GAMMACAN INTERNATIONAL INC
Form 10QSB
February 14, 2008

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

FORM 10-QSB

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

For the Quarterly Period Ended December 31, 2007

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

For the Transition Period from _____ to _____

Commission file number: 0-32835

GAMMACAN INTERNATIONAL, INC.
(Exact name of registrant as specified in its charter)

Delaware	**33-0956433**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

GAMMACAN INTERNATIONAL, INC.

FORM 10-QSB

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PART I

ITEM 1 - FINANCIAL STATEMENTS

GAMMACAN INTERNATIONAL, INC.

(A Development Stage Company)

INTERIM FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2007

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GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2007 (Unaudited)	September 30, 2007 (Audited)
A s s e t s		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,117,969	$ 4,048,583
Prepaid expenses	49,101	9,851
Other	45,382	47,271
T o t a l current assets	3,212,452	4,105,705
FUNDS IN RESPECT OF EMPLOYEE RIGHTS UPON RETIREMENT	31,377	49,281
LONG TERM DEPOSITS	18,530	18,590
PROPERTY AND EQUIPMENT, NET	27,775	26,338
T o t a l assets	$ 3,290,134	$ 4,199,914
Liabilities and stockholders' equity		
CURRENT LIABILITIES:		
Accounts payable	$ 1,063,281	$ 797,515
Payroll and related accruals	96,772	130,223
T o t a l current liabilities	1,160,053	927,738
LIABILITY FOR EMPLOYEE RIGHTS UPON RETIREMENT	52,825	71,338
STOCKHOLDERS EQUITY:		
Preferred stock, $ 0.0001 par value (20,000,000 shares authorized; none issued and outstanding)		
Common stock, $ 0.0001 par value (200,000,000 authorized shares; 44,958,917 and 44,958,917 shares issued and outstanding as of December 31, 2007 and September 30, 2007, respectively)	4,495	4,495
Additional paid-in capital	9,075,398	8,968,930
Warrants	3,203,600	3,203,600
Deficit accumulated during the development stage	(10,206,237)	(8,956,187)
Services not yet rendered	-	(20,000)
T o t a l stockholders' equity	2,077,256	3,200,838
T o t a l liabilities and stockholders equity	$ 3,290,134	$ 4,199,914

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

GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

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

	Three months ended December 31		Period from October 6, 1998* through December 31,
	2007 (Unaudited)	**2006 (Unaudited)**	**2007 (Unaudited)**
RESEARCH AND DEVELOPMENT COSTS	$ 514,490	$ 167,972	$ 3,227,668
GENERAL AND ADMINISTRATIVE EXPENSES	752,827	632,866	7,131,701
OPERATING LOSS	1,267,317	800,838	10,359,369
FINANCIAL INCOME	(38,140)	(4,827)	(255,061)
FINANCIAL EXPENSES	20,873	7,048	84,304
LOSS BEFORE TAXES ON INCOME	1,250,050	803,059	10,188,612
TAXES ON INCOME	-	4,356	30,000
LOSS FROM OPERATIONS OF THE COMPANY AND ITS CONSOLIDATED SUBSIDIARY	1,250,050	807,415	10,218,612
MINORITY INTERESTS IN LOSSES OF A SUBSIDIARY	-	-	(12,375)
NET LOSS FOR THE PERIOD	$ (1,250,050)	$ (807,415)	$ (10,206,237)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.03)	$ (0.03)	
WEIGHTED AVERAGE NUMBER OF COMMON SHARE USED IN COMPUTING BASIC AND DILUTED LOSS PER COMMON SHARE	44,958,917	28,475,161	

* Incorporation date, see note 1a.

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

GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(US $, except share data)

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

Stock based compensation expenses:						
Common stock issued for services	221,432	22		149,978		
Services not yet rendered						(20,000)
Options issued to employees and directors				1,713,169		
Options and warrants issued to non-employees				378,028		
Net loss					(5,178,774)	
Balance at September 30, 2007 (audited)	44,958,917	4,495	3,203,600	8,968,930	(8,956,187)	(20,000)
Fully accretion in respect of services not yet rendered						20,000
Options issued to employees and directors				74,435		
Options and warrants issued to non-employees				32,033		
Net loss					(1,250,050)	
Balance at December 31, 2007 (un-audited)	44,958,917	4,495	3,203,600	9,075,398	(10,206,237)	$ -

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

GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months ended December 31,		Period from October 6, 1998* to December 31,
	2007 Unaudited	2006 Unaudited	2007 Unaudited
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss for the period	$ (1,250,050)	$ (807,415)	$ (10,206,237)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Income and expenses not involving cash flows:			
Depreciation	1,575	2,075	16,778
Exchange differences on long term deposits	60		322
Common stock issued for services	20,000	30,000	166,501
Minority interests in losses of a subsidiary	-	-	(12,375)
Write off of in process research and development	-	-	100,000
Employees and consultants stock based compensation expenses	106,468	312,727	2,491,814
Increase in liability for employee rights upon retirement	7,398	6,808	78,736
Changes in operating assets and liabilities:			
Increase in prepaid expenses	(39,250)	(33,750)	(49,101)
Decrease (increase) in other current assets	1,889	7,755	(43,722)
Increase in current liabilities	232,315	115,639	1,159,053
Net cash used in operating activities	(919,595)	(366,161)	(6,298,231)
CASH FLOWS FROM INVESTING ACTIVITIES -			
Decrease (increase) in long term deposits	-	208	(20,512)
Funds in respect of employee rights upon retirement	(8,007)	(5,664)	(57,288)
Purchase of property and equipment	(3,012)	(576)	(44,553)
Net cash used in investing activities	(11,019)	(6,032)	(122,353)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of convertible promissory note	-	350,000	-
Issuance of common stock and warrants net of issuance costs	-	-	9,538,553
Net cash provided by financing activities	-	350,000	9,538,553
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(930,614)	(22,193)	3,117,969
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,048,583	538,738	-
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,117,969	$ 516,545	$ 3,117,969

* Incorporation date, see note 1a.

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

GAMMACAN INTERNATIONAL, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL

a. Operation

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

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

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

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the period from inception (October 6, 1998) through December 31, 2007 of $10,206,237, as well as negative cash flow from operating activities. Based upon the Company's existing spending commitments, the Company may not have sufficient cash resources to meet its liquidity requirements through September 30, 2008. Accordingly, these factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives as the Company will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that the Company will be successful with those initiatives, management expects to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

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

GAMMACAN INTERNATIONAL, INC.

(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

b. Unaudited interim financial information

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

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three-month period ended December 31, 2007, are not necessarily indicative of the results that may be expected for the year ended September 30, 2008.

c. Income tax

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

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

GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

d. Recently issued accounting pronouncements

1. In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, "*Fair Value Measurements*" ("*SFAS 157*"). SFAS 157 defines fair value, establishes a framework and gives guidance regarding the methods used for measuring fair value, and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). The Company is currently assessing the impact that SFAS 157 may have on its results of operations and financial position.

2. In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115*" ("*SFAS 159*"). SFAS 159 is expected to expand the use of fair value accounting but does not affect existing standards which require certain assets or liabilities to be carried at fair value. The objective of SFAS 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. Under SFAS 159, a company may choose, at its initial application or at other specified election dates, to measure eligible items at fair value and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). If the company is to elect the fair value option for its existing assets and liabilities, the effect as of the adoption date, shall be reported as a cumulative- effect adjustment to the opening balance of retained earnings. The Company is currently assessing the impact that SFAS 159 may have on its financial position.

3. In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141 (revised 2007), "*Business Combinations*" ("*SFAS 141(R)*"). SFAS 141(R) changes the accounting for business combinations, including the measurement of acquirer shares issued in consideration for a business combination, the recognition of contingent consideration, the accounting for contingencies, the recognition of capitalized in-process research and development, the accounting for acquisition-related restructuring cost accruals, the treatment of acquisition related transaction costs and the recognition of changes in the acquirer's income tax valuation allowance and income tax uncertainties. SFAS 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Early application is prohibited. The Company will be required to adopt SFAS 141(R) on October 1, 2009.

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GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

4. In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an Amendment of ARB No. 51*" ("*SFAS 160*"). SFAS 160 amends ARB 51 to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. An ownership interest in subsidiaries held by parties other than the parent should be presented in the consolidated statement of financial position within equity, but separate from the parent's equity. SFAS 160 requires that changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary should be accounted for similarly as equity transactions. When a subsidiary is deconsolidated, any retained noncontrolling equity investment in the former subsidiary should be initially measured at fair value, with any gain or loss recognized in earnings. SFAS 160 requires consolidated net income to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest. It also requires disclosure, on the face of the consolidated income statement, of the amounts of consolidated net income attributable to the parent and to the noncontrolling interests. SFAS 160 is effective for fiscal years (including interim periods within those fiscal years) beginning on or after December 15, 2008 (October 1, 2009 for the Company). Earlier adoption is prohibited. The statement shall be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for the presentation and disclosure requirement which shall be applied retrospectively for all periods presented. The Company is currently evaluating the impact SFAS 160 will have on its consolidated financial statements.

5. In June 2007, the Emerging Issues Task Force (EITF) reached Issue No. 07- 03, "*Accounting for Nonrefundable Advance Payments for Goods or Services Received to Be Used in Future Research and Development Activities*" ("*EITF No. 07-03*"). EITF No. 07-03 requires that nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities be deferred and amortized over the period that the goods are delivered or the related services are performed, subject to an assessment of recoverability. The provisions of EITF 07-03 will be effective for financial statements issued for fiscal years beginning after December 15, 2007, and interim periods within those fiscal years (October 1, 2008, for the Company). The provisions of EITF No. 07-03 are applicable for new contracts entered into on or after the effective date. Earlier application is not permitted.

GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

6. In December 2007, the FASB ratified EITF Issue No. 07-01, "*Accounting for Collaborative Arrangements*" ("*EITF 07-01*"). EITF 07-01 defines collaborative arrangements and establishes reporting requirements for transactions between participants in a collaborative arrangement and between participants in the arrangement and third parties. EITF 07-01 also establishes the appropriate income statement presentation and classification for joint operating activities and payments between participants, as well as the sufficiency of the disclosures related to these arrangements. EITF 07-01 is effective for fiscal years beginning after December 15, 2008 (October 1, 2009, for the Company). EITF 07-01 shall be applied using modified version of retrospective transition for those arrangements in place at the effective date. An entity should report the effects of applying this Issue as a change in accounting principle through retrospective application to all prior periods presented for all arrangements existing as of the effective date, unless it is impracticable to apply the effects of the change retrospectively. The Company is currently assessing the impact that EITF 07-01 may have on its results of operations and financial position.

NOTE 2 - COMMITMENTS:

a. On December 13, 2007, the Company entered into a Share Purchase Agreement effective as of November 26, 2007 with ARP Biomed, Ltd. ("*ARP*"). The Share Purchase Agreement provides that subject to fulfillment of certain closing conditions, including the receipt of an Israeli tax ruling, ARP will sell to the Company 12.5% of the issued and outstanding shares of the Subsidiary such that at closing the Company will own 100% of the issued and outstanding shares of the Subsidiary. In consideration for such sale, the Company agreed to issue to ARP, at closing, 2,697,535 shares of its common stock, valued at $1,348,768, calculated based upon the average of the closing price for the period which is two days before and after November 26, 2007, a warrant to acquire 1,123,973 shares of its common stock and an additional warrant to acquire 449,589 shares of its common stock, both valued at $549,705 using the Black Scholes option-pricing model.

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

b. On December 23, 2007, the Subsidiary signed an Amendment to the Research and Licensing Agreement (the "*Amendment*") with Tel Hashomer Medical Research Infrastructure and Services Ltd ("*THM*"). On February 11, 2008, the Amendment was amended and restated. The Amendment reduces the future license fees payable under the THM Agreement and clarifies, among other things, the nature of research activities pursuant to the THM Agreement. Further, the research period under the THM Agreement has been extended for a two year period, commencing January 1, 2007, and the research funding for this period totals $500,000.

In connection with the Amendment the Company issued to THM warrants to acquire 500,000 shares of its common stock, exercisable, commencing December 31, 2008, at $0.40 per share. The fair value of these warrants as of December 31, 2007 was $137,554, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 85%; risk-free interest rates of 3.45%; and expected lives of 5 years.

Pursuant to certain conditions, the Company will issue to THM an additional warrant to acquire 250,000 shares of its common stock at an exercise price equal to the closing price of the Company's common stock on the date of issuance of such warrant.

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GAMMACAN INTERNATIONAL, INC.
(A Development Stage Company)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENT

NOTE 3 - STOCK BASED COMPENSATION:

Following are transactions that took place during the quarter ended December 31, 2007:

a. On October 30, 2007, 225,000 options were granted to a new member of the Board of Directors, at an exercise price of $0.41 per share with one third vesting on each of the first, second and third anniversary of the date of grant. The fair value of these options on the date of grant was $65,881, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 86%; risk-free interest rates of 4.16%; and expected lives of 5.38 years.

b. On October 30, 2007, a director of the Company resigned from the Company's Board of Directors. The departing director is continuing to serve the Company as a consultant. The departing director's 225,000 options, previously granted, will continue to vest and be exercisable under the terms of the original option agreements.

The fair value of the unvested portion of these options as of December 31, 2007 was $49,705, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 85%; risk-free interest rates of 3.45%; and expected lives of 5.22 years. The fair value of the options will be revalued over the related service periods and recognized over the vesting periods using the accelerated method based on multiple option award approach.

NOTE 4- RELATED PARTIES - TRANSACTIONS:

On November 30, 2007, the employment agreement with a related party, who served as the Vice President of Corporate Development, was terminated.

NOTE 5 - LOSS PER SHARE:

The total number of common stock options and warrants excluded from the calculations of diluted net loss was 25,197,558 for the three months ended December 31, 2007 (6,317,775 for the three months ended December 31, 2006).

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

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

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

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

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

All dollar amounts refer to US dollars unless otherwise indicated.

Overview

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

Plan of Operation

Short Term Business Strategy

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

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

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

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

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

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

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

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

- *Next generation (recombinant) VitiGam* - VitiGam is currently manufactured as a mixture that largely consists of IgG molecules (antibodies of the IgG type). We anticipate that within this mixture, only a subset of IgG molecules will be responsible for the biological activity of VitiGam. Next generation VitiGam will be composed of *only the IgGs required to exert the anti-melanoma effect*, thereby creating a more effective compound. Identifying the relevant IgGs may also permit cost reductions; and
- *Cancer vaccines based on VitiGam* - An off-the-shelf cancer vaccine is considered a silver bullet in cancer therapy. We anticipate that based on our evolving understanding of the specific IgG molecules responsible for the biological activity of VitiGam, we may be in a position to identify the corresponding antigens that may be used to develop melanoma cancer vaccines.

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

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

We have established a pre-clinical development program to define and characterize these anti-angiogenic anti-cancer fractions and to test their biological activity in animal models. We believe that successfully developed therapies derived from our novel IgG sub-fractions have the potential to address multi-billion dollar markets. For example, Avastin®, also known as *bevacizumab*, counteracts VEGF, a growth factor which stimulates neovascularization, and is used to treat colon and other cancers. Sales for Avastin® in 2006 were in excess of $2 billion.

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

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

Long Term Business Strategy

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

Other Planned Research and Development Activities

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

- Further deepen and broaden our understanding of the biology of our IgG products in cancer;
- Develop alternative delivery systems and determine the optimal dosage for different patient groups;
- Investigate alternative sources of immunoglobulin other than human plasma;
- Develop novel IgG-based therapies; and
- Develop successor products.

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

Other Planned Strategic Activities

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

Critical accounting policies and estimates

Management's discussion and analysis of the financial condition and results of operations is based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets and liabilities, expenses and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates and judgments. We base our estimates on various factors, including historical experience that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other resources. Actual results may differ from these estimates under different assumptions or conditions.

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

Going concern assumption

The accompanying financial statements have been prepared assuming that we will continue as a going concern. We have net losses for the period from inception (October 6, 1998) through December 31, 2007 of $10,206,237, as well as negative cash flow from operating activities. Based upon our existing spending commitments, we may not have sufficient cash resources to meet our liquidity requirements through September 30, 2008. Accordingly, these factors raise substantial doubt about our ability to continue as a going concern. Management is in the process of evaluating various financing alternatives as we will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that we will be successful with those initiatives, management expects to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

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

Valuation of options and warrants

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

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

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

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

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

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

Deferred income taxes

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

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

Income Taxes

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

Results of Operations

The following table summarizes certain statements of operations data for the Company for the three months period ended December 31, 2007 and 2006 (in US$):

	Three months ended	
Operating Data:	December 31, 2007	December 31, 2006
Research and development costs	$ 514,490	$ 167,972
General and administrative expenses	752,827	632,866
Financial expense (income), net	(17,267)	2,221
Loss before tax on income	1,250,050	803,059
Taxes on Income	-	4,356
Net loss for the period	$ (1,250,050)	$ (807,415)
Loss per common share – basic and diluted	$ (0.03)	$ (0.03)
Weighted average common shares outstanding	44,958,917	28,475,161

Research and development costs

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

During the three months ended December 31, 2007 and 2006, research and development expenses included, among others, the cost of IgG used in the clinical trials and research work, payments to medical centers and research labs for clinical trial and pre-clinical trial work, regulatory and scientific consultants compensation, costs related to the maintenance of our registered patents, costs related to the filings of patent applications as well as salaries and related expenses of research and development staff.

During the three months ended December 31, 2007, research and development expenses totaled $514,490, compared to $167,972 for the three months ended December 31, 2006. The increase is attributable to assay development as well as pre-clinical work related to the filing of the IND for VitiGam™.

General and administrative expenses

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

For the three months ended December 31, 2007, general and administrative expenses totaled $752,827 compared to $632,866 for the three months ended December 31, 2006. Costs incurred related to General and administrative activities in the three months ended December 31, 2007 reflect an increase of professional, legal and consulting expenses and an increase in general expenses such as office and maintenance expenses.

Financial income/expense, net

During the three months ended December 31, 2007 and 2006, we generated interest income on available cash and cash equivalents balance as well as bank charges.

Liquidity and Capital Resources

Through December 31, 2007, we incurred losses in an aggregate amount of $10,206,237. We have financed our operations from the private placements of equity and debt financing. Through December 31, 2007, we raised a total of $9,538,553, net of transaction costs, through private placements of equity. We anticipate that additional financing will be through similar sources. As of December 31, 2007, we had $3,117,969 of available cash, most of which is deposited in short term, interest bearing, bank deposits.

We anticipate we will need $6,125,000 for the remainder of our fiscal year, and $9,614,000 for the twelve months following January 1, 2008.

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

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Planned Expenditures

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

Category	Amount
Research & Development	$ 6,667,000
General & Administrative Expenses	3,057,000
Finance Income, net	(110,000)
Total	$ 9,614,000

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

Employment and Consulting Agreements

On November 30, 2007, the employment agreement with Vered Caplan, who served as the Vice President of Corporate Development, was terminated.

ITEM 3A(T) - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of December 31, 2007, our management carried out an evaluation, under the supervision of our Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of our system of disclosure controls and procedures (as defined by Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "*Exchange Act*"). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective, as of the date of their evaluation, for the purposes of recording, processing, summarizing and timely reporting material information required to be disclosed in reports filed by us under the Exchange Act.

Changes in internal controls

Except as set forth below, there were no changes in our internal controls over financial reporting, that occurred during the quarter ended December 31, 2007 that have materially affected, or are reasonably likely to materially effect, our internal control over financial reporting.

Commencing in November 2007, we engaged the services of a former director of ours, Shmuel Levi, to act as controller in the review of our financial statements in connection with implementing and enforcing our internal financial and disclosure controls.

PART II

ITEM 1 - LEGAL PROCEEDINGS

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

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

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5 - OTHER INFORMATION

The following disclosure would have otherwise been filed on an amendment to Form 8-K under the heading Item 1.01 Entry into a Material Definitive Agreement.

As previously reported under Item 8B of our Annual Report in Form 10-KSB for the year ended October 31, 2007, on December 23, 2007, our subsidiary, GammaCan Ltd. signed an Amendment of the Research and Licensing Agreement (the *Amendment*) with Tel HaShomerMedical Research Infrastructure and Services LTD. (*THM*) originally entered into on December 13, 2005. On February 11, 2008, the Amendment was amended and restated to make immaterial changes thereto.

The amended and restated Amendment is attached as an exhibit hereto and incorporated by reference herein.

ITEM 6 - EXHIBITS

Number	Exhibit
10.1	Form of amended and restated Amendment to Research and Licensing Agreement effective as of December 23, 2007 between GammaCan Ltd. and Tel Ha□Shomer Medical Research Infrastructure and Services Ltd.*
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d14(a), promulgated under the Securities and Exchange Act of 1934, as amended
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer)
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer)
*	We have requested confidential treatment with respect to this exhibit. In the event that the Commission should deny such request in whole or in part, such exhibit or the relevant portions thereof shall be filed by amendment to this Quarterly Report on Form 10-QSB.

SIGNATURES

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

GAMMACAN INTERNATIONAL, INC.

Registrant

Date: February 14, 2008

By: /s/ Chaime Orlev
Chaime Orlev
Chief Financial Officer