

TAPIMMUNE INC  
Form 10-Q  
August 19, 2008

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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Quarterly Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **June 30, 2008**

£ 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**

TAPIMMUNE INC.

(Name of registrant in its charter)

NEVADA

88-0277072

(State or other jurisdiction of incorporation or organization)

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

Unit 2, 3590 West 41<sup>st</sup> Avenue,  
Vancouver, British Columbia, Canada

V6N 3E6

(Address of principal executive offices)

(Zip Code)

(604) 264-8274

(Issuer's telephone number)

Indicate by check mark whether the registrant (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 S No £

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

☐ Large accelerated filer

☐ Accelerated filer

☐ Non-accelerated filer (Do not check  
if smaller reporting company)

☐ Smaller reporting company

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

As of August 18, 2008, the Company had **24,149,830** shares of common stock issued and outstanding.

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

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## TAPIMMUNE INC.

(A Development Stage Company)

## CONSOLIDATED BALANCE SHEETS

	June 30, <u>2008</u>	December 31, <u>2007</u>
	(Unaudited)	
ASSETS		
Current Assets		
Cash	\$ 28,905	\$ 167,539
Due from government agency	62,010	59,634
Prepaid expenses and deposits	<u>12,947</u>	<u>35,313</u>
	103,862	262,486
Furniture and Equipment		
, net (Note 3)	<u>12,882</u>	<u>16,621</u>
	<u>\$ 116,744</u>	<u>\$ 279,107</u>

## LIABILITIES AND STOCKHOLDERS' DEFICIT

Current Liabilities		
Accounts payable and accrued liabilities	\$ 1,354,307	\$ 1,103,263
Research agreement obligations (Note 4)	172,416	199,766
Convertible notes payable (Note 5(i))	56,633	66,633
Convertible note subscriptions received (Note 5(v))	200,000	200,000

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Notes payable (Notes 5(iv) to (ix))	594,407	229,952
Due to related parties (Note 6)	<u>297,547</u>	<u>154,265</u>
	<u>2,675,310</u>	<u>1,953,879</u>
Commitments and Contingencies		
(Notes 1, 4, 5 and 7)		
Stockholders' Deficit		
Capital stock (Note 7)		
Common stock, \$0.001 par value, 80,000,000 shares authorized		
24,009,827 shares issued and outstanding (2007 - 23,502,681)	24,010	23,503
Additional paid-in capital	17,439,365	16,910,218
Shares and warrants to be issued (Notes 5(ii),7 and 10)	102,400	67,400
Deficit accumulated during the development stage	(20,053,592)	(18,616,167)
Accumulated other comprehensive loss	<u>(70,749)</u>	<u>(59,726)</u>
	<u>(2,558,566)</u>	<u>(1,674,772)</u>
	<u>\$ 116,744</u>	<u>\$ 279,107</u>

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

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TAPIMMUNE INC.

(A Development Stage Company)

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

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	Three Months Ended June 30,		Six Months Ended June 30,		July 27, 1999 (inception) to June 30,
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>
Interest Income	\$ -	\$ -	\$ -	\$ -	\$ 30,530
General and Administrative					
<b>Expenses</b>					
Consulting fees	113,436	3,412	148,602	59,307	1,134,186
Consulting fees - stock-based (Note 7)	114,600	164,000	151,500	164,000	3,285,775
Depreciation	1,870	1,046	3,739	1,542	205,743
Gain on settlement of debts	-	-	-	-	(173,010)
General and administrative	19,424	11,446	48,405	31,762	2,256,022
Interest and finance charges (Note 5)	269,900	(33,339)	484,450	1,101,395	2,427,940
Management fees (Note 6)	77,563	63,244	155,100	113,876	1,736,173
Management fees - stock-based (Note 7)	61,167	456,014	146,334	456,014	801,056
Professional fees	93,814	87,861	228,667	155,334	2,585,601
Research and development (Note 6)	8,846	57,942	70,628	146,459	5,212,636
Research and development - stock-based	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>612,000</u>
	<u>760,620</u>	<u>811,626</u>	<u>1,437,425</u>	<u>2,229,689</u>	<u>20,084,122</u>

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Net Loss for the Period	(760,620)	(811,626)	(1,437,425)	(2,229,689)	(20,053,592)
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Deficit Accumulated During  
the

**Development Stage,  
beginning  
of period**

<u>(19,292,972)</u>	<u>(16,142,819)</u>	<u>(18,616,167)</u>	<u>(14,724,756)</u>	<u>-</u>
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Deficit Accumulated During  
the

**Development Stage, end  
of period**

<u>\$ (20,053,592)</u>	<u>\$ (16,954,445)</u>	<u>\$ (20,053,592)</u>	<u>\$ (16,954,445)</u>	<u>\$ (20,053,592)</u>
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Basic and Diluted

**Net Loss per Share**

<u>\$ (0.03)</u>	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>	<u>\$ (0.12)</u>
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Weighted Average Number of

**Common Shares Outstanding**

<u>23,838,868</u>	<u>20,527,572</u>	<u>23,670,774</u>	<u>18,184,980</u>
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The accompanying notes are an integral part of these consolidated financial statements.

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TAPIMMUNE INC.

(A Development Stage Company)

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

Six Months Ended June 30,	Six Months Ended June 30,	July 27, 1999 (inception) to June 30,
<u>2008</u>	<u>2007</u>	<u>2008</u>

## Cash Flows from Operating Activities

Net loss	\$ (1,437,425)	\$ (2,229,689)	\$ (20,053,592)
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Adjustments to reconcile net loss to net cash used in operating activities:

Convertible debenture costs	-	-	51,817
Depreciation	3,739	1,542	205,744
Gain on settlement of debts	-	-	(173,010)
Non-cash interest and finance fees	449,275	1,127,158	2,259,564
Non-cash consulting and license fees	90,000	-	106,250
Stock-based compensation	207,834	620,014	4,608,831
Changes in operating assets and liabilities:			
Due from government agency	(2,376)	-	(62,010)
Prepaid expenses and receivables	22,366	(26,118)	(6,947)
Accounts payable and accrued liabilities	251,044	34,476	1,776,216
Research agreement obligations	<u>(27,350)</u>	<u>(68,270)</u>	<u>172,416</u>
Net Cash Used in Operating Activities	<u>(442,893)</u>	<u>(540,887)</u>	<u>(11,114,721)</u>

## Cash Flows from Investing Activities

Purchase of furniture and equipment	-	(21,110)	(218,626)
Cash acquired on reverse acquisition	<u>-</u>	<u>-</u>	<u>423,373</u>
Net Cash (Used in) Provided by Investing Activities	<u>-</u>	<u>(21,110)</u>	<u>204,747</u>

## Cash Flows from Financing Activities

Proceeds from the issuance of common stock	60,000	475,000	9,171,106
Finance charges	-	(17,500)	(248,981)

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Repayment of convertible notes	(10,000)	(100,000)	256,633
Proceeds from notes and loans payable	122,000	-	774,845
Advances from related parties	<u>143,282</u>	<u>144,291</u>	<u>1,056,025</u>
Net Cash Provided by Financing Activities	<u>315,282</u>	<u>501,792</u>	<u>11,009,628</u>
Effect of Exchange Rate Changes	<u>(11,023)</u>	<u>(15,675)</u>	<u>(70,749)</u>
Net (Decrease) Increase in Cash	(138,634)	(75,880)	28,905
Cash, Beginning of Period	<u>167,539</u>	<u>120,436</u>	<u>-</u>
Cash, End of Period	<u>\$ 28,905</u>	<u>\$ 44,556</u>	<u>\$ 28,905</u>

Supplemental cash flow information and non-cash investing

**and financing activities:** (refer to Note 8)

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

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TAPIMMUNE INC.

(A Development Stage Company)

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2008**  
**(Unaudited)**

**Note 1: Nature of Operations**

On May 9, 2002, TapImmune Inc. ("TPIM" 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"). 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 immunotherapeutics aimed at the treatment of cancer, and therapies for infectious diseases, autoimmune disorders and transplant tissue rejection.

On June 28, 2007, the Company approved a name change to TapImmune Inc. and completed a reverse stock split by the issuance of one (1) new share for each two and one-half (2.5) outstanding shares of the Company's common stock. Unless specifically noted, all amounts have been retroactively restated to recognize the reverse stock split (Note 7).

During 2000, GPI and the University of British Columbia ("UBC") entered into a worldwide 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 (refer to Note 4). The lead product resulting from these licenses is a immunotherapy vaccine, on which the Company has been completing pre-clinical work in anticipation of clinical trials. Specifically the Company has moved the technology through issuance of a U.S. patent, 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 clinical grade vaccine (refer to Note 4). The Company plans to continue development of the lead product vaccine 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 patent protection.

These 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, 2008, the Company has a working capital deficiency of \$2,571,448, a capital deficiency of \$2,558,566 and has incurred significant losses since inception. Further losses are anticipated in the development stage 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, maintenance and protection of patents, accommodation from certain debt obligations and ultimately on generating future profitable operations. Planned expenditures relating to future clinical trials of the Company's immunotherapy vaccine will require significant additional funding. Internally generated cash flow will not fund development and commercialization of the Company's products. The Company is dependant on future financings to fund ongoing research and development as well as 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 clinical trials, obtaining regulatory approvals, pursuing further patent protections and the timing and costs of commercialization activities.

Management is addressing going concern remediation through seeking new sources of capital, restructuring and retiring debt through conversion to equity and debt settlement arrangements with creditors, cost reduction programs and seeking possible joint venture or lincense participation. Management's plans are intended to return the company to financial stability and improve continuing operations. The Company is continuing to raise capital through private placements, related party loans and other sources to meet immediate working capital requirements. Management expects to be able to complete restructuring plans and expand programs including entering clinical trials for its lead TAP (Transporters of Antigen Processing) vaccine and infectious disease adjuvant. These measures, if successful, should contribute to reducing the risk of going concern uncertainties for the Company over the next twelve months.

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There is no certainty that the company will be able to raise sufficient funding to satisfy current debt obligations or to continue development of products to marketability.

Note 2: Unaudited Consolidated Financial Statements for an Interim Period

These unaudited financial statements of the Company have been prepared in accordance with generally accepted accounting principles for interim financial information and the rules and regulations of the securities and exchange commission. They do not include all information and footnotes required by United States 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 financial statements for the year ended December 31, 2007 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. These unaudited financial statements should be read in conjunction with those financial statements included in Form 10-KSB. In the opinion of management, all adjustments considered necessary for fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended June 30, 2008 are not necessarily indicative of the results that may be expected for the year ending December 31, 2008.

#### Recent Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS 161 will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and will be adopted by us beginning in the first quarter of 2009. We do not expect there to be any significant impact of adopting SFAS 161 on our financial position, cash flows and results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No.162"). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with US generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*.

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#### Note 3: Furniture and Equipment

Furniture and equipment consisted of the following at:

June 30,	December 31,
<u>2008</u>	<u>2007</u>

(Unaudited)

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Computer equipment	\$ 4,533	\$ 4,533
Laboratory equipment	16,704	16,704
Office furniture and equipment	<u>3,161</u>	<u>3,161</u>
	24,398	24,398
Less: accumulated depreciation	<u>(11,516)</u>	<u>(7,777)</u>
	<u>\$ 12,882</u>	<u>\$ 16,621</u>

Note 4: Research Agreements

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 Company was required to make certain payments over the five-year term totaling Euro €450,000 (approximately \$510,100).

Effective June 6, 2005, Crucell gave the Company notice of default whereby the Company had six months to remedy the unpaid option maintenance payments of \$236,880 (€200,000) owing as at December 31, 2005. On November 16, 2005, Crucell provided notice of termination by default due the Company's failure to remedy the default within the required six 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 20, 2006 €123,590 (\$151,521) in connection with the reinstatement. Under the revised terms of the agreement, the Company would pay Crucell twelve monthly payments of €10,300 starting May 2006 (paid to October 31, 2006, as of June 30, 2008) and a €75,000 annual license fee (outstanding at June 30, 2008, adjusted for CPI) to maintain the reinstated agreement in good standing. In January, 2008 the Company paid €27,316 (\$40,000) towards the outstanding balance and at June 30, 2008, €109,484 (\$172,416) has been included in research agreement obligations for the Crucell agreement and is outstanding under the terms of the agreement. The agreement is currently in default and management is attempting to negotiate a revised payment schedule for the remaining balance.

SAFC Pharma Inc (formerly Molecular Medicine BioServices, Inc.) ("SAFC Pharma") - Production Service Agreement

Effective March 18, 2003, SAFC Pharma and GPC entered into a production service agreement ("PSA"), as amended on August 29, 2003, whereby SAFC Pharma will produce the clinical vector for delivery of the TAP gene used in the Company's cancer immunotherapy product. The product will incorporate the Crucell vector and the Company's TAP1 gene. Total obligations under the contract are \$232,000 payable to SAFC Pharma plus an estimated \$110,000 to \$145,000 in third-party testing costs. The Company was in breach of its contractual obligations with SAFC Pharma in respect of payment 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 non-refundable credit of approximately \$78,000 available until the end of 2008 with SAFC Pharma to be applied towards future vaccine production. The non-refundable credit has not been recognized as an asset in accordance with the accounting policies due to uncertainty over realization.

## Operating Lease

In March 2007, the Company entered into a laboratory lease that expires in February 2012. The terms of the operating lease agreement require the Company to make minimum monthly payments of approximately \$2,490 (CAN \$2,520).

## Combined Research and Operating Obligations

The Company has obligations under various agreements that expire between August 2008 and February 2012. The aggregate minimum annual payments for the years ending June 30 are as follows:

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2009	\$	30,688
2010		32,304
2011		32,304
2012		<u>21,536</u>
	\$	<u>116,832</u>

Note 5: Convertible Debt and Promissory Notes Payable

## i) 2004 Convertible Notes and Debenture Financing

In 2004, the Company issued two unsecured convertible promissory notes in the principal amount of \$500,000, that included interest at 8% per annum and were due twelve months from the date of issue.

In 2006, the Company repaid \$300,000 towards the convertible notes, in addition to all interest accrued to the date of the final payment on October 31, 2006. In 2007, the Company repaid \$133,367 towards the convertible note principal. On July 3, 2007 the Company entered into a letter agreement extending the term of the warrants originally issued with the outstanding convertible note for a period of two years or 18 months after effective registration of the warrants (not completed to date), and reduced the conversion price from \$1.25 to \$0.25. The incremental increase in the fair value of the warrants resulting from the repricing was determined by management to be \$40,000 and was recorded as interest and finance charges. The fair value was estimated using the Black-Scholes option pricing model with an expected life of 2 years, a risk free interest rate of 5.28%, a dividend yield of 0%, and an expected volatility of 86%. In 2008, the Company repaid \$10,000 towards the convertible note principal.

At June 30, 2008 the principal amount of \$56,633 was outstanding for the convertible notes, and interest expense of \$12,741 (2007 - \$10,366) has been accrued for the six month period.

## ii) 2007 Promissory Note

On July 13, 2007 the Company issued an unsecured promissory note to a company related through a family member of a director of the Company (Note 6) in the principal amount of \$100,000. The promissory note was revised on August 31, 2007 to \$125,000. The promissory note matured on September 28, 2007 and bears interest at 12% per annum. As partial consideration for the promissory note, on October 31, 2007 the Company issued to the Lender, as fully paid and non-assessable, 125,000 non-transferable and registerable share purchase warrants (each a "Warrant"),

to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.30 per Warrant Share for an exercise period of up to one year from the issuance date. The fair value of the warrants was determined by management at \$18,104 recorded as interest and finance charges. The fair value was estimated using the Black-Scholes option pricing model with an expected life of 1 year, a risk free interest rate of 5.27%, a dividend yield of 0%, and an expected volatility of 125%.

On December 18, 2007 the Company signed an agreement to extend the terms of the 2007 Promissory Note through February 28, 2008. As consideration for the extension, the Company agreed to issue to the Lender, as fully paid and non-assessable, 400,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to three years from the issuance date. The fair value of the warrants was determined by management at \$44,000 recorded as a warrant issuance obligation and expensed as interest and finance charges. The fair value was estimated using the Black-Scholes option pricing model with an expected life of 3 years, a risk free interest rate of 4.21%, a dividend yield of 0%, and an expected volatility of 106%.

At June 30, 2008 no repayment has been made to the principal amount or the interest of \$14,104 (2007 - \$6,625) accrued on the promissory note.

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### iii) 2007 Convertible Promissory Note

On August 31, 2007 the Company issued a convertible promissory note to a company related through a family member of a director of the Company (Note 6) in the principal amount of \$200,000. The note bears interest at 12% per annum and is due on demand. Upon completion of the conversion terms, 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. The conversion price will be determined by the purchase price of the Company's next stock offering or convertible debt financing. When the price is established, management will determine whether any beneficial conversion feature exists and may require adjustment to the stated value.

At June 30, 2008 no repayment has been made to the principal amount or the interest of \$19,989 (2007 - \$8,022) accrued on the convertible promissory note. On July 31, 2008 the Company completed a private placement financing for gross proceeds of \$35,000 (refer to Note 10). The fair value of the conversion feature will be calculated as of July 31, 2008 based on the terms of the private placement.

### iv) 2007 Loan and Security Agreement

On November 30, 2007 the Company entered into a Loan and Security Agreement with an unrelated company, whereby the Company issued 12% secured promissory notes in the principal amount of \$445,000, with interest paid in advance resulting in net proceeds of \$391,600, with the discount being amortized to interest and finance charges over the term of the notes. The promissory notes matured on May 31, 2008. Additionally, the Company issued to the Lenders, as fully paid and non-assessable, 1,780,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the secured promissory notes and the detachable warrants based on their relative fair values as determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$356,000 as a component of stockholders' deficit. Interest paid in advance was amortized by \$44,354 (2007 - \$9,046) to interest expense for the six months ended June 30, 2008 increasing the net carrying value of the secured promissory notes. Additionally, the fair value of the warrants was accreted to interest expense by \$295,694 (2007 - \$60,306) for the six months ended June 30, 2008 increasing the carrying value of the secured promissory notes to \$445,000. The fair value of the warrants was estimated using the Black-Scholes option pricing

model with an expected life of five years, a risk free interest rate of 4.55%, a dividend yield of 0%, and an expected volatility of 106%. On May 31, 2008 the notes were paid in full.

Pursuant to the Loan and Security agreement, the Company paid \$54,195 including reimbursement of legal fees as finders' fees which has been expensed as interest and finance charges. Additionally, the Company issued as finders' fees 178,000 warrants under the same terms as the Lender's warrants. The fair value of the warrants was estimated to be \$35,600 using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 4.55%, a dividend yield of 0%, and an expected volatility of 106%, and has been recorded as interest and finance charges.

v) 2008 Promissory Note

On April 10, 2008 the Company issued an unsecured promissory note in the principal amount of \$65,000 to an unrelated party that bears interest at 18% per annum, due ninety (90) days from the date of issuance. Additionally, the Company issued to the Lender, as fully paid and non-assessable, 130,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the promissory note and the detachable warrants based on their relative fair values as determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$22,100 as a component of stockholders' deficit. The fair value of the warrants was accreted to interest expense by \$19,890 for the six months ended June 30, 2008 adjusting the carrying value of the promissory note to \$62,790. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 2.34%, a dividend yield of 0%, and an expected volatility of 110%.

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vi) 2008 Promissory Note

On May 5, 2008 the Company issued an unsecured promissory note to a company controlled by a director of the Company (Note 6) in the principal amount of \$27,000 that bears interest at 18% per annum, due ninety (90) days from the date of issuance. Additionally, the Company issued to the Lender, as fully paid and non-assessable, 54,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the promissory note and the detachable warrants based on their relative fair values as determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$9,720 as a component of stockholders' deficit. The fair value of the warrants was accreted to interest expense by \$6,048 for the six months ended June 30, 2008 adjusting the carrying value of the promissory note to \$23,328. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 1.94%, a dividend yield of 0%, and an expected volatility of 117%.

vii) 2008 Promissory Note

On May 14, 2008 the Company issued an unsecured promissory note to a company related through a family member of an officer of the Company (Note 6) in the principal amount of \$200,000 that bears interest at 18% per annum, due ninety (90) days from the date of issuance. Additionally, the Company issued to the Lender, as fully paid and non-assessable, 400,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the promissory note and the detachable warrants based on their relative fair values as

determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$76,000 as a component of stockholders' deficit. The fair value of the warrants was accreted to interest expense by \$39,689 for the six months ended June 30, 2008 adjusting the carrying value of the promissory note to \$163,689. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 1.96%, a dividend yield of 0%, and an expected volatility of 117%.

viii) 2008 Promissory Note

On May 15, 2008 the Company issued an unsecured promissory note to an officer of TapImmune (Note 6) in the principal amount of \$25,000 that bears interest at 18% per annum, due ninety (90) days from the date of issuance. Additionally, the Company issued to the Lender, as fully paid and non-assessable, 50,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the promissory note and the detachable warrants based on their relative fair values as determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$9,000 as a component of stockholders' deficit. The fair value of the warrants was accreted to interest expense by \$4,600 for the six months ended June 30, 2008 adjusting the carrying value of the promissory note to \$20,600. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 1.96%, a dividend yield of 0%, and an expected volatility of 117%.

ix) 2008 Promissory Note

On May 22, 2008 the Company issued an unsecured promissory note to a company related through a family member of an officer of TapImmune (Note 6) in the principal amount of \$250,000 that bears interest at 18% per annum, due ninety (90) days from the date of issuance. Additionally, the Company issued to the Lender, as fully paid and non-assessable, 500,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to five years from the issuance date. The Company allocated the proceeds of issuance between the promissory note and the detachable warrants based on their relative fair values as determined by management. Accordingly, the Company recognized the relative fair value of the warrants of \$90,000 as a component of stockholders' deficit. The fair value of the warrants was accreted to interest expense by \$39,000 for the six months ended June 30, 2008 adjusting the carrying value of the promissory note to \$199,000. The fair value of the warrants was estimated using the Black-Scholes option pricing model with an expected life of five years, a risk free interest rate of 2.07%, a dividend yield of 0%, and an expected volatility of 117%.

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Note 6: Related Party Transactions

During the six months ended June 30, 2008 the Company entered into transactions with certain officers and directors of the Company as follows:

- (a) incurred \$155,100 (2007 - \$113,876) in management fees, and recorded \$146,334 (2007 - \$456,014) in stock based compensation for the fair value of options granted to management that were granted and or vested during the period;
- (b) incurred \$53,232 (2007 - \$59,815) in research and development fees to related parties, of which \$29,791 (2007 - \$53,243) was to the former Chief Science Officer (CSO) and \$23,441 (2007 - \$6,572) was paid or payable to a direct family member of a current officer;

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- (c) incurred \$7,479 (2007 - \$Nil) in interest and finance charges on a \$125,000 promissory note due to a company related through a direct family member of a current director (refer to Note 5(ii));
- (d) incurred \$11,967 (2007 - \$Nil) in interest and finance charges on a \$200,000 convertible promissory note due to a company related through a direct family member of a current director (refer to Note 5(iii));
- (e) issued a \$27,000 promissory note bearing interest at 18% per annum and including 54,000 non-transferable and registerable share purchase warrants with an exercise price of \$0.25 per share for an exercise period of up to five years from the issuance date to a company controlled by a director of the Company, and incurred \$746 (2007 - \$Nil) in interest and finance charges on the \$27,000 promissory note (refer to Note 5(vi));
- (f) issued a \$200,000 promissory note bearing interest at 18% per annum and including 400,000 non-transferable and registerable share purchase warrants with an exercise price of \$0.25 per share for an exercise period of up to five years from the issuance date to a company related through a family member of an officer of the Company, and incurred \$4,636 (2007 - \$Nil) in interest and finance charges on the \$200,000 promissory note (refer to Note 5(vii));
- (g) issued a \$25,000 promissory note bearing interest at 18% per annum and including 50,000 non-transferable and registerable share purchase warrants with an exercise price of \$0.25 per share for an exercise period of up to five years from the issuance date to an officer of the Company, and incurred \$567 (2007 - \$Nil) in interest and finance charges on the \$25,000 promissory note (refer to Note 5(viii)); and
- (h) issued a \$250,000 promissory note bearing interest at 18% per annum and including 500,000 non-transferable and registerable share purchase warrants with an exercise price of \$0.25 per share for an exercise period of up to five years from the issuance date to a company related through a family member of an officer of the Company, and incurred \$4,808 (2007 - \$Nil) in interest and finance charges on the \$250,000 promissory note (refer to Note 5(ix)).

All related party transactions (other than stock based consideration) involving provision of services were recorded at the exchange amount, which is the amount established and agreed to by the related parties.

At June 30, 2008 the Company had amounts owing to directors and officers of \$227,510 (December 31, 2007 - \$111,593), a direct relative of an officer of \$7,500 (December 31, 2007 - \$3,000), and the former CSO of \$62,537 (December 31, 2007 - \$39,672). These amounts were in the normal course of operations. Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment, except as described above.

### Note 7: Capital Stock

The authorized capital of the Company consists of 80,000,000 common shares with \$0.001 par value and 2,500,000 non-voting preferred shares with \$0.001 par value. On March 27, 2007, the Company's Articles of Incorporation were amended to increase the authorized capital from 50,000,000 shares of common stock to 200,000,000 shares of common stock.

All prior period share transactions included in the company's stock transactions and balances have been retroactively restated to give effect to a 2.5 to 1 reverse stock split that occurred June 28, 2007.

### 2007 Capital Transactions

On December 19, 2007 the Company agreed to issue 120,000 shares of restricted common stock with an estimated fair value of \$0.195 per share, pursuant to a consulting services agreement. As of June 30, 2008 the \$23,400 fair value of



the shares to be issued has been recorded as an obligation to issue shares and warrants.

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## 2008 Capital Transactions

On April 8, 2008 the Company issued 300,000 shares of restricted common stock with an estimated fair value of \$0.30 per share, pursuant to a consulting services agreement. The \$90,000 fair value of the issued shares has been recorded as stock-based consulting fees. Additionally, pursuant to the consulting services agreement the Company has committed to issue options to acquire 200,000 shares of the Company's common stock at an exercise price of \$0.25 per share. The vesting and expiry terms are to be determined at the time of grant.

During the six months ended June 30, 2008 the Company issued 207,146 shares of restricted common stock pursuant to the exercise of 358,000 warrants, for total proceeds of \$25,000. Of the 358,000 warrants exercised, 258,000 were exercised resulting in the issuance of 107,146 shares of restricted common stock.

## 2007 Stock Incentive Plan

On June 8, 2007, the Board of Directors of the Company approved the adoption of a stock option plan (the "2007 Plan") allowing for the granting of up to 6,400,000 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. Options granted under the Plan may have vesting requirements as determined by the Board of Directors.

On June 8, 2007, a total of 6,320,000 stock options were granted (1,640,000 to consultants and 4,680,000 to officers and directors) at an exercise price of \$0.25 per share. The term of these options is ten years. Of the 6,320,000 options granted, 3,100,000 vested upon grant, 2,420,000 vest in one year, 400,000 vest in two years and 400,000 vest in three years. The aggregate fair value of these options was estimated at \$1,179,600, or \$0.19 per option, using the Black-Scholes option pricing model with a risk free interest rate of 5.26%, a dividend yield of 0%, an expected volatility of 83%, and expected life of 5 years for the options vesting immediately, 4 years for the options vesting in one year, 3 years for the options vesting in two years, and 2 years for the options vesting in three years. The earned portion of the value of these options during the six months ended June 30, 2008 was \$207,834 (2007 - \$620,014) of which \$61,500 (2007 - \$164,000) was recorded as stock based consulting and \$146,334 (2007 - \$456,014) was recorded as stock based management fees. A balance of \$54,501 of unvested stock option compensation value will be expensed over the remaining vesting period.

At June 30, 2008 80,000 stock options remain available under the 2007 Plan.

The Company's stock option activity during the period was as follows:

	Number of <u>Options</u>	Weighted Average <u>Exercise Price</u>	Weighted Average <u>Remaining Life</u>
Balance, December 31, 2007	6,320,000	\$ 0.25	9.44
Granted	-	-	-

Cancelled, exercised or expired	<u>      -</u>	<u>      -</u>	<u>      -</u>
Balance, June 30, 2008 (Unaudited)	<u>6,320,000</u>	<u>\$ 0.25</u>	<u>8.94</u>

## Share Purchase Warrants

On December 18, 2007 the Company signed an agreement to extend the terms of the 2007 Promissory Note through February 28, 2008 (refer to Note 5(ii)). As consideration for the extension, the Company agreed to issue to the Lender, as fully paid and non-assessable, 400,000 non-transferable and registerable share purchase warrants (each a "Warrant"), to acquire an equivalent number of common shares of the Company (each a "Warrant Share"), at an exercise price of \$0.25 per Warrant Share and for an exercise period of up to three years from the issuance date. The fair value of the warrants was determined by Management at \$44,000 recorded as a warrant issuance obligation.

During the six months ended June 30, 2008 the Company issued, as fully paid and non-assessable, 1,134,000 non-transferable and registerable share purchase warrants, for the acquisition an equivalent number of common shares of the Company at an exercise price of \$0.25 per share for a period of up to five years from the date of issuance. The warrants were issued as part of promissory note agreements (refer to Note 5 ((v) to (ix))).

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During the six months ended June 30, 2008 the Company issued 207,146 shares of restricted common stock pursuant to the exercise of 358,000 warrants, for total proceeds of \$25,000. Of the 358,000 warrants exercised, 258,000 were exercised for \$Nil proceeds resulting in the issuance of 107,146 shares of restricted common stock.

The Company's share purchase warrant activity during the period was as follows:

	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Balance, December 31, 2007	11,071,667	\$ 0.25	4.04
Issued	1,134,000	0.25	5.00
Exercised	(358,000)	0.25	4.30
	<u>      </u>	<u>      </u>	<u>      </u>
Cancelled or expired	=	=	=
Balance, June 30, 2008 (Unaudited)	<u>11,847,667</u>	<u>\$ 0.25</u>	<u>3.66</u>

Note 8: Supplemental Cash Flow Information and Non-Cash Investing and Financing Activities

Six Months Ended June 30,

20082007

Interest paid	\$ -	\$ 9,570
Income taxes paid	\$ -	\$ -

Note 9: Contingency

The Company has not filed income tax returns for several years for the consolidated group of companies in the United States and Canada. Both taxing authorities prescribe penalties for failing to file certain tax returns and supplemental disclosures. Upon filing there could be penalties and interest assessed. Such penalties vary by jurisdiction and by assessing practices and authorities. As the Company has incurred losses since inception there would be no known or anticipated exposure to penalties for income tax liability. However, certain jurisdictions may assess penalties for failing to file returns and other disclosures and for failing to file other supplementary information associated with foreign ownership, debt and equity positions. Inherent uncertainties arise over tax positions taken, or expected to be taken, with respect to transfer pricing, inter-company charges and allocations, financing charges, fees, related party transactions, tax credits, tax based incentives and stock based transactions.

Management has considered the likelihood and significance of possible penalties associated with its current and intended filing positions and has determined, based on their assessment, that such penalties, if any, would not be expected to be material.

Disclosure concerning certain carry-forward tax pools, temporary and permanent timing differences in tax basis versus reported amounts may be impacted by assessing practices and tax code regulations when income tax returns are filed up to date. As a 100% valuation allowance has been provided against deferred tax assets reported in these financial statements, there would be no significant net impact expected to the current and deferred income tax disclosures or reconciliations reported.

As management is currently not able to make a reliably measurable provision for possible liability for penalties and interest, if any, at this time the company may be liable for such amounts upon assessment.

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Note 10: Subsequent Event

On July 31, 2008, with an effective date of June 30, 2008, the Company completed a private placement in the amount of 140,000 Units at a subscription price of \$0.25 for gross proceeds to the Company of \$35,000. Each Unit is comprised of one common share and one-half of one non-transferable share purchase warrant of the Company. Each whole warrant entitles the holder to purchase an additional common share of the Company at an exercise price of \$0.30 per share for a period which is the earlier of (i) two years from the date of issuance, or (ii) 18 months from the effective date of registration. As of June 30, 2008 the shares and warrants had not been issued, and the \$35,000 proceeds have been recorded as an obligation to issue shares and warrants.

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

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, that involve risks and uncertainties. All statements other than statements relating to historical matters including statements to the effect that we "believe", "expect", "anticipate", "plan", "target", "intend" and similar expressions should be considered forward-looking statements. Our actual results could differ materially from those discussed in the forward-looking statements as a result of a number of important factors, including factors discussed in this section and elsewhere in this quarterly report on Form 10-Q, including those discussed in Item 1A of this report under the heading "Risk Factors", and the risks discussed in our other filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as the date hereof. We assume no obligation to update these forward-looking statements to reflect events or circumstance that arise after the date hereof.

As used in this quarterly report: (i) the terms "we", "us", "our", "TapImmune" and the "Company" mean TapImmune Inc. 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, 2008 should be read in conjunction with our unaudited consolidated interim financial statements and related notes for the six months ended June 30, 2008 included in this quarterly report, as well as our Annual Report on Form 10-KSB for the year ended December 31, 2007.

Overview

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 have conducted preclinical studies using our TAP gene technology in combination with adeno virus, with the aim of completing our preclinical trials and filing

an Investigational Drug Application for cancer in 12-15 months. We are also pursuing vaccine developments for infectious diseases using our TAP gene technology and an in-licensed Modified Vaccinia Ankara virus and other potential targeted vaccine candidates 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, if obtained, would 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.

We have incurred losses since our inception and expect to incur losses over the next several years. Bringing medical products to commercialization is a lengthy process requiring many years of development and clinical trials during which there are no definable sources of revenue. 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. The current market conditions for our industry sector make it more challenging to raise additional capital with reasonable terms.

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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. Under the terms of the agreement with UBC, we assumed responsibility for the management, maintenance and protection of all patents and patent applications filed in connection with the technology. As of May 31, 2007 we completed our obligation with UBC and the technology assignment and transfer was completed during the 2007 fiscal year.

#### SAFC Pharma (Molecular Medicine)

We had 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. Despite the technical difficulties we anticipate a clinical grade TAP based vaccine to be produced utilizing the adeno vector virus vector to allow us to meet its milestones for completing toxicology analysis by the end of 2008. We anticipate commencing clinical grade production of our oncology vaccine in 2008.

In 2005, we were in breach of our contractual obligations with SAFC Pharma 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 we have a non-refundable credit of approximately \$78,000 with SAFC Pharma to be applied towards future vaccine production.

#### Crucell Agreement

Pursuant to the Research License and Option Agreement Crucell granted us 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 our TAP gene technology and deliver it to the target cancer cell in the patient) including, but not limited to, therapeutic gene sequence(s). Total obligations under this agreement were €450,000. In May 2006 we negotiated a reinstatement of the original Research and License Option Agreement with Crucell and paid Crucell €123,590 (\$151,521) in connection with the reinstatement. Under the revised terms of the agreement, we will pay Crucell twelve monthly payments of €10,300 starting May 2006 (paid to October 31, 2006) and a €75,000 annual license fee (adjusted for CPI) in order to keep the reinstated agreement in good standing. In January, 2008 the Company paid €27,316 (\$40,000) towards the outstanding balance and at June 30, 2008 €109,484 (\$172,416) has been included in research agreement obligations for the Crucell agreement. Management are in discussions with Crucell to resolve contractual issues and allow further use of the Crucell cell lines.

#### 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.

#### U.S. Patent Application No. 10/046,542

We are attempting to broaden our U.S. patent coverage to extend to other procedures of utilizing the TAP gene immune response technology in destroying tumor cells, and to treatment of viral infections, through additional patent application filings (continuations). We have applied for additional U.S. patents, most importantly, U.S. Pat. Appln. No. 10/046,542 that describes a method refining and expanding the process patented in U.S. Patent 6,361,770, above. U.S. Pat. Appln 10/046,542 is considered a key patent application for us, as it describes a preferable delivery method for the TAP gene sequences and serves as the basis for further expansion of our technology.

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During the 2007 fiscal year, there was an inadvertent lapse in one of our patent applications to cause it to become "unintentionally abandoned". This was due to an administrative docketing error. Significant professional fees were incurred by us in the reapplication and filing of actions to renew these patent claims. The patent in question was successfully and completely re-instated and the patent has been granted. Some claims under the patent have been separated out for additional patent applications.

#### Our Financial Condition

During the next 12 months we anticipate that we will not generate any revenue. We had cash of \$28,905 and a working capital deficit of \$2,571,448 at June 30, 2008. 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 on various technologies, anticipated toxicology prior to Phase I clinical trials for the TAP Cancer Vaccine, and for various operating expenses.

We have not generated any revenue based cash flow to fund our operations and activities due primarily to the nature of lengthy product development cycles that are normal to the biotech industry. Therefore, we must raise additional funds in the future to continue operations. We intend to finance our operating expenses with further issuances of common stock. Management believes that anticipated future private placements of equity capital and debt financing, if successful, may be adequate to fund our operations over the next twenty-four months. Management expects we will need to raise additional capital to meet long-term operating requirements. Capital raising is expected to occur on an on-going basis and in anticipation of various phases of our development plan. We anticipate needing \$1.5 million in the next 9 months and \$3.5 million over the course of the next 12 months. Our future success and viability are dependent on our 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 our overall business operations.

## Results of Operations

### Three Months Ended June 30, 2008 Compared to Three Months Ended June 30, 2007

We did not earn any interest or other revenues during the three months ended June 30, 2008 or over the same period ended June 30, 2007. We did not maintain any interest bearing deposits during the current fiscal year.

Our general and administrative expenses decreased to \$760,620 during the three months ended June 30, 2008 from \$811,626 over the same period ended June 30, 2007. Significant changes in operating expenses are outlined as follows:

- Consulting fees increased to \$113,436 during the three months ended June 30, 2008 from \$3,412 over the same period ended June 30, 2007 due primarily to investor relations and corporate development services not in effect during the prior period.
- Consulting fees - stock-based decreased to \$114,600 during the three months ended June 30, 2008 from \$164,000 during the same period ended June 30, 2007. We recorded stock based compensation for 2007 option grants earned during the current and prior periods. Additionally, in the current period we recorded an expense of \$90,000 on the issuance of 300,000 restricted shares of our common stock pursuant to a service agreement.
- General and administrative expenses increase to \$19,424 during the three months ended June 30, 2008 from \$11,446 during the same period ended June 30, 2007 due to increases in leasing costs for our lab and office facilities as well as increased travel expenditures related to financing activities.
- Interest and finance charges increased to \$269,900 during the three months ended June 30, 2008 from \$(33,339) during the same period ended June 30, 2007. Current period interest charges are primarily accretion of interest and the fair value of warrants issued with promissory notes (refer to Note 5 (iv) to (ix)). Prior period interest charges included and adjustment for the recovery of accrued interest on the conversion of debt to equity.

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- Management fees increased to \$77,563 during the three months ended June 30, 2008 from \$63,244 during the same period ended June 30, 2007 due to increases in executive compensation over the prior period.

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- Management fees - stock-based decreased to \$61,167 during the three months ended June 30, 2008 from \$456,014 during the same period ended June 30, 2007. We recorded stock based compensation for 2007 option grants earned during the current and prior periods.
- Professional fees increased to \$93,814 during the three months ended June 30, 2008 from \$87,861 during the same period ended June 30, 2007 due to significant activity relating to the reapplication and filing of our patent applications, and analysis of any damages resulting from the inadvertent lapse in one of our patent applications during the prior year. Prior period professional fees included charges related to debt restructuring and corporate administration.
- Research and development decreased to \$8,846 during the three months ended June 30, 2008 from \$57,942 during the same period ended June 30, 2007. Monthly obligations related to research and compensation agreements were not in effect during the current period.

Our net loss decreased to \$760,620 during the three months ended June 30, 2008 from \$811,626 over the same period ended June 30, 2007. The decrease resulted from changes in general and administrative expenses discussed in the preceding paragraph.

### Six Months Ended June 30, 2008 Compared to Six Months Ended June 30, 2007

We did not earn any interest or other revenues during the six months ended June 30, 2008 or over the same period ended June 30, 2007. We did not maintain any interest bearing deposits during the current fiscal year.

Our general and administrative expenses decreased to \$1,437,425 during the six months ended June 30, 2008 from \$2,229,689 over the same period ended June 30, 2007. Significant changes in operating expenses are outlined as follows:

- Consulting fees increased to \$148,602 during the six months ended June 30, 2008 from \$59,307 over the same period ended June 30, 2007 due primarily to investor relations and corporate development services not in effect during the prior period.
- Consulting fees - stock-based decreased to \$151,500 during the six months ended June 30, 2008 from \$164,000 during the same period ended June 30, 2007. We recorded stock based compensation for 2007 option grants earned during the current and prior periods. Additionally, in the current period we recorded an expense of \$90,000 on the issuance of 300,000 restricted shares of our common stock pursuant to a service agreement.
- General and administrative expenses increase to \$48,405 during the six months ended June 30, 2008 from \$31,762 during the same period ended June 30, 2007 due to increases in leasing costs for our lab and office facilities as well as increased travel expenditures related to financing activities.
- Interest and finance charges decreased to \$484,450 during the six months ended June 30, 2008 from \$1,101,395 during the same period ended June 30, 2007. Current period interest charges are primarily accretion of interest and the fair value of warrants issued with promissory notes (refer to Note 5 (iv) to (ix)). Prior period interest charges included accretion of the discount on 2006 convertible debt, amortization of the fair value of warrants on 2006 convertible debt, and \$1,016,000 in costs classified as interest charges resulting from conversion of the debt.
- Management fees increased to \$155,100 during the six months ended June 30, 2008 from \$113,876 during the same period ended June 30, 2007 due to increases in executive compensation over the prior period.



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- Management fees - stock-based decreased to \$146,334 during the six months ended June 30, 2008 from \$456,014 during the same period ended June 30, 2007. We recorded stock based compensation for 2007 option grants earned during the current and prior periods.
- Professional fees increased to \$228,667 during the six months ended June 30, 2008 from \$155,334 during the same period ended June 30, 2007 due to significant activity relating to the reapplication and filing of our patent applications, and analysis of any damages resulting from the inadvertent lapse in one of our patent applications during the prior year. Prior period professional fees included charges related to debt restructuring and corporate administration.

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- Research and development decreased to \$70,628 during the six months ended June 30, 2008 from \$146,459 during the same period ended June 30, 2007. Monthly obligations related to research and compensation agreements were not in effect during all of the current period.

Our net loss decreased to \$1,437,425 during the six months ended June 30, 2008 from \$2,229,689 over the same period ended June 30, 2007. The decrease resulted from changes in general and administrative expenses discussed in the preceding paragraph.

### Liquidity and Capital Resources

At June 30, 2008 we had \$28,905 in cash. Generally, we have financed our operations through the proceeds from convertible notes and the private placement of equity securities as noted in Financing Activities below. We spent \$138,634 net cash during the six months ended June 30, 2008 compared to \$75,880 during the same period ended June 30, 2007.

### Operating Activities

Net cash used in operating activities during the six months ended June 30, 2008 was \$442,893 compared to \$540,887 during the same period ended June 30, 2007. We had no revenues during the current or prior periods. Operating expenditures, excluding non-cash interest and stock-based charges during the current period primarily consisted of consulting and management fees, office and general expenditures, professional fees, and research and development charges.

### Investing Activities

Net cash used in investing activities during the six months ended June 30, 2008 was \$Nil compared to \$21,110 during the same period ended June 30, 2007. Investing activities in the prior period consisted of furniture and equipment acquisitions for the new lab and office facilities.

### Financing Activities

Net cash provided by financing activities during the six months ended June 30, 2008 was \$315,282 compared to \$501,792 during the same period ended June 30, 2007. Current period financing consisted of private placement subscriptions, proceeds from promissory notes, warrant exercises and advances from related parties which was partially offset by a principal payment against outstanding convertible notes and the repayment of the secured promissory notes. Prior period financing included net proceeds of \$457,500 related to private placement financings and advances from related parties.

At June 30, 2008 we had 6,320,000 stock options and 11,847,667 share purchase warrants outstanding. The outstanding stock options and warrants had a weighted average exercise price of \$0.25 per share. Accordingly, as of June 30, 2008 the outstanding options and warrants represented a total of 18,167,667 shares issuable for proceeds of approximately \$4,541,917 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, 2008 we anticipate that we will need significant financing to enable us to meet our anticipated expenditures for the next 24 months, which are expected to be in the range of \$5,000,000 assuming preparation for a single Phase 1 clinical trial.

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

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#### Going Concern

Our financial statements have been prepared assuming that we 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 we 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 intend to finance our anticipated operating expenses with further issuances of common stock through private placement offerings or loans from private investors. We will be unable to continue as a going concern if we are unable to obtain sufficient financing.

#### Off-Balance Sheet Arrangements

Other than as disclosed in the financial statements, we have no significant off-balance sheet arrangements that have or are reasonably likely to have a material 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 our 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, future income tax pools and balances and the useful life of depreciable assets.

#### 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," we have determined the estimated fair value of financial instruments using available market information and appropriate valuation methodologies. The carrying value of financial instruments classified as current assets or liabilities including cash, loans, obligations, and accounts payable and amounts due to related parties approximate fair values due to the short-term maturity of the instruments.

#### Income Taxes

We follow the liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the financial statement carrying values and their respective income tax basis (temporary differences). The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

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We adopted the provisions of FIBS Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), on January 1, 2007. Previously, we had accounted for tax contingencies in accordance with SFAS No. 5, Accounting for Contingencies. As required by Interpretation 48, which clarifies SFAS No. 109, Accounting for Income Taxes, we recognize the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting this standard, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority. At the adoption date, we applied Interpretation 48 to all tax positions for which the statute of limitations remained open.

#### Stock-based Compensation

In 2006, we adopted SFAS No. 123 (revised 2004) ("SFAS No. 123R"), "Share-Based Payment", and elected to adopt the modified prospective transition method. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006 the first day of our 2006 fiscal year. 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.

We recorded \$207,834 in stock-based compensation valued using the Black-Scholes option pricing model during the six months ended June 30, 2008 as opposed to \$620,014 during the six months ended June 30, 2007.

## Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities". This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. We adopted SFAS 159 as of January 1, 2008. The adoption of SFAS 159 did not have an impact on our financial position, cash flows and results of operations.

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in consolidated Financial Statements - an Amendment of ARB No. 51." This statement requires that noncontrolling or minority interests in subsidiaries be presented in the consolidated statement of financial position within equity, but separate from the parents' equity, and that the amount of the consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated statement of income. SFAS No. 160 is effective for the fiscal years beginning on or after December 15, 2008. Currently we do not anticipate that this statement will have an impact on our financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised) "Business Combinations". SFAS 141 (Revised) establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. The guidance will become effective for the fiscal year beginning after December 15, 2008. Management is in the process of evaluating the impact, if any, SFAS 141 (Revised) will have on our financial statements upon adoption.

On December 21, 2007, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 110, ("SAB 110). SAB 110 provides guidance to issuers on the method allowed in developing estimates of expected term of "plain vanilla" share options in accordance with SFAS No. 123(R), "Share-Based Payment". The staff will continue to accept, under certain circumstances, the use of a simplified method beyond December 31, 2007 which amends question 6 of Section D.2 as included in SAB 107, "Valuation of Share-Based Payment Arrangements for Public Companies", which stated that the simplified method could not be used beyond December 31, 2007. SAB 110 is effective January 1, 2008. We are currently evaluating the potential impact, if any, that the adoption of SAB 110 will have on our financial statements.

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In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS 161 achieves these improvements by requiring disclosure of the fair values of derivative instruments and their gains and losses in a tabular format. It also provides more information about an entity's liquidity by requiring disclosure of derivative features that are credit risk-related. Finally, it requires cross-referencing within footnotes to enable financial statement users to locate important information about derivative instruments. SFAS 161 will be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, and will be adopted by us beginning in the first quarter of 2009. We do not expect there to be any significant impact of adopting SFAS 161 on our financial position, cash flows and results of operations.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles ("SFAS No.162"). SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in

conformity with US generally accepted accounting principles (GAAP) for nongovernmental entities. SFAS No. 162 is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board Auditing amendments to AU Section 411, *The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles*.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not Applicable

Item 4. Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Management must evaluate its internal controls over financial reporting, as required by Sarbanes-Oxley (SOX) Section 404 (a). Our internal control over financial reporting is a process designed under the supervision of our Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our financial statements for external purposes in accordance with U.S. generally accepted accounting principles (US GAAP) and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and our directors; and
- provide reasonable assurance regarding prevention and timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Internal control over financial reporting has inherent limitations, which include, but are not limited to, the use of independent professionals for advice and guidance, interpretation of existing and/or changing rules and principles, segregation of management duties, scale of organization, and personnel factors. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements on a timely basis, however, these inherent limitations are known features of the financial reporting process and it is possible to design into the process safeguards to reduce, though not eliminate, this risk. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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As of June 30, 2008, management assessed the effectiveness of our internal control over financial reporting based on the criteria for effective internal control over financial reporting established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") and SEC guidance on conducting such assessments. Based on that evaluation, they concluded that, during the period covered by this report, such internal controls and procedures were not effective to detect the inappropriate application of US GAAP rules as more fully described below. This was due to deficiencies that existed in the design or operation of our internal controls over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses.

The matters involving internal controls and procedures that our management considered to be material weaknesses under the standards of the Public Company Accounting Oversight Board were: (1) lack of a functioning audit

committee due to a lack of a majority of independent members (1 of 3) on the current audit committee and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures; (2) inadequate segregation of duties consistent with control objectives; (3) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (4) ineffective controls over period end financial disclosure and reporting processes. The aforementioned material weaknesses were identified by our Chief Financial Officer in connection with the review of our financial statements as of June 30, 2008 and communicated the matters to our management.

Management believes that the material weaknesses set forth in items (2), (3) and (4) above did not have an affect on our financial results. However, management believes that the lack of a functioning audit committee and the lack of a majority of outside directors on our board of directors results in ineffective oversight in the establishment and monitoring of required internal controls and procedures, which could result in a material misstatement in our financial statements in future periods.

We are committed to improving our financial organization. As part of this commitment, we will create a position to segregate duties consistent with control objectives and will increase our personnel resources and technical accounting expertise within the accounting function when funds are available to us: i) appointing one or more outside directors to our board of directors who shall be appointed to our audit committee resulting in a fully functioning audit committee who will undertake the oversight in the establishment and monitoring of required internal controls and procedures such as reviewing and approving estimates and assumptions made by management; and ii) preparing and implementing sufficient written policies and checklists which will set forth procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements.

Management believes that the appointment of one or more outside directors, who shall be appointed to a fully functioning audit committee, will remedy the lack of a functioning audit committee and a lack of a majority of outside directors on our Board. In addition, management believes that preparing and implementing sufficient written policies and checklists will remedy the following material weaknesses (i) insufficient written policies and procedures for accounting and financial reporting with respect to the requirements and application of US GAAP and SEC disclosure requirements; and (ii) ineffective controls over period end financial close and reporting processes. Further, management believes that the hiring of additional personnel who have the technical expertise and knowledge will result in proper segregation of duties and provide more checks and balances within the financial reporting department. Additional personnel will also provide the cross training needed to support us if personnel turn over issues within the financial reporting department occur. This coupled with the appointment of additional outside directors will greatly decrease any control and procedure issues we may encounter in the future.

We will continue to monitor and evaluate the effectiveness of our internal controls and procedures and our internal controls over financial reporting on an ongoing basis and are committed to taking further action and implementing additional enhancements or improvements, as necessary and as funds allow.

#### Changes in Internal Control Over Financial Reporting

There were no changes to our internal control over financial reporting that occurred during the three months ended June 30, 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II

- OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

See last Annual Report.

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

On April 7, 2008 we entered into a consulting services agreement with Derrick Townsend Consulting OA 0805655 B.C. Limited (the "Townsend Agreement"). In accordance with the terms and provisions of the Townsend Agreement on April 8, 2008 we issued 300,000 shares of our restricted common stock.

On July 31, 2008 we issued 140,000 shares of our restricted common stock and 70,000 non-transferable share purchase warrants pursuant to a private placement agreement with an effective date of June 30, 2008. Each whole warrant entitles the holder to purchase an additional common share of our common stock at an exercise price of \$0.30 per share for a period which is the earlier of (i) two years from the date of issuance, or (ii) 18 months from the effective date of registration.

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

The following exhibits are included with this Quarterly Report on Form 10-Q:

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
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 of Chief Executive Officer and Chief Financial Officer 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.

TAPIMMUNE INC.

*/s/ Denis Corin*

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Denis Corin

President, Chief Executive Officer and Principal  
Executive Officer

Date: August 18, 2008.

*/s/ Patrick A. McGowan*

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Patrick A. McGowan

Secretary, Treasurer, Chief Financial Officer,  
Principal Accounting Officer and a director

Date: August 18, 2008.

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