GENEMAX CORP
Form 10QSB
May 20, 2004

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

FORM 10-QSB

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2004

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission File Number: 0-27239

GENEMAX CORP.
(Exact name of registrant as specified in its charter)

Nevada	88-0277072
(State of incorporation)	(I.R.S. Employer Identification No.)

1681 Chestnut Street, Suite 400
Vancouver, British Columbia
Canada V6J 4M6
(Address of Principal Executive Offices)

(604) 331-0400
(Issuer's telephone number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[X] Yes [ ] No

Number of shares outstanding of the issuer's Common Stock:

CLASS	OUTSTANDING AT MARCH 31, 2004
Common Stock, $0.001 par value	20,103,875

FORM 10-QSB

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GENEMAX CORP.
(A DEVELOPMENT STAGE COMPANY)

INTERIM CONSOLIDATED BALANCE SHEETS

March

(un

ASSETS

CURRENT ASSETS
Cash
Prepaid expenses

FURNITURE AND EQUIPMENT, (Note 5)
net of depreciation of $131,574 (2003 - $121,506)
DEFERRRED FINANCE FEES

$

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES
Accounts payable and accrued liabilities $
Due to related parties (Note 6)

COMMITMENTS AND CONTINGENCIES (Notes 1, 4 and 6)

STOCKHOLDERS' EQUITY
Capital stock (Note 7)
Common stock, $0.001 par value, 50,000,000 shares authorized
20,093,875 shares issued and outstanding (2003 - 18,808,034)
Additional paid-in capital
Common stock purchase warrants
Deficit accumulated during the development stage (1
Accumulated other comprehensive income (loss)

$

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

GENEMAX CORP.
(A DEVELOPMENT STAGE COMPANY)

INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months Ended 2004
INTEREST INCOME	$ -
Consulting fees	11,832
Consulting fees - stock based (Note 8)	11,875
Depreciation	10,068
License fees	61,240
Management fees	67,862
Office and general	93,414
Professional fees	110,726
Research and development	251,600
Research and development-stock based (Note 7)	-
Travel	50,457
	669,659
NET LOSS FOR THE PERIOD	$ (669,659)
BASIC NET LOSS PER SHARE	$ (0.03)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	19,428,959

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

GENEMAX CORP.
(A DEVELOPMENT STAGE COMPANY)

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months Ended 2004	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	$ (669,074)	$
Adjustments to reconcile net loss to net cash from operating activities:		
- depreciation	10,068	
- non-cash consulting fees	-	
- non-cash license fees	-	
- stock-based compensation	11,875	
- prepaid expenses	(10,591)	
- accounts payable	80,623	
NET CASH USED IN OPERATING ACTIVITIES	(577,099)	
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Purchase of furniture and equipment	-	
Pre reverse acquisition advances from Eduverse (Note 3)	-	
Cash acquired on reverse acquisition of Eduverse (Note 3)	-	
NET CASH FROM (USED IN) INVESTING ACTIVITIES	-	
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on sale and subscriptions of common stock	550,000	
Deferred finance fees	(11,876)	
Loans payable	-	
Advances from related parties	33,170	
NET CASH FLOWS FROM FINANCING ACTIVITIES	571,294	
EFFECT OF EXCHANGE RATE CHANGES	4,112	
INCREASE (DECREASE) IN CASH	(1,693)	
CASH, BEGINNING OF PERIOD	19,451	
CASH, END OF PERIOD	$ 17,758	$

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

NON-CASH TRANSACTIONS:

Refer to Note 7.

GENEMAX CORP.
(A DEVELOPMENT STAGE COMPANY)

NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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 finders' fee.

GPI is a private Delaware company incorporated on 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 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 (See Note 4). 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 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 (See 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.

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. The Company has a working capital deficiency of $666,277, a capital deficiency of $541,747 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 imminent as part of normal product development and advancement. Since internally generated cash flow will not 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. 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 shareholders would be materially and adversely affected.

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 instructions to Form 10-QSB of Regulation S-B. 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 financial statements for the year ended December 31, 2003 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited 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 three months ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

These consolidated financial statements have been presented in United States dollars and prepared in accordance with United States Generally Accepted Accounting Principles ("US GAAP").

PRINCIPLES OF CONSOLIDATION

The financial statements include the accounts of the Company and its wholly-owned subsidiaries GPI and GPC as described in Notes 1 and 3. All significant intercompany balances and transactions are eliminated on consolidation.

USE OF ESTIMATES AND ASSUMPTIONS

Preparation of the Company's financial statements in conformity with United States generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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.

DEFERRED FINANCE FEES

The Company defers direct costs incurred in connection with the sale of common shares which are offset against the proceeds of the financing upon completion.

RESEARCH AND DEVELOPMENT COSTS

The Company has acquired exclusive development and marketing rights to certain technologies through a License Agreement and the Collaborative Research Agreement with UBC. The rights and license acquired are considered rights to unproven technology which may not have alternate future uses and therefore, have been expensed as incurred as research and development costs. Also, ongoing costs incurred in connection with the CRA are considered costs incurred in the development of unproven technology which may not have alternate future uses and therefore, have been expensed as incurred as research and development costs.

FAIR VALUE OF FINANCIAL INSTRUMENTS

In accordance with the requirements of SFAS No. 107, 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, prepaid expense, loans and accounts payable and due to related parties approximate carrying value due to the short-term maturity of the instruments.

NET LOSS PER COMMON SHARE

Basic earnings (loss) per share includes no dilution and is computed by dividing income available to common stockholders by the weighted average number of common shares outstanding for the period. Dilutive earnings (loss) per share reflect the potential dilution of securities that could share in the earnings of the Company. The accompanying presentation is only of basic loss per share as the potentially dilutive factors are anti-dilutive to basic loss per share.

FOREIGN CURRENCY TRANSLATION

The financial statements are presented in United States dollars. In accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation", foreign denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the year. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations.

INCOME TAXES

The Company follows 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. At March 31, 2004, a full deferred tax asset valuation allowance has been provided and no deferred tax asset benefit has been recorded.

STOCK-BASED COMPENSATION

In December 2002, the Financial Accounting Standards Board issued Financial Accounting Standard No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure" ("SFAS No. 148"), an amendment of Financial Accounting Standard No. 123 "Accounting for Stock-Based Compensation" ("SFAS No. 123"). The purpose of SFAS No. 148 is to: (1) provide alternative methods of transition for an entity that voluntarily changes to the fair value based method of accounting for stock-based employee compensation, (2) amend the disclosure provisions to require prominent disclosure about the effects on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation, and (3) to require disclosure of those effects in interim financial information. The disclosure provisions of SFAS No. 148 were effective for the Company for the year ended December 31, 2003.

The Company has elected to continue to account for stock-based employee compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees", ("APB No. 25") and comply with the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148 as described above. In addition, in accordance with SFAS No. 123 the Company applies the fair value method using the Black-Scholes option-pricing model in accounting for options granted to consultants. Under APB No. 25, compensation expense for employees is recognized based on the difference, if any, on the date of grant between the estimated fair value of the Company's stock and the amount an employee must pay to acquire the stock. Compensation expense is recognized immediately for past services and pro-rata for future services over the option-vesting period.

In accordance with SFAS No. 123, the Company applies the fair value method using the Black-Scholes option-pricing model in accounting for options granted to consultants.

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 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.

The Company has also adopted the provisions of the Financial Accounting Standards Board Interpretation No.44, Accounting for Certain Transactions Involving Stock Compensation - An Interpretation of APB Opinion No. 25 ("FIN 44"), which provides guidance as to certain applications of APB 25. FIN 44 is generally effective July 1, 2000 with the exception of certain events occurring after December 15, 1998.

NOTE 3 - REVERSE ACQUISITION

Effective May 9, 2002, the Company entered into a letter of intent to acquire 100% of the issued shares in the capital of GPI in exchange for 11,231,965 restricted shares of common stock plus 200,000 restricted shares of common stock for a finder's fee. The Company also agreed to issue an additional 188,154 restricted shares of common stock in settlement of $188,154 of accrued GPI management, consulting and research and development fees. Effective July 15, 2002, pursuant to a definitive Share Exchange Agreement, the Company commenced the closing and acquired 5,880,304 shares of GPI from non-British Columbia shareholders of GPI in exchange for the issuance of 5,880,304 restricted shares of common stock.

The Company also issued a take-over bid circular to British Columbia GPI shareholders and acquired a further 4,487,001 shares of GPI in exchange for 4,487,001 restricted shares of common stock effective August 13, 2002. Also during 2002, the Company completed the acquisition by acquiring the remaining 864,660 shares of GPI in exchange for 864,660 restricted shares of common stock. Also, 744,494 outstanding GPI common stock purchase warrants were exchanged on a one for one basis for the Company's common stock purchase warrants with identical terms and conditions and the Company issued 2,135,000 stock options to holders of GPI stock options (refer to Note 7). All GPI stock options and common stock purchase warrants were then cancelled. As a result of this transaction, the former stockholders of GPI owned 75% of the 15,320,119 total issued and outstanding shares of the Company as at July 15, 2002.

This acquisition has been accounted for as a recapitalization using accounting principles applicable to reverse acquisitions with GPI being treated as the accounting parent (acquirer) and GMC being treated as the accounting subsidiary (acquiree). The value assigned to the capital stock of consolidated GMC on acquisition of GPI is equal to the book value of the capital stock of GPI plus the book value of the net assets of GMC as at the date of the acquisition.

The book value of GMC's capital stock subsequent to the reverse acquisition is calculated and allocated as follows:

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GPI capital stock	$1,924,725
GMC net assets	493,712
	$2,418,437

Capital stock	$ 15,320
Additional paid-in capital	620,600
Share purchase warrants	1,867,517
	2,503,437
GMC subscriptions receivable pre reverse acquisition	(100,000)
GMC subscriptions received pre reverse acquisition	15,000
Consolidated Capital accounts post reverse acquisition	$2,418,437

These consolidated financial statements include the results of operations of GPI since July 27, 1999 (inception) and the results of operations of GMC since the date of the reverse merger effective July 15, 2002.

For the period from October 13, 1999 (inception) to July 14, 2002 the weighted average number of common shares outstanding is deemed to be 11,431,965 being the number of shares issued by GMC (including 200,000 common shares issued as finders' fees) to effect the reverse acquisition of GPI.

NOTE 4 - 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 will terminate after 15 years or upon the expiration of the last patent obtained relating to the licensed technology. The cost of obtaining

any patents will be the responsibility of GPI. The technology remains the property of UBC, however, it may be 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 March 31, 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 for the year ended December 31, 2002, CAN$1,135,801 to be paid in 2003 and CAN$471,518 to be paid in 2004. As at March 31, 2004, CAN$235,759 (December 31, 2003 - CAN$471,5181 is payable in connection with the CRA and the Company is in default of the Agreement. Pursuant to the terms of the CRA. In addition, as required by the CRA, GPI has purchased certain laboratory equipment in connection with the on-going research.

During the first quarter of 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 is for the longer of 20 years and the last expiry of a patent obtained in connection with the technology. In consideration for the license, during 2003 the Company paid to UBC 10,000 restricted shares of common stock with a fair value of $10,000 and must pay an annual maintenance fee of $500 and all costs required to obtain any patents related thereto.

CANADIAN NETWORK FOR VACCINES AND IMMUNOTHERAPEUTICS OF CANCER AND CHRONIC VIRAL DISEASES ("CANVAC")

Effective January 1, 2001 GPI and UBC entered into a one year Network Affiliate Agreement with CANVAC (the "CANVAC Agreement") whereby CANVAC would provide a grant to GPI and UBC to further fund the research activities in connection with the CRA. Under the terms of the CANVAC Agreement, CANVAC would provide a CAN$85,000 research grant to UBC upon GPI contributing CAN$117,300 towards the UBC research. The amounts paid by GPI do not qualify as amounts paid under the CRA funding schedule outlined above. During 2001, all amounts required under the CANVAC agreement were paid to UBC by GPI. During 2002 CANVAC contributed a further CAN$56,100 to continue funding the research activities until June 30, 2003. As at March 31, 2004 GPI owes CAN$38,709 to UBC to fund GPI's obligations under the CANVAC Agreement.

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 Research License and Option 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. As of December 31, 2003, the Company had made all payments required totaling $115,490 (100,000 Euros) and a further $60,864 was incurred during the first quarter of 2004 leaving $60,864 (50,000 Euros) owing as at March 31, 2004. A further (50,000 Euros) will be due and payable to Crucell pursuant to the Research License and Option Agreement on August 7, 2004.

NOTE 5 - FURNITURE AND EQUIPMENT

	March 31, 2004	December 31, 2003
Office furniture and equipment	$ 10,425	$ 10,425
Laboratory equipment	183,803	183,803
	194,228	194,228
Less: accumulated depreciation	(131,574)	(121,506)
	$ 62,654	$ 72,722

NOTE 6 -RELATED PARTY TRANSACTIONS

Effective December 31, 2003, the Board of Directors of the Company approved the amendment of an existing consulting agreement and an existing management services agreement between the Company and two directors of the Company. Under the terms of the amended agreements, the two directors will be paid base monthly salaries of CAN$14,167 (CDN) and $12,500 (CDN) respectively commencing January 1, 2004 for terms ending February 1, 2005 and July 31, 2005. Also the Board of Directors of the Company agreed to grant to Dr. Wilf Jefferies, one of the above noted directors and the head researcher at UBC (refer to Note 4), up to a five year anti-dilution right whereby Dr. Jefferies will be guaranteed the rights, subject to achieving certain developmental milestones, allowing him to purchase and own (by way of stock options, and/or convertible preferred shares or as otherwise determined by the Board of Directors) not less than 25% of the fully diluted outstanding shares of common stock of the Company, with such anti-dilution rights, terms and conditions being subject to applicable regulatory approvals. As at March 31, 2004, Dr. Jefferies owned or had rights to 18.2% (December 31, 2003 - 19.4%) of the Company's fully diluted shares of common stock.

Effective December 31, 2003 the Board of Directors of the Company approved entering into a month to month management consulting agreement with another director for services for the period for January 1, 2004 to April 15, 2004 for a total of $32,400.

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The following amounts have been incurred to these related parties:

	Three months ended March 31, 2004	2003
Consulting fees	$ -	$ 22,500
Management fees	57,862	54,846
Research and development	34,513	31,814

	$ 92,375	$ 109,160

The Company has total commitments relating to the above management and consulting agreements for the years ended December 31, 2004 and 2005 of approximately $263,400 and $94,600 respectively.

During the period ended March 31, 2004 GPI and the Company incurred $92,375 in fees to these related parties and made repayments of $59,205 resulting in $108,366 owing to these related parties as at March 31, 2004 (December 31, 2003 - $75,196). Amounts due to related parties are unsecured, non-interest bearing and have no specific terms of repayment.

Refer to Notes 3, 4 and 7.

NOTE 7 - CAPITAL STOCK

The authorized capital of the Company consists of 50,000,000 voting common shares with $0.001 par value and 5,000,000 non-voting preferred shares with $.001 par value. Effective December 31, 2003 the Company's board of directors approved an increase in the authorized capital to 300,000,000 voting common shares and 50,000,000 non-voting preferred shares subject to shareholder approval.

During the period the Company issued 52,900 shares of common stock on the exercise of stock options at $1.00 per share the consideration of which was the settlement of debt owed to a former director totaling $52,900.

During the period the Company issued 304,370 shares of common stock on the exercise of stock options at $0.50 per share for proceeds of $152,185, which was paid by way of offset of amounts originally owed by the Company to certain consultants of the Company which were assigned by these consultants to certain option holders. These amounts were originally owing by the Company as a result of cash advances made to the Company totaling $50,000 and expenses incurred on behalf of the Company totaling $102,185.

During the period the Company commenced a private placement of units at $0.70 per unit. Each unit consists of one common share and one share purchase warrant. Each share purchase warrant entitles the holder to purchase an additional common share of the Company at a price of $0.70 per share for a period of two years. The Company issued 857,143 shares of common stock on the purchase of 857,143 units for total proceeds of $600,000. The Company issued 71,428 shares of common stock as a placement fee in connection with this financing. The fair value of the warrants was estimated to be $60,000 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.

Effective April 16, 2003 the Board of Directors approved an increase in the number of options available under the Plan from 3,500,000 to 4,500,000. Also effective July 9, 2003 the Company filed a Form S-8 Registration Statement to register 500,000 shares in connection with the Plan. Effective December 16, 2003, the Board of Directors approved the further increase in the number of options available under the Plan from 4,500,000 to 10,000,000, and during the period filed a further Form S-8 Registration Statement effective January 26, 2004 to register a further 2,250,000 shares in connection with the Plan.

STOCK OPTIONS

The Company accounts for stock-based employee compensation arrangements in accordance with the provisions of APB No. 25 and complies with the disclosure provisions of SFAS No. 123 and SFAS No. 148. In accordance with SFAS No. 123 the Company applies the fair value method using the Black-Scholes option-pricing model in connection with accounting for options granted to consultants and the disclosure provision relating to options granted to employees.

In connection with the reverse acquisition of GPI, the Company granted a total of 2,135,000 stock options to previous holders of stock options of GPI with terms and conditions consistent with their original GPI stock options. Of these stock options, 150,000 are subject to straight line vesting for a period of 36 months commencing October 1, 2002. The fair value of these incentive stock options will be recorded as compensation expense over the vesting period. The fair value of these options at the date of grant of $142,500 was estimated using the Black-Scholes option pricing model with an expected life of three years, a risk-free interest rate of 4% and an expected volatility of 226%. To March 31, 2004 a total of $71,250 (December 31, 2003 - $59,375) has been recorded as consulting fees in connection with these options.

Of the stock options granted to date, a total of 160,000 originally granted at prices ranging from $1.90 per share to $8.50 per share have been repriced to $1.00 per share and as a result, are subject to variable accounting in accordance with the provisions of the Financial Accounting Standards Board Interpretation No.44, Accounting for Certain Transactions Involving Stock Compensation - An Interpretation of APB Opinion No. 25 ("FIN 44"). No adjustment

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was required during the period relating the variable accounting for these incentive stock options.

The Company's stock option activity is as follows:

	Number of options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life

Balance, December 31, 2002	3,168,000	$ 0.86	2.27 years
Granted during the year	4,325,000	0.59	
Forfeited during the year	(420,000)	1.00	
Exercised during the year	(2,318,630)	0.61	
Balance, December 31, 2003	4,754,370	0.74	5.55 years
Exercised during the period	(357,270)	0.57	
Balance, March 31, 2004	4,397,100	$ 0.76	5.10 years

SHARE PURCHASE WARRANTS

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

	Number of warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance, December 31, 2002	846,860	$ 1.95	2.71 years
Issued during the year	299,175	1.93	
Exercised during the year	-	-	
Expired during the year	(69,500)	2.82	
Balance, December 31, 2003	1,076,535	1.89	1.53 years
Issued during the period	857,143	0.70	
Exercised during the period	-	-	
Expired during the period	(2,000)	7.50	
Balance, March 31, 2004	1,931,678	$ 1.36	1.55 years

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NOTE 8 - INCOME TAXES

There were no temporary differences between GPI's tax and financial bases that result in deferred tax assets, except for the Company's net operating loss carryforwards amounting to approximately $7,046,000 at March 31, 2004 (December 31, 2003 - $6,388,000) which may be available to reduce future year's taxable income. These carryforwards 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.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

Statements made in this Form 10-QSB that are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These statements often can be identified by the use of terms such as "may," "will," "expect," "believe," "anticipate," "estimate," "approximate" or "continue," or the negative thereof. The Company intends that such forward-looking statements be subject to the safe harbors for such statements. The Company wishes to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Any forward-looking statements represent management's best judgment as to what may occur in the future. However, forward-looking statements are subject to risks, uncertainties and important factors beyond the control of the Company that could cause actual results and events to differ materially from historical results of operations and events and those presently anticipated or projected. The Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statement or to reflect the occurrence of anticipated or unanticipated events.

OVERVIEW

The Company has raised $4,758,850 in funding since the May 2002 announcement of the GeneMax Pharmaceuticals acquisition for all issuances of the Company's common stock. Management believes that an estimated $14,000,000 is required over the next three years for expenses associated with the balance of pre-clinical development and commencement of Phase I-II 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 finance its operating expenses with further issuances of common stock. The Company believes that any anticipated private placements of equity capital and debt financing, if successful, may be adequate to fund the Company's operations over the next twelve months. Thereafter, the Company expects it will need to raise additional capital to meet long-term operating requirements.

During the quarter we advanced work on the Molecular Medicine contract. Management believes that the first phase of the contract is essentially complete with the delivery of vector clones to the Company. We are currently in the process of evaluating the vector clones. We also entered into an exclusive worldwide license agreement with UBC for the use of a novel assay technology intended to be used to screen and select drugs that regulate immune responses.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2004 Compared to Three Months Ended March 31, 2003

Net revenues during the quarters ended March 31, 2004 and 2003 were $0. The lack of revenues during these quarters were the result of our continued focus on research and development of the TAP technologies.

Consulting fees during the quarter ended March 31, 2004 was $11,832 as compared to $56,000 during the quarter ended March 31, 2003, a decrease of approximately 78.9%. The decreased consulting fees were primarily the result of the reduction in stock option grants to consultants.

License fees during the quarter ended March 31, 2004 was $61,240 as compared to $0 during the quarter ended March 31, 2003. The increase in license fees was the result of our obligations to Crucell pursuant to the Research License and Option Agreement.

Management fees during the quarter ended March 31, 2004 was $67,862 as compared to $54,846 during the quarter ended March 31, 2003, an increase of approximately 23.7%. The increase in management fees was primarily the result of the direct payment in 2004 to an officer who previously provided services through a contractor, Investor Communications International, Inc.

Office and general expenses incurred during the quarter ended March 31, 2004 was $93,414 as compared to $365,757 during the quarter ended March 31, 2003, a decrease of approximately 74.5%. The decreased office and general expenses were primarily the result of a reduction in investor relations expenditures, including media production, mailing, and printing.

Professional fees during the quarter ended March 31, 2004 was $110,726 as compared to $85,754 during the quarter ended March 31, 2003, a increase of approximately 29.1%. The increased professional fees were primarily the result of higher legal costs relating to potential financing opportunities and more complicated accounting policies and regulatory requirements.

Travel expenses during the quarter ended March 31, 2004 was $50,457 as compared to $14,958 during the quarter ended March 31, 2003, an increase of approximately 237.3%. The increased travel expenses were primarily the result of increased travel for financing and investor relations purposes.

LIQUIDITY AND CAPITAL RESOURCES

As of March 31, 2004, the Company had $17,758 in cash. Generally, the Company has financed operations to date through the proceeds of the private placement of equity securities. The Company received proceeds of $550,000 during the quarter ended March 31, 2004 from the sale of common stock and $33,170 from advances from related parties.

Net cash used in operating activities during the quarter year ended March 31, 2004 was $577,099. The Company had no revenues during the fiscal 2003. Expenditures were primarily the result of payments required under the external contracts with UBC, Crucell and Molecular Medicine, as well as legal and accounting activities.

As of March 31, 2004, we anticipate that we will need significant financing to enable us to meet our anticipated expenditures for the next 18 months, which is anticipated to be $6 million assuming a single Phase 1 clinical trial commences within that time frame.

The Company is currently in breach of the Collaborative Research Agreement with UBC, Research License and Option Agreement with UBC, Biological Materials Transfer Agreement with NIAID and the Production Service Agreement with Molecular Medicine because of failure to make certain payments pursuant to these agreements. The Company's failure to cure the breach of these agreements within the time frames specified may result is termination of these agreements. The termination any of these agreements would have a material adverse effect upon the Company and its business.

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. 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 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, the Company may not be able to conduct its proposed business operations successfully, which could significantly and materially restrict or delay the Company's overall business operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

ITEM 3. CONTROLS AND PROCEDURES

An evaluation was conducted under the supervision and with the participation of the Company's management, including Ronald L. Handford, the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of March 31, 2004. Based on that evaluation, Mr. Handford concluded that the Company's disclosure controls and procedures were effective as of such date to ensure that information required to be disclosed in the reports that it files or submits under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in Commission rules and forms. Such officers also confirm that there was no change in the Company's internal control over financial reporting during the quarter ended March 31, 2004 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

GLOBAL SECURITIES LITIGATION

On approximately September 4, 2002, the Company initiated litigation against Global Securities Corporation and Union Securities Limited (the "Defendants") by filing a Writ of Summons and Statement of Claim in the Supreme Court of British Columbia, Registry No. S024914 (the "British Columbia Complaint"). The British Columbia Complaint was modified in December 2002 to include further individual brokers as defendants and John or Jane Does 1-10 and to better define the causes of action (the "Amended British Columbia Complaint"). The claims made by the Company against the Defendants involve the alleged illegal naked short selling of the Company's shares of common stock. The Company is seeking damages from the Defendants that include loss of investment opportunity, injury to reputation, artificial issuance of shares that results in devaluation of the Company's securities, and other damages.

The Defendants have filed an amended statement of defense and counterclaim in response to the Amended British Columbia Complaint generally denying the allegations and counterclaiming for defamation relating to statements made by the Company about the litigation in news releases. The Company has filed a motion for document production and for records from the Canadian Depository for Securities Limited. The Defendants' motion to obtain a summary hearing on whether the actions of the Defendants were unlawful was heard on January 28, 2004. The Court dismissed the Defendants' motion. The Defendants have filed another motion to obtain a summary hearing on whether the actions of the Defendants were unlawful and a motion to dismiss the Company's document motion and the Defendant's motions are scheduled to be heard by the Court at the end of June 2004.

NEVADA LITIGATION

On November 14, 2003, the Company and Alexander Cox, a shareholder of the Company filed a complaint against various broker-dealers, market makers and clearing agents allegedly involved in naked short sales in the Second Judicial District Court of the State of Nevada (Case No. CV-N-03-0656-ECR-RAM). The complaint alleges the defendants engaged in the unlawful "shorting" of the Company's shares of common stock, fraud, statutory misrepresentation, securities law violations pursuant to the Nevada Securities Act, negligence, common law misrepresentation, breach of the covenant of good faith and fair dealing, conversion, deceptive trade practices, racketeering, interference with contracts, interference with prospective economic advantages, prima facie tort, and conspiracy. The defendants have filed an answer to our complaint and on March 8, 2004 filed a motion to dismiss the claims in the complaint.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

On January 29, 2004, the Company filed a registration statement on Form S-8 registering 1,825,000 stock options under the Stock Option Plan exercisable at $0.50 per share and 425,000 stock options exercisable at $1.00 per share for an aggregate amount of 2,250,000 shares.

From November 2003 until February 2004, the Company engaged in a private placement offering of up to 1,428,572 units of the Company, at a subscription price of $0.70 per unit, with each such unit being comprised of one share of restricted common stock and one warrant. Each warrant entitles the holder to purchase one share of restricted common stock at an exercise price of $0.70 within two years of the date of issuance. The Company sold 857,143 units at $0.70 per unit, for gross proceeds of $600,000. The offering provides the investors with piggy-back registration rights relating to any follow on financing conducted that requires registration of the subject financing shares. The Offering was exempt from registration pursuant to Regulation S and Rule 506 of Regulation D of the Securities Act. No underwriter was involved in the transaction.

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

On May 10, 2004, the Board of Directors amended and restated the Company's bylaws to remove the provision that the Company's shares of common stock be transferred only within the provisions of "certificate only" or "custody only" and to remove the provision that each director participating in a meeting shall sign the minutes. Based upon the amendment to the bylaws, the Company's shares of common stock may become depository eligible and management anticipates that this will occur. Previously, management had exited the depository system to counteract naked short selling. The board of directors believes it in the best interests of the Company to remove the "certificate only" or "custody only" provisions. A copy of the revised bylaws is attached to the quarterly report as Exhibit 3.1.

Also, on May 10, 2004 the Company issued a press release announced that its patented TAP-1 anti-cancer technology is effective in generating immune responses against melanoma in mice. A copy of the press release is attached to the quarterly report as Exhibit 99.1.

Item 6. Exhibits and Reports on Form 8-K

1. Exhibits

3.1 Amended and Restated Bylaws of Genemax Corp. Effective May 10, 2004

31.1 Certification of Chief Executive Officer and 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.

99.1 Press Release dated May 10, 2004 Announcing TAP-1 anti-cancer technology is effective in generating immune responses against melanoma in mice

2. Form 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 20, 2004

GENEMAX CORP.

/s/ RONALD L. HANDFORD

Ronald L. Handford, Chief Executive Officer and Chief Financial Officer