos"*

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Aris Morfopoulos  
Chief Executive Officer

*/s/ "Patrick A. McGowan"*

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Patrick A. McGowan  
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signatures that appear in typed form within the electronic version of this written statement required by Section 906, has been provided to GeneMax Corp. and will be retained by GeneMax Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

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