U. S. SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

☑ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended **June 30, 2012**

☐ For the transition period from to .

Commission File Number 000-53127

GENESIS BIOPHARMA, INC.
(Exact name of small business issuer as specified in its charter)

Nevada	**75-3254381**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. employer identification number)**

11500 Olympic Boulevard, Suite 400, Los Angeles, CA 90064
(Address of principal executive offices and zip code)
(866) 963-2220
(Registrant's telephone number, including area code)

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.

Yes ☑ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Large accelerated filer ☐	Accelerated filer ☑
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐No ☑

At August 14, 2012, the issuer has 78,293,095 shares of common stock outstanding.

GENESIS BIOPHARMA, INC.
(A Development Stage Company)
FORM 10-Q
For the Quarter Ended June 30, 2012

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PART I. FINANCIAL INFORMATION

Item 1. Condensed Financial Statements

GENESIS BIOPHARMA, INC.
(A Development Stage Company)
Condensed Balance Sheets

	June 30 2012 (Unaudited)	December 31, 2011
ASSETS		
Current Assets		
Cash and cash equivalents	$ 15,739	$ 510,217
Deposits and prepaid expenses	8,628	13,864
Total Current Assets	24,367	524,081
Property and equipment, net of accumulated depreciation of $5,809 and $2,704	25,244	28,349
Rent Deposit	16,000	16,000
Total Assets	$ 65,611	$ 568,430
LIABILITIES AND STOCKHOLDERS' DEFICIENCY		
Current Liabilities		
Accounts payable	609,266	190,048
Accrued expenses	502,347	221,507
Accrued expenses - National Institute of Health	616,000	-
12% secured promissory notes	1,216,250	-
7% convertible promissory notes	5,000,000	5,000,000
Derivative liabilities	8,740,110	7,937,793
Total Current Liabilities	16,683,973	13,349,348
Commitments and contingencies		
Stockholders' Deficiency		
Common stock, $0.000041666 par value; 1,800,000,000 shares authorized, 78,293,095 and 77,993,591 shares issued and outstanding, respectively	3,262	3,250
Common shares to be issued with 12% secured promissory notes	497,888	-
Additional paid-in capital	16,357,027	14,592,408
Accumulated deficit	(33,476,539)	(27,376,576)
Total Stockholders' Deficiency	(16,618,362)	(12,780,918)
Total Liabilities and Stockholders' Deficiency	$ 65,611	$ 568,430

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

GENESIS BIOPHARMA, INC.
(A Development Stage Company)
Condensed Statements of Operations
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		For the Period from September 17, 2007 (Date of Inception) through
	2012	2011	2012	2011	June 30, 2012
Revenues	$ -	$ -	$ -	$ -	$ -
Costs and expenses					
Operating expenses (including $469,486, $9,211,000, $1,696,712, $9,251,302 and $13,855,121 in share-based compensation costs)	1,376,425	10,561,185	3,626,558	11,219,434	23,647,696
Research and development	270,000	-	1,156,000	-	3,083,045
Impairment of intangible asset	-	-	-	-	160,036
Total costs and expenses	1,646,425	10,561,185	4,782,558	11,219,434	26,890,777
Loss from operations	(1,646,425)	(10,561,185)	(4,782,558)	(11,219,434)	(26,890,777)
Other income (expense)					
Change in fair value of derivative liabilities	1,927,839	(398,556)	(620,235)	(304,602)	746,573
Interest expense	(110,810)	-	(199,282)	-	(350,790)
Amortization of discount on convertible notes	(497,888)	-	(497,888)	-	(5,497,888)
Private placement costs	-	-	-	-	(1,483,657)
Total other income (expense)	1,319,141	(398,556)	(1,317,405)	(304,602)	(6,585,762)
Net Loss	$ (327,284)	$ (10,959,741)	$ (6,099,963)	$ (11,524,036)	$ (33,476,539)
Net Loss Per Share, Basic and Diluted	$ (0.00)	$ (0.15)	$ (0.08)	$ (0.16)	
Weighted-Average Common Shares Outstanding, Basic and Diluted	78,293,095	74,074,238	78,214,880	72,950,655	

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

GENESIS BIOPHARMA, INC.
(A Development Stage Company)
Condensed Statements of Stockholders' Deficiency
For the Six Months Ended June 30, 2012
(Unaudited)

	Common Stock		Common Stock to be issued	Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Deficiency
	Shares	Amount				
Balance - December 31, 2011	77,993,591	$ 3,250	$ -	$ 14,592,408	$ (27,376,576)	$ (12,780,918)
Common stock sold in private placement at $1.00 per share, February 2012	250,000	$ 10	$ -	$ 67,909	$ -	$ 67,919
Common stock issued to consultants for services	49,504	$ 2	$ -	$ 49,998	$ -	$ 50,000
						$ -
Common shares to be issued with 12% secured promissiory notes	-	$ -	$ 497,888	$ -	$ -	$ 497,888
Fair value of vested stock options	-	$ -	$ -	$ 1,646,712	$ -	$ 1,646,712
						$ -
Net loss	-	$ -	$ -	$ -	$ (6,099,963)	$ (6,099,963)
Balance - June 30, 2012	78,293,095	$ 3,262	$ 497,888	$ 16,357,027	$ (33,476,539)	$ (16,618,362)

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

GENESIS BIOPHARMA, INC.
(A Development Stage Company)
Condensed Statements of Cash Flows
(Unaudited)

	For the Six Months Ended June 30,		September 17, 2007 (Date of Inception) through
	2012	2011	June 30, 2012
Cash Flows From Operating Activities			
Net loss	$ (6,099,963)	$ (11,524,036)	$ (33,476,539)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	3,105	36,796	67,181
Impairment of intangible asset	-	-	160,036
Fair value of vested stock options and warrants	1,646,712	384,264	3,554,632
Fair value of derivative liability recorded upon issuance of warrants	-	-	2,563,647
Amortization of discount on convertible notes	-	-	5,000,000
Common shares to be issued with 12% promissory notes	497,888	-	497,888
Private placement costs	-	-	1,483,658
Change in fair value of derivative liabilities	620,236	304,602	(746,572)
Common stock issued to officer for services	-	8,100,000	8,010,000
Common stock issued for services	50,000	65,000	548,452
Fair value of common stock transferred to officer and director	-	702,037	1,742,037
Write off of advances to related party	-	-	50,000
Changes in assets and liabilities:			
Deposits, prepaid expenses and other assets	5,236	947	(24,628)
Accounts payable and accrued expenses	700,058	100,346	1,111,613
Accrued expenses - National Institute of Health	616,000	-	616,000
Net Cash Used In Operating Activities	(1,960,728)	(1,830,044)	(8,842,595)
Cash Flows From Investing Activities			
Property and equipment	-	(16,861)	(35,053)
Advances to related party	-	(50,000)	(50,000)
Net Cash Used In Investing Activities	-	(66,861)	(85,053)
Cash Flows From Financing Activities			
Proceeds from the issuance of convertible notes, net	-	-	4,615,000
Proceeds from the issuance of secured promissory notes, net	1,216,250	-	1,216,250
Proceeds from the issuance of common stock	250,000	873,000	3,094,000
Due to director	-	-	18,137
Net Cash Provided By Financing Activities	1,466,250	873,000	8,943,387
Net Decrease In Cash And Cash Equivalents	(494,478)	(1,023,905)	15,739
Cash and Cash Equivalents, Beginning of Period	510,217	1,292,469	-
Cash and Cash Equivalents, End of Period	$ 15,739	$ 268,564	$ 15,739
Supplemental Disclosures of Cash Flow Information:			
Derivative liability recorded upon issuance of convertible notes and warrants	$ -	$ -	$ 5,535,310
Derivative liability recorded as offering cost	$ 182,081	$ 642,296	$ 824,377
Common stock issued for intellectual property	$ -	$ -	$ 217,408
Forgiveness of debt by director, treated as contribution of capital	$ -	$ -	$ 18,137

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

NOTE 1. GENERAL ORGANIZATION AND BUSINESS

Genesis Biopharma, Inc. (the "Company" or "we") was originally incorporated under the laws of the state of Nevada on September 17, 2007. The Company is considered a development stage company, and has had no revenues from operations to date.

The Company's initial operations included organization, capital formation, target market identification, new product development and marketing plans. The Company has become a biopharmaceutical company engaged in the development and commercialization of drugs and other clinical solutions for underserved diseases, including metastatic cancers and lethal infectious diseases.

On March 15, 2010, the Company (then named Freight Management Corp.) and Genesis Biopharma, Inc., a Nevada corporation and newly formed merger subsidiary wholly owned by the Company ("Merger Sub"), consummated a merger transaction (the "Merger") whereby Merger Sub merged into the Company, with the Company as the surviving corporation. The Company and Merger Sub filed the Articles of Merger on March 15, 2010 with the Secretary of State of Nevada, along with the Agreement and Plan of Merger entered into by the two parties effective as of March 15, 2010 (the "Merger Agreement"). The Merger Agreement and the Articles of Merger provided for an amendment of the Company's Articles of Incorporation, which changed the Company's name to "Genesis Biopharma, Inc." effective as of March 15, 2010.

Basis of Presentation of Unaudited Condensed Financial Information

The unaudited financial statements of the Company for the three and six months ended June 30, 2012 and 2011 have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to the requirements for reporting on Form 10-Q and Regulation S-K for scaled disclosures for smaller reporting companies. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. However, such information reflects all adjustments (consisting solely of normal recurring adjustments), which are, in the opinion of management, necessary for the fair presentation of the financial position and the results of operations. Results shown for interim periods are not necessarily indicative of the results to be obtained for a full fiscal year. The balance sheet information as of December 31, 2011 was derived from the audited financial statements included in the Company's financial statements as of and for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on March 30, 2012. These financial statements should be read in conjunction with that report.

Development Stage

We are currently in the development stage. As a development stage company that is currently engaged in the development of therapeutics to fight cancer, we have not yet generated any revenues from our biopharmaceutical business. We currently do not anticipate that we will generate any revenues during 2012 from the sale or licensing of any products. In addition, we have not generated any revenues from our prior business plans.

Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has not had any revenue and is still considered to be in the development stage. As shown in the accompanying financial statements, the Company has incurred a net loss of $6,099,963 for the six months ended June 30, 2012 and has used $1,960,728 of cash in its operating activities during the six months ended June 30, 2012. As of June 30, 2012, the Company has a stockholders' deficiency of $16,618,362 and has a working capital deficiency of $7,919,496 (excluding our derivative liability). The Company has minimal cash and cash equivalents on hand as of June 30, 2012. In addition, as described in Notes 3 and 4, the Company has secured notes payable ("2012 Notes) and convertible notes ("2011 Notes") of $1.2 million that were due June 30, 2012 have subsequently been extended to September 30, 2012 and $5.0 million that were due May 11, 2012 that have subsequently been extended to November 30, 2012, respectively. The 2011 Notes can be called for payment in full at any time and the 2012 Secured Notes state that they are secured by a first priority lien on all of our assets. Accordingly, if we do not obtain additional funding by no later than November 30, 2012 (or a sooner date, if the holders of the 2011 Notes elect to accelerate the payment of their notes), we will not be able to repay these obligations. Since the 2012 Secured Notes state that they are secured by a first priority lien on all of our assets, the failure to repay those notes could result in the foreclosure of all of our assets. A foreclosure would result in the loss of our assets and business and the result in a total loss to our stockholders.

We have not identified the sources for the additional financing that we will require, and we do not have commitments from any third parties to provide this financing. No assurance can be given that we will have access to the capital markets in future, or that financing will be available to us on acceptable terms to satisfy either our short-term future loan repayment obligations or our subsequent on-going cash requirements that we need to implement our business strategies. Our inability to access the capital markets or obtain acceptable financing could force us to terminate our business, abandon our plan to develop Contego, and cease operations.

The Company's ability to continue as a going concern is dependent upon its ability to develop additional sources of capital and to ultimately achieve sustainable revenues and profitable operations. The Company's financial statements do not include any adjustments that might result from the outcome of these uncertainties. At June 30, 2012, the Company has not yet commenced any revenue-generating operations and is dependent on debt and equity funding to finance its operations.

We currently do not have sufficient capital on hand to fund our anticipated on-going operating expenses, and we do not have any bank credit lines or other sources of capital. Accordingly, we will have to obtain additional debt or equity funding in the near future in order to continue our operations. We have not yet identified, and cannot be sure that we will be able to obtain any additional funding from either of these sources, or that the terms under which we may be able to obtain such funding will be beneficial to us or our stockholders.

Because the Company is currently engaged in research at an early stage, it will likely take a significant amount of time to develop any product or intellectual property capable of generating revenues. As such, the Company's business is unlikely to generate any sustainable revenues in the next several years, and may never do so. Even if the Company is able to generate revenues in the future through licensing its technologies or through product sales, there can be no assurance that the Company will be able to generate a profit. These factors, coupled with our inability to meet our obligations from current operations, and the need to raise additional capital to accomplish our objectives, create a substantial doubt about our ability to continue as a going concern.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING PRACTICES

Loss per Share

Basic earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of shares of common stock outstanding during the period. Diluted earnings (loss) per share is computed by dividing the net income (loss) applicable to common stockholders by the weighted average number of common shares outstanding plus the number of additional common shares that would have been outstanding if all dilutive potential common shares had been issued. For the three and six months ended June 30, 2012 and 2011, the calculations of basic and diluted loss per share are the same because inclusion of potential dilutive securities in the computation would have an anti-dilutive effect due to the net losses.

The potentially dilutive securities at June 30, 2012 consist of options to acquire 9,575,000 shares of the Company's common stock, warrants to acquire 9,930,022 shares of the Company's common stock, and approximately 4,000,000 shares of common stock issuable upon the conversion of the unsecured convertible promissory notes. In addition, dilutive securities at June 30, 2011 consist of options to acquire 2,425,000 shares of the Company's common stock and warrants to acquire 2,000,022 shares of the Company's common stock.

Fair Value Measurements

The Company uses various inputs in determining the fair value of certain assets and liabilities and measures these on a recurring basis. Financial assets and liabilities recorded at fair value in the balance sheets are categorized by the level of objectivity associated with the inputs used to measure their fair value. Authoritative guidance provided by the Financial Accounting Standards Board (the "FASB") defines the following levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these financial assets and liabilities:

Level 1—Quoted prices in active markets for identical assets or liabilities.
Level 2—Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.
Level 3—Unobservable inputs based on the Company's assumptions.

The following table presents liabilities of the Company that are measured and recorded at fair value on the Company's balance sheets on a recurring basis and their level within the fair value hierarchy.

	June 30, 2012				December 31, 2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative liabilities	$ -	$ -	$ 8,740,110	$ 8,740,110	$ -	$ -	$ 7,937,793	$ 7,937,793

Derivative financial instruments

The Company evaluates all of its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For stock-based derivative financial instruments, the Company uses probability weighted average Black-Scholes-Merton models to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within twelve months of the balance sheet date.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Stock-Based Compensation

The Company periodically issues stock options and warrants to officers, directors and consultants for services rendered. Options vest and expire according to terms established at the grant date.

The Company accounts for share-based payments to employees, officers and directors by measuring the cost of services received in exchange for equity awards based on the grant date fair value of the awards, with the cost recognized as compensation expense in the Company's financial statements over the vesting period of the awards.

The Company accounts for share-based payments to consultants by determining the value of the stock compensation based upon the measurement date at either (a) the date at which a performance commitment is reached or (b) the date at which the necessary performance to earn the equity instruments is complete. Options granted to outside consultants are revalued each reporting period to determine the amount to be recorded as an expense in the respective period. As the options vest, they are valued on each vesting date and an adjustment is recorded for the difference between the value already recorded and the then current value on the date of vesting.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". ASU No. 2011-4 does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Company adopted ASU No. 2011-04 effective January 1, 2012. The updated guidance affects the Company's fair value disclosures, but will not affect the Company's results of operations, financial condition or liquidity.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income". The ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity, and instead requires consecutive presentation of the statement of net income and other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-5 is effective for interim and annual periods beginning after December 15, 2011. The Company adopted ASU 2011-05 effective January 1, 2012 and it did not affect the Company's results of operations, financial condition or liquidity.

In September 2011, the FASB issued ASU 2011-08, “Testing Goodwill for Impairment”, an update to existing guidance on the assessment of goodwill impairment. This update simplifies the assessment of goodwill for impairment by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two step impairment review process. It also amends the examples of events or circumstances that would be considered in a goodwill impairment evaluation. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted ASU 2011-08 effective January 1, 2012. The adoption of this new accounting guidance will not have a significant effect on our goodwill impairment assessments in the future.

In December 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities.” This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 will be applied retrospectively and is effective for annual and interim reporting periods beginning on or after January 1, 2013. The Company does not expect adoption of this standard to have a material impact on its results of operations, financial condition, or liquidity.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the Securities Exchange Commission (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

NOTE 3. 12% SECURED PROMISSORY NOTES

Effective April 5, 2012, the Company issued two (2) twelve (12%) percent promissory notes in the aggregate amount of $250,000 (each a “Promissory Note”) that mature upon the earlier of a sale of $1,000,000 or more of the Company’s securities or May 4, 2012 (the “Maturity Date”). In the event the Company fails to repay the Promissory Notes by the Maturity Date, the Promissory Notes shall thereafter bear interest at a rate of eighteen (18%) percent until paid in full. The Promissory Notes may be prepaid by the Company at any time if paid in full. Specifically, the Company issued Ayer Capital Partners Master Fund L.P. a Promissory Note in the principal sum of $245,000 and Ayer Capital Partners Kestrel Fund L.P. a Promissory Note in the principal sum of $5,000. Ayer Capital Partners Master Fund L.P. currently owns $2,706,146 of the Company’s Tranche A Senior Unsecured Convertible Notes and Tranche B Senior Unsecured Convertible Notes and Ayer Capital Partners Kestrel Fund L.P. currently owns $76,324 of the Company’s Tranche A Senior Unsecured Convertible Notes and Tranche B Senior Unsecured Convertible Notes. On May 7, 2012 these promissory notes were exchanged for new notes described below.

On May 7, 2012, we entered into Note and Common Stock Subscription Agreement (the “Subscription Agreement”) with eight accredited investors (collectively, the “Purchasers”) in connection with the subscription by the Purchasers for certain Secured Promissory Notes (the “2012 Secured Notes”) and shares of our common stock. Pursuant to the Subscription Agreements, the Purchasers agreed to lend us up to $1,500,000, and we agreed to sell to the Purchasers up to $1,500,000 of 2012 Secured Notes. In addition, we also agreed to issue to the Purchasers, for no additional consideration, one-half (1/2) share of Common Stock for every dollar funded under the 2012 Secured Notes.

As of June 30, 2012, $1,216,250 of the notes were funded, comprised of $916,250 in cash received during the period plus the $250,000 in exchanged notes as described above. Upon issuance, the Company was obligated to issue 608,125 shares of its common stock. The Company determined the fair value of the common stock to be issued was $497,888 and recorded a corresponding discount to the Notes. The total discount to the notes of $497,888 was amortized over the term of the notes through the original maturity date of June 30, 2012 and recorded as other expense under the caption “Amortization of discount on Notes” in the accompanying statement of operations.

The Subscription Agreement provides that if, at any time while the 2012 Secured Notes are outstanding, we consummate any equity and/or debt financing whereby the terms of such financing are more favorable than those provided in the 2012 Secured Notes, then the remaining outstanding portion of the credit facility shall be adjusted to have such terms and conditions similar to those of the new financing.

The 2012 Secured Notes accrue interest on the outstanding principal amount of the 2012 Secured Notes at the rate of 12% per annum. Interest on the 2012 Secured Notes is computed on the basis of a 365-day year and actual days elapsed. The 2012 Secured Notes mature and were due and payable in full on the earlier of (i) June 30, 2012, (ii) the date on which the Company has, after May 7, 2012, raised capital (debt or equity) equal to or greater than $1,500,000 in the aggregate, or (iii) a sale and/or merger of the Company. The Notes matured and were payable in full on June 30, 2012. Effective June 30, 2012, the Company entered into a Maturity Date Extension with the holders of all of the Notes. Pursuant to the Maturity Date Extension, the maturity date of the Notes has been extended to September 30, 2012. Except for the change of the maturity date as described above, all of the terms and conditions of the Notes remain in full force and effect.

The repayment of the 2012 Secured Notes is secured with a first lien on all of the assets of the Company, which lien will be parri passu with the Company’s other current and future senior lenders. In addition, the 2012 Secured Notes are secured by a pledge of all of the shares of Common Stock and by all Common Stock purchase options owned by the Company’s current chief executive officer/ president.

NOTE 4. 7% CONVERTIBLE PROMISSORY NOTES AND WARRANTS

Effective July 27, 2011 the Company completed an offering of $5,000,000 of its unsecured convertible notes (the “Notes”) and warrants to acquire 4,000,000 shares of the Company’s common stock. Under the terms of the offering, the investors entered into a securities purchase agreement with the Company whereby the investor received notes that were originally scheduled to mature on November 30, 2011 and which are convertible into shares of the Company’s common stock at a conversion price of $1.25 per share, subject to adjustment. The terms of the notes have been amended several times and had an extended maturity date of May 11, 2012 which have been subsequently amended and extended to November 30, 2012, unless the holders of the Notes demand payment at any earlier date upon delivery of written notice. The purchasers of the Notes also received warrants that have a term of five years and are exercisable at $1.25 per share, subject to adjustment. Interest on the notes accrues at 7% per annum and is due on the maturity date of the notes. The notes also contain a redemption feature whereby the Company can force conversion in the event its common stock trades at 200% of the conversion price for twenty consecutive trading days with a minimum daily trading volume of 100,000 shares. Net proceeds to the Company from the issuance of the Notes and warrants was $4,615,000 after placement and other direct closing costs.

As of the date of this Quarterly Report, the Company does not have sufficient funds to repay the Notes if demand for repayment is made, or on their current November 30, 2012 maturity date. As a result, unless the Note holders elect to convert their Notes or unless the Company either obtains at least $5,000,000 of new funding by the repayment or maturity date of the Notes, or unless the Company obtains an extension of the maturity date of the Notes, the Company will be in default on its payment obligations under the Notes. Upon a default, the interest rate on the Notes increases to 15% per annum, and the holders of the Notes have the right to demand that the Company immediately redeem all of the Notes at a price that is the greater than the outstanding balance of the Notes. In general, the investors may demand that the Notes be redeemed at a price equal to the greater of (i) 125% of the outstanding balance of the Notes, or (ii) an amount based on 135% of the greatest closing sale price of the Company's common stock during the period beginning on the date of default until the redemption demand. A default will also permit the holders of the Notes to pursue collection actions against the Company.

The notes and warrants contain anti-dilution protection. As such, the conversion price of the notes and the exercise price of the warrants are subject to adjustment based upon the pricing of subsequent financings undertaken by the Company, as more fully described in the securities purchase agreement, notes, and warrants. The Company has determined that this anti-dilution reset provision caused the conversion feature to be bifurcated from the notes, treated as a derivative liability, and accounted for at its fair value. Upon issuance, the Company determined the fair value of the beneficial conversion feature was $1,844,422 and recorded a corresponding discount to the Notes. The Company has also determined that the anti-dilution reset provision of the warrants is subject to derivative liability treatment and is required to be accounted for at its fair value. Upon issuance, the Company determined the fair value of the warrants was $3,616,870 and recorded a discount of $3,155,578 to the Notes, and recognized the remaining amount of $461,292 as private placement costs in the statement of operations.

The total discount to the notes of $5,000,000 was amortized over the term of the notes, from July 26, 2011 through the original maturity date of November 30, 2011 and recorded as other expense under the caption "Amortization of discount on Notes" in the accompanying statement of operations.

In connection with this sale of Notes and warrants, the Company 1) incurred a placement fee of $350,000 (7% of gross proceeds of the offering), 2) issued five-year warrants to its placement agent to acquire 80,000 shares of common stock, and 3) paid $35,000 for legal and escrow services in connection with the issuance of these Notes and warrants. The warrants issued to the placement agent are exercisable at $1.25 per share, may be exercised on a cashless basis, and contain anti-dilution protection. The Company has determined that this anti-dilution reset provision of the warrants is subject to derivative liability treatment and is required to be accounted for at its fair value. Upon issuance, the Company determined the fair value of the warrants was $74,018 and recorded a corresponding charge to private placement costs. The aggregate amount of the above costs was $459,018, and were considered as a cost of the private placement. Total private placement costs recorded for the issuance of convertible debentures was $920,310.

NOTE 5. COMMON STOCK

Issuance of common stock for cash

In February 2012, the Company completed a private placement offering whereby it sold 250,000 shares of its common stock and a five-year warrant to purchase 250,000 shares to a single accredited investor for $250,000. The warrant is fully vested, will expire in five years and is exercisable at $1.25 per share. The warrant agreement included an anti-dilution provision that allowed for the automatic reset of the number of warrants issued and exercise price of the warrants upon any future sale of common stock or warrants at or below the current exercise price. The Company considered the current FASB guidance which indicates that any adjustment to the fixed amount (either conversion price or number of shares) of the instrument regardless of the probability or whether or not within the issuer's control means the instrument is not indexed to the issuer's own stock. Accordingly, the Company determined that as the strike price of these warrants contain exercise prices that may fluctuate based on the occurrence of future offerings or events, and as such is not a fixed amount. As a result, the Company determined that these warrants are not considered indexed to the Company's own stock and characterized the fair value of these warrants as an offering cost and derivative liabilities upon issuance. The aggregate value of these warrants issued was $182,081 using the probability weighted average Black-Scholes-Merton option valuation model with the following assumptions; average risk-free interest rate of 1.04%; dividend yield of 0%; average volatility of 89.27%; and an expected life of five years (statutory term). The warrants were accounted for as an offering cost and the entire value was deducted from additional paid-in capital.

The foregoing sale of the Company's common stock and warrants would have triggered the foregoing conversion and exercise price adjustments of the Notes and certain outstanding warrants, which would have significantly reduced the conversion price of the Notes and the exercise price of the warrants. However, the holders of the Notes and warrants waived the conversion and exercise price adjustments with respect to the $250,000 sale of common stock and warrants. No assurance can be given that the holders of the Notes will waive any future sale that triggers the conversion and exercise price adjustment provisions.

Issuance of common stock for services

During January, 2012, the Company issued 49,504 shares of common stock to the principals of an investor relations firm in satisfaction of amounts owed of $50,000 under their consulting contract. The shares of common stock issued were valued at the market price on the date of issuance.

Stock Options

As of October 14, 2011, the Company's Board of Directors, based upon the approval and recommendation of the Compensation Committee, approved by unanimous written consent the Company's 2011 Equity Incentive Plan (the "2011 Plan") and form of option agreements for grants under the 2011 Plan. Employees, directors, consultants and advisors of the Company are eligible to participate in the 2011 Plan. The 2011 Plan was adopted to encourage selected employees, directors, consultants and advisors to improve operations, increase profitability, accept or continue employment or association with the Company through the participation in the growth in value of the common stock of the Company. The 2011 Plan will be administered by the Board of Directors or the Company's Compensation Committee and has 18,000,000 shares of common stock reserved for issuance in the form of incentive stock options (available for issuance to employees, and only upon shareholder approval of the 2011 Plan); non-qualified options; common stock; and grant appreciation rights. No person eligible to participate in the 2011 Plan shall be granted options or other awards during a twelve month period that exceeds 5,000,000 shares. No options or stock appreciation rights may be granted after ten years of the adoption of the 2011 Plan by the Board of Directors, nor may any option have a term of more than ten years from the date of grant. The exercise price of non qualified options and the base value of a stock appreciation right shall not be less than the fair market value of the common stock on the date of grant. The exercise price of an incentive stock option shall not be less than the fair market value of the stock covered by the option at the time of grant and in instances where a grantee possesses more than 10% percent of the combined voting power of all classes of stock of the Company, the exercise price shall not be less than 110% percent of the fair market value of the common stock at the time of grant.

On January 19, 2012, the board approved the grant under the 2011 Plan to the chairman of the board of directors of the Company, options to purchase 200,000 shares of common stock with an exercise price of $0.92 per share with these options vesting in equal monthly installments over one year and expiring in 2022. The options were valued at $124,525, using the Black Scholes option pricing model and are being amortized over the vesting period. The following weighted-average assumptions were utilized in valuing the options: strike price of $0.92; term of ten years; volatility of 82.4%; expected dividends 0%; and discount rate of 1.17%.

During the period ended June 30, 2012, the Company granted options to a member of the Company's Scientific Advisory Board to purchase 100,000 shares of its common stock. The options have an exercise price of $1.15/share, vest over one year and will expire in ten years from grant date. Total fair value of the warrant amounted to $40,000 using the Black-Scholes Merton valuation model with the following average assumptions: stock price of $0.45, risk-free interest rate of 1.58%, dividend yield of 0%; volatility of 115%; and life of 9.5 years. During the period ended June 30, 2012, the Company recognized compensation expense of $19,836 based upon vesting of options.

A summary of the status of stock options at June 30, 2012, and the changes during the three months then ended, is presented in the following table:

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2011	9,275,000	$ 1.09	8.5 years	$ 1,114,063
Granted	300,000	1.00		
Exercised	-	-		
Expired	-	-		
Outstanding at June 30, 2012	9,575,000	$ 1.08	9.0 years	$ 481,563
Exercisable at June 30, 2012	4,113,795	$ 0.98	8.3 years	$ 346,976

During the three and six months ended June 30, 2012 the Company recorded compensation costs of $469,486, and $1,646,712, respectively, relating to the vesting of the stock options discussed above. During the three and six months ended June 30, 2011, the Company recorded compensation costs of $343,963, and $40,302, respectively, relating to the vesting of the stock options. As of June 30, 2012, the aggregate value of unvested options was $4,352,120, which will continue to be amortized as compensation cost as the options vest over terms ranging from 1 to 5 years, as applicable.

On March 1, 2011, the Company entered into an employment agreement with an individual. Pursuant to the terms of the agreement, the Company committed to issue options to purchase 2,500,000 shares of the Company's common stock at an exercise price of $1.25. The options vest as follows: a) 500,000 shares vested immediately and b) 2,000,000 shares vest in equal monthly installments over the 2-year life of the agreement. Neither the Board of Directors nor the Compensation Committee has actually granted the foregoing options. Accordingly, the Company may be obligated to grant these options, but has not done so yet. Therefore, as the grant of these options has not been approved, they are not included in compensation expense or in number of granted options listed as of and for the year ended December 31, 2011 or as of and for the three and six months ended June 30, 2012.

Warrants

A summary of the status of stock warrants at June 30, 2012, and the changes during the three months then ended, is presented in the following table:

	Shares Under Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life	Aggregate Intrinsic Value
Outstanding at December 31, 2011	9,680,022	1.22	4.5 years	-
Issued	250,000	1.25		
Issued	-	-		
Expired	-	-		
Outstanding at June 30, 2012	9,930,022	$ 1.31	5.1 years	$ -

In February 2012, the Company completed a private placement offering whereby it sold 250,000 shares of its common stock and a five-year warrant to purchase 250,000 shares to a single accredited investor for $250,000. In connection, the Company entered into a Securities Purchase Agreement which provided for the issuance and sale of 250,000 shares of the Company's common stock at a per Share purchase price of $1.00 and a 250,000 five year warrant exercisable at $1.25 per warrant share for a purchase price of $250,000. The warrant contains certain purchase price reset protections in the event the Company issues or sells any Shares or any Share equivalents at less than the Per Warrant Exercise Price. The Per Warrant Exercise Price will be adjusted in the event the Company issues or sells any Shares or equivalents pursuant to which Shares may be acquired at less than the Per Warrant Exercise Price (which is subject to adjustment). In addition, in the event of a reduction in the Per Warrant Exercise Price, the number of Shares that a holder of a Warrant shall be entitled to receive upon exercise shall be adjusted by multiplying the number of Shares that would otherwise be issuable on such exercise by a fraction of which (a) the numerator is the Per Warrant Exercise Price that would otherwise be in effect, and (b) the denominator is the Per Warrant Exercise Price in effect on the date of such exercise. The Warrants also contain a cashless exercise provision and the Offering also provides the purchaser the right of first refusal in connection with any future offerings undertaken by the Company for a term of eighteen months.

NOTE 6 - DERIVATIVE LIABILITIES

In June 2008, the FASB issued authoritative guidance on determining whether an instrument (or embedded feature) is indexed to an entity's own stock. Under the authoritative guidance, effective January 1, 2009, instruments which did not have fixed settlement provisions were deemed to be derivative instruments. The Note and warrants issued related to the private placement described in Notes 4 and 5 do not have fixed settlement provisions because their conversion and exercise prices may be lowered if the Company issues securities at lower prices in the future. The conversion feature and warrants have been characterized as derivative liabilities to be re-measured at the end of every reporting period with the change in value reported in the statement of operations.

The derivative liabilities were valued using probability weighted average Black-Scholes-Merton valuation techniques with the following average assumptions:

	June 30, 2012	Upon Issuance (February 2012)	December 31, 2011
Warrants:			
Risk-free interest rate	0.50%	1.04%	0.46%
Expected volatility	115.00%	89.27%	86.20%
Expected life	3.61 years	5.0 years	4.45 years
Expected dividend yield	0.00%	0.00%	0.00%
Fair value of conversion feature	$ 2,640,406	$ -	$ 177,258
Fair value of warrants	$ 6,099,704	$ 182,081	$ 7,760,535
Total fair value	$ 8,740,110	$ 182,081	$ 7,937,793

The risk-free interest rate was based on rates established by the Federal Reserve Bank, the Company uses the historical volatility of its common stock in 2012. In the prior year, the Company used an average volatility rate of similar publicly traded companies as an input to its fair value calculations. During the current period, the Company determined that its stock price has matured and there is a consistent level of trading activity, as such, the Company used the volatility percentage of its common stock.

The expected dividend yield was based on the fact that the Company has not paid dividends to common shareholders in the past and does not expect to pay dividends to common shareholders in the future

As of June 30, 2012 and December 31, 2011, the aggregate derivative liability was $8,740,110 and $7,937,793, respectively. For the three and six months ended June 30, 2012, the Company recorded a gain from the decrease in fair value of the derivative liabilities of $1,927,839 and a loss from the increase in the fair value of the derivative liabilities of ($620,235), respectively. For the three and six months ended June 30, 2011, the Company recorded a loss from the increase in fair value of the derivative liabilities of ($398,556) and ($304,602), respectively.

NOTE 7. LICENSE AND COMMITMENTS

National Institutes of Health and the National Cancer Institute

Effective August 5, 2011, the Company signed a Cooperative Research and Development Agreement (CRADA) with the National Institutes of Health and the National Cancer Institute (NCI). Under the terms of the five-year cooperative research and development agreement, the Company will work with Steven A. Rosenberg, M.D., Ph.D., chief of NCI's Surgery Branch, to develop adoptive cell immunotherapies that are designed to destroy metastatic melanoma cells using a patient's tumor infiltrating lymphocytes.

Specifically, the CRADA will (i) support the in vitro development of improved methods for the generation and selection of tumor infiltrating lymphocytes with anti-tumor reactivity from patients with metastatic melanoma, (ii) help develop approaches for large-scale production of tumor infiltrating lymphocytes that are in accord with Good Manufacturing Practice (GMP) procedures suitable for use in treating patients with metastatic melanoma, and (iii) conduct clinical trials using these improved methods of generating tumor infiltrating lymphocytes as well as improved adoptive cell therapy preparative regimens for the treatment of metastatic melanoma.

The Company will provide funds in the amount of $1,000,000 per year of the CRADA for Dr. Rosenberg to use to acquire technical, statistical, and administrative support for the research activities, as well as to pay for supplies and travel expenses. The Company will provide funds in the amount of $250,000 on a quarterly basis. The first quarterly installment of $250,000 was due within thirty (30) days of the Effective Date of the CRADA and each subsequent installment will be due within thirty (30) days of each quarterly anniversary of the December 5, 2011 Effective Date. In addition, although the CRADA has a five year term, either party to the CRADA has the right to terminate the CRADA upon 60 days' notice to the other party. The Company also agreed that Dr. Rosenberg can allocate the funding between the various categories in support of the CRADA research as he sees fit.

During the six months ended June 30, 2012, the Company paid $500,000 under the terms of this agreement which is included in Research and Development expenses in the accompanying statement of operations.

National Institutes of Health

Effective October 5, 2011, the Company entered into a Patent License Agreement (the "License Agreement") with the National Institutes of Health, an agency of the United States Public Health Service within the Department of Health and Human Services ("NIH"). Pursuant to the License Agreement, NIH granted to the Company a non-exclusive worldwide right and license to develop and manufacture certain proprietary autologous tumor infiltrating lymphocyte adoptive cell therapy products for the treatment of metastatic melanoma, ovarian cancer, breast cancer, and colorectal cancer. The intellectual property subject to the License Agreement is covered by 43 patents and patent applications, consisting of nine issued United States patents, 13 pending patent applications in the United States, and 21 foreign patents and patent applications as counterparts of U.S. patents/patent applications. The Company also has limited rights to sublicense the intellectual property subject to the License Agreement. The License Agreement will expire on a product-by-product basis upon the expiration of the subject patent rights.

The Company has the right to terminate the License Agreement in any country on 60 days notice, and NIH may terminate the agreement if the Company is in material breach, and the breach is not cured within a specified cure period, upon certain bankruptcy and insolvency events, or if the Company fails to comply with or achieve certain benchmarks or development plans as set forth in the License Agreement.

On October 5, 2011 we licensed the rights to the adoptive cell therapy from the National Institute of Health and to a manufacturing process for Contego (initially for Stage IV metastatic melanoma) that we intend to develop to enable us to make the adoptive cell therapy available to a larger number of patients. The license agreement required us to pay the NIH approximately $723,000 of upfront licensing fees and expense reimbursements in 2011 which was included in Research and Development expenses in fiscal 2011. In addition, the Company will have to pay royalties of six percent (6%) of net sales (subject to certain annual minimum royalty payments), a percentage of revenues from sublicensing arrangements, and lump sum benchmark royalty payments on the achievement of certain clinical and regulatory milestones for each of the various indications and other direct cost incurred by NIH pursuant to the agreement. The Company initially intends to focus on the development of licensed products in the metastatic melanoma field of use. If the Company achieves all benchmarks for metastatic melanoma, up to and including the product's first commercial sale in the United States, the total amount of such benchmark payments will be $6,050,000. The benchmark payments for the other three indications, if all benchmarks are achieved, will be $6,050,000 for ovarian cancer, $12,100,000 for breast cancer, and $12,100,000 for colorectal cancer. Accordingly, if the Company achieves all benchmarks for all four licensed indications, the aggregate amount of benchmark royalty payments that the Company will have to make to NIH will be $36,300,000.

During the three months ended June 30, 2012 there were no net sales subject to certain annual minimum royalty payments, a percentage of revenues from sublicensing arrangements. In addition there were no benchmarks or milestones achieved that would require payment under the lump sum benchmark royalty payments on the achievement of certain clinical and regulatory milestones for each of the various indications. During the six months ended June 30, 2012 the Company accrued $616,000 of direct expense reimburses, such as legal costs associated with patents, incurred by the NIH in performing on the licensing agreement. Such costs are reimbursable from the Company to the NIH pursuant to the terms of the licensing agreement. The company has received a repayment extension by the NIH to August 27, 2012. The costs are included in Accrued expenses – National Institute of Health on the accompanying balance sheet and in research and development in the accompanying statement of operations. Other then royalties and benchmark expenses as described above and the aforementioned direct expense reimbursements there are no additional future obligations associated with the license.

Lonza Walkersville, Inc.

On June 21, 2011, the Company entered into a process development and scale-up consulting agreement with Lonza Walkersville, Inc. (“Lonza”) relating to the manufacture of Cōntego. Lonza is a leading international supplier to the pharmaceutical, healthcare and life science industries. Effective as of November 4, 2011 the Company entered into a Letter of Intent with Lonza Walkersville, Inc. (the “LOI”) whereby Lonza will provide certain process development services as well as to investigate the development and manufacture of Contego™, the Company’s autologous cell therapy using tumor infiltrating lymphocytes for the treatment of Stage IV metastatic melanoma and to explore the manufacture of Contego™ for clinical trials to be performed by the Company. Pursuant to the terms of the LOI, the Company paid a reservation fee to Lonza of $500,000 which was included in Research and Development Costs in the accompany State of Operations for the year ended December 31, 2011. The reservation fee payable to Lonza is non-refundable except in the event that Lonza terminates the LOI.

In December 2011, the Company entered into a five-year Manufacturing Services Agreement with Lonza. Under the Manufacturing Services Agreement, Lonza agreed to manufacture, package, ship and handle quality assurance and quality control of our Contego autologous cell therapy products. All of Lonza services will be provided under separate statements of work that we have agreed to enter into, from time to time, with Lonza. The first statement of work, which we entered into in December 2011, describes the services Lonza must perform in connection with optimizing the manufacturing process for Contego products. The fees and costs of Lonza’s services under the Manufacturing Services Agreement depend on each statement of work. Under the Manufacturing Services Agreement, we shall be the owners of all intellectual property that is developed, conceived, invented or reduced to practice by Lonza, other than intellectual property that is generally applicable to the development or manufacture of chemical or biological products, or intellectual property that improves Lonza’s previously owned intellectual property.

Lonza is currently working against the $500,000 previously paid. There were no additional statements of work agreements entered into with Lonza during the six months ended June 30, 2012.

NOTE 8. RELATED PARTY TRANSACTIONS

Rent and Other Services

We currently maintain our corporate office at 11500 Olympic Blvd., Suite 400, Los Angeles, California 90064 on a month to month basis. Our monthly rent at our corporate office is $100. We also rent an office in Westwood, California, from Theorem Group, LLC ("Theorem"), and have the right to use certain other office facilities pursuant to an unwritten month-to-month facilities sharing arrangement with Theorem Group, LLC. Under this facilities sharing arrangement, we rent an office (which is principally used by our Chief Financial Officer), and have the right to use Theorem's other office facilities and services (including the conference rooms, telecommunications equipment, parking and office staff). As of August 14, 2012, Theorem beneficially owned approximately 1.7% of our common stock. Since we intend to outsource substantially all of our clinical development work to contract research and manufacturing providers, we do not have any laboratory facilities. We do not own or lease any other real property.

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

The following discussion and analysis of our results of operations and financial condition for the three months and six months ended June 30, 2012 and 2011 should be read in conjunction with the notes to those financial statements that are included in Item 1 of Part 1 of this Quarterly Report. Our discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations and intentions. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements. All forward-looking statements included in this Quarterly Report are based on information available to us on the date hereof and, except as required by law, we assume no obligation to update any such forward-looking statements. For a discussion of some of the factors that may cause actual results to differ materially from those suggested by the forward-looking statements, please read carefully the information in the "Risk Factors" section in our Form 10-K for the year ended December 31, 2011. The identification in this Quarterly Report of factors that may affect future performance and the accuracy of forward-looking statements is meant to be illustrative and by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

Background on the Company and Recent Change in Strategic Focus

Until March 2010, we were known as Freight Management Corp., and we were engaged in the development of an internet-based, intelligent online system for business owners, freight forwarders in the shipping/freight industry and export/import industry. We were unable to develop this business and never generated any revenues from those proposed operations and thus determined to discontinue such business.

On March 15, 2010, we entered the biopharmaceutical business when we acquired the rights, title and interest to certain assets, including certain patents, patent applications, materials, and know-how, related to the development and commercialization of biotechnology drugs, and then commenced developing anti-cancer drugs based primarily on anti-CD55+ antibodies (the "Anti-CD55+ Antibody Program"). We engaged the University of Nottingham to conduct our research and development. Although we initially believed that the proposed anti-CD55+ therapies that we were attempting to develop had significant commercial potential, test results received in mid-2011 from the studies performed for us by the University of Nottingham failed to meet the pre-clinical development endpoints. Accordingly, in 2011 we decided to (i) end our development efforts for the anti-CD55+ technology, and (ii) pursue the development of a new ready-to-infuse adoptive cell therapy product candidate we refer to as Contego™.

On October 5, 2011 we licensed the rights to the adoptive cell therapy from the National Institute of Health and to a manufacturing process for Contego (initially for Stage IV metastatic melanoma) that we intend to develop to enable us to make the adoptive cell therapy available to a larger number of patients. The license agreement required us to pay the NIH approximately $723,000 of upfront licensing fees and expense reimbursements in 2011. In addition, we will have to pay royalties of six percent (6%) of net sales (subject to certain annual minimum royalty payments), a percentage of revenues from sublicensing arrangements, and lump sum benchmark royalty payments on the achievement of certain clinical and regulatory milestones for each of the various indications and other direct costs incurred by NIH pursuant to the agreement. During the period ending June 30, 2012, the Company recognized a total of $616,000 in research and development expenses for costs reimbursed to NIH pursuant to the agreement. We also have to make certain benchmark payments to the NIH based on the development and commercial release of licensed products using the technology underlying the License Agreement. If we achieve all benchmarks for metastatic melanoma, up to and including the product's first commercial sale in the United States, the total amount of such benchmark payments will be $6,050,000 for the melanoma indication. The benchmark payments for the other three indications, if all benchmarks are achieved, will be $6,050,000 for ovarian cancer, $12,100,000 for breast cancer, and $12,100,000 for colorectal cancer. Accordingly, if we achieve all benchmarks for all four licensed indications, the aggregate amount of benchmark royalty payments that we will have to make to NIH will be $36,300,000.

During the three months ended June 30, 2012 there were no net sales subject to certain annual minimum royalty payments, a percentage of revenues from sublicensing arrangements. In addition there were no benchmarks or milestones achieved that would require payment under the lump sum benchmark royalty payments on the achievement of certain clinical and regulatory milestones for each of the various indications. During the six months ended June 30, 2012 the Company accrued $616,000 of direct expense reimburses, such as legal costs associated with patents, incurred by the NIH in performing on the licensing agreement. Such costs are reimbursable from the Company to the NIH pursuant to the terms of the licensing agreement. The company is in constant communication with the NIH and has been informed that the NIH is not seeking immediate repayment at this time. The costs are included in Accrued expenses – National Institute of Health on the accompanying balance sheet and in research and development in the accompanying statement of operations. Other then royalties and benchmark expenses as described above and the aforementioned direct expense reimbursements there are no additional future obligations associated with the license.

In order to develop the adoptive cell immunotherapies we licensed from the NIH, effective August 5, 2011, we signed a Cooperative Research and Development Agreement ("CRADA") with the NIH and the National Cancer Institute ("NCI"). Under the terms of the CRADA, we are required to provide $1,000,000 per year (in quarterly installments of $250,000) to support research activities thereunder and to pay for supplies and travel expenses. We paid the two $250,000 quarterly installments due in September 2011 and December 2011. The two installments due during the six months ended June 30, 2012 have been paid. Although we are not currently in default, there is no assurance we will be able to make the required payments timely, nor if we are delinquent that the NIH will not exercise their right to terminate the CRADA.

In December 2011, we entered into a five-year Manufacturing Services Agreement with Lonza Walkersville, Inc. under which Lonza agreed to manufacture, package, ship and handle quality assurance and quality control of our Contego autologous cell therapy products. All of Lonza Walkersville's services will be provided under separate statements of work that we have agreed to enter into, from time to time, with Lonza Walkersville, Inc. In 2011, we paid Lonza a total of $500,000. Lonza is currently working against the $500,000 previously paid. There were no additional statements of work agreements entered into with Lonza during the six months ended June 30, 2012.

Results of Operations

Revenues

We have not generated any revenues since the inception of this company. As a development stage company that is currently engaged in the development of therapeutics to fight cancer, we have not yet generated any revenues from our biopharmaceutical business. We currently do not anticipate that we will generate any revenues during 2012 from the sale or licensing of any products. In addition, we have also not generated any revenues from our prior business plans.

Operating Expenses

Operating expenses include compensation-related costs for our employees dedicated to general and administrative activities, legal fees, audit and tax fees, consultants and professional services, and general corporate expenses. Operating expenses were $1,376,425 and $10,561,185 for the three months ended June 30, 2012 and 2011, respectively. Operating expenses were $3,626,558 and $11,219,434 for the six months ended June 30, 2012 and 2011, respectively.

Operating expenses during the three months ended June 30, 2012 decreased by $9,184,760 compared with the three months ended June 30, 2011 primarily as a result of the reduction in non-cash compensation we incurred for the three months ended June 30, 2012. During the three months ended June 30, 2011 we incurred $9,211,000 in non-cash compensation compared to $469,486 for the three months ended June 30, 2012. The reduction was primarily attributable to $8,010,000 and $702,000 in common stock to our Chief Executive Officer for services and shares transferred to him, respectively, combined with $155,000 in common stock issued for services during the three months ended June 30, 2011 compared to none for the three months ended June 30, 2012.

Operating expenses during the six months ended June 30, 2012 decreased by $7,592,876 compared with the three months ended June 30, 2011 primarily as a result of the reduction in non-cash compensation we incurred for the three months ended June 30, 2012. During the six months ended June 30, 2011 we incurred 9,251,302 in non-cash compensation compared to 1,696,713 for the six months ended June 30, 2012. The reduction was primarily attributable to $8,010,000 and $702,000 in common stock to our Chief Executive Officer for services and shares transferred to him, respectively, combined with $155,000 in common stock issued for services during the three months ended June 30, 2011 compared to none for the three months ended June 30, 2012.

Research and Development.

Research and development expenses are primarily comprised of certain amounts payable to the National Institutes of Health under terms of the Licensing agreement and CRADA. Research and development costs were $270,000 for the three months ended June 30, 2012. No research and development costs were incurred for the three months ended June 30, 2011. Research and development expenses are primarily comprised of $250,000 payable quarterly to the National Institutes of Health under terms of the Licensing agreement and CRADA.

Research and development costs were $1,156,000 for the six months ended June 30, 2012. No research and development costs were incurred for the six months ended June 30, 2011. Research and development expenses are primarily comprised of $500,000 in payments for the six month period due to the National Institutes of Health under terms of the Licensing agreement and CRADA and we accrued $616,000 of direct expenses incurred by the NIH in pursuant to terms of the licensing agreement.

Change in fair value of derivative liabilities.

The Company records the change in fair value of derivative which are primarily derived from outstanding warrants issued as part of various financing activities and common shares underlying our convertible notes payable. The change in fair value of derivative liabilities for the three months ended June 30, 2012 was gain of $1,927,839 compared to a loss of $(398,556) for the three months ended June 30, 2012. The change in fair value of derivative liabilities for the six months ended June 30, 2012 was loss of ($620,235) compared to a loss of $(304,602) for the three months ended June 30, 2012.

The change in fair value of derivative liabilities for the three months ended June 30, 2012 was a gain $2,326,395 compared to the three months ended June 30, 2011. The significant gain was primarily the result of the decrease in the stock price, $0.45 compared to $1.45, used in the calculation of the fair value at June 30, 2012 compared to June 30, 2011, respectively which offset the increase in the quantity of derivative instruments recorded as of June 30, 2012 compared to June 30, 2011.

The change in fair value of derivative liabilities for the six months ended June 30, 2012 was a loss $315,633 compared to the three months ended June 30, 2011. The loss was primarily the result of the increase in the quantity of derivative instruments recorded as of June 30, 2012, the increase in the life used pursuant to the extension of the maturity date of the convertible notes and the increase in the volatility rate compared to June 30, 2011, including a $2,642,028 loss for the comparable quarters ended March 31, 2012 and 2011, respectively, offset by the impact of the decrease in the stock price, $0.45 compared to $1.45, used in the calculation of the fair value at June 30, 2012.

Interest expense.

Interest expense represents the amount of interest that accrued on the Secured Promissory and Convertible Notes.

Interest expense was $110,810 and $199,282 for the three and six months ended June 30, 2012, respectively. There were no Notes outstanding during the three and six months ended June 30, 2011 thus no interest expense was incurred during that period.

Amortization of discount on notes

During the three and six months ended of June 30, 2012, $1,216,250 of secured promissory notes were funded. Upon issuance, the Company was obligated to issue 608,125 shares of its common stock. The Company determined the fair value of the common stock to be issued was $497,888 and recorded a corresponding discount to the Notes. The total discount to the notes of $497,888 was amortized over the term of the notes through the original maturity date of June 30, 2012. There were no note discounts incurred during the three and six months ended June 30, 2011.

Net Loss

We had a net loss of $327,284 and $10,959,741 for the three months ended June 30, 2012 and 2011, respectively. We had a net loss of $6,099,963 and $11,524,036 for the six months ended June 30, 2012 and 2011, respectively.

Our net loss for three months ended June 30, 2012 decreased $10,632,457compared to three months ended June 30, 2011 primarily as a result of the aforementioned decrease in non-cash operating expenses and the gain on change in fair value of derivative instruments offset by the increases in research and development costs, interest expense and amortization of discount on notes.

Our net loss for six months ended June 30, 2012 decreased $5,424,073 compared to six months ended June 30, 2011 primarily as a result of the aforementioned decrease in non-cash operating expenses and the gain on change in fair value of derivative instruments offset by the increases in research and development costs, interest expense and amortization of discount on notes. We anticipate such losses to continue into the foreseeable future as we execute our business plan and expand research and development activities.

Liquidity and Capital Resources

As of June 30, 2012, we had a working capital deficiency of $7,919,000 (excluding our derivative liability of $8,740,000), compared to working capital deficiency of $4,887,000 (excluding our derivative liability of $7,938,000) as of December 31, 2011. The Company has minimal cash and cash equivalents on hand as of June 30, 2012. In addition, as described below, we have secured promissory notes (“2012 Notes) and convertible notes (“2011 Notes”) of $1.2 million that were due June 30, 2012 have subsequently been extended to September 30, 2012 and $5.0 million that were due May 11, 2012 that have subsequently been extended to November 30, 2012, respectively. Although the holders of the Notes have, to date, granted us several extensions on the maturity date, no assurance can be given that we will obtain further extensions, or that we will be able to repay the Notes by such other subsequent maturity dates

All of our capital resources during the six months ended June 30, 2012 were derived through the issuance of $1,216,000 in secured promissory notes and issuance of 250,000 shares of our common stock for $250,000. We have not identified the sources for the additional financing that we will require, and we do not have commitments from any third parties o provide this financing. No assurance can be given that we will have access to the capital markets in future, or that financing will be available to us on acceptable terms to satisfy the future and on-going cash requirements that we need to implement our business strategies. Our inability to access the capital markets or obtain acceptable financing could have a material adverse affect on our results of operations and financial condition, and could severely threaten our ability to continue as a going concern.

As shown in the accompanying financial statements, we incurred a net loss of $6,100,000 for the six months ended June 30, 2012. Our current liabilities exceeded current assets by $7,919,000 (excluding our derivative liability of $8,740,000 at June 30, 2012 and negative cash flow from operating activities for the six months ended June 30, 2012 was $1,961,000. These factors, coupled with and our inability to meet our obligations from current operations, and the need to raise additional capital to accomplish our objectives, create a substantial doubt about our ability to continue as a going concern.

We currently do not have sufficient capital on hand to fund our anticipated on-going operating expenses, and we do not have any bank credit lines or other sources of capital. Accordingly, we will have to obtain additional debt or equity funding in the near future in order to continue our operations. We have not yet identified the sources for the additional financing that we will require, and cannot be sure that we will be able to obtain any additional funding from either of these sources, or that the terms under which we may be able to obtain such funding will be beneficial to us or our stockholders.

Net cash used in operating activities was $1,961,000 for the six months ended June 30, 2012 compared to net cash used in operating activities of $1,830,000 for the six months ended June 30, 2011. The ongoing use of cash in operating activities is primarily due to our costs associated with research and development along with legal, accounting and other professional fees substantially due to the various financings that we were and are expected to be involved in, and the regulatory related activities.

Net cash provided by financing activities was $1,466,000 for six months ended June 30, 2012, compared to $823,000 for the six months ended June 30, 2011. The increase was primarily due to larger financings secured in the six months ended June 30, 2012 compared to the six months ended June 30, 2011.

Since our inception, we have funded our operations primarily through private sales of equity securities and convertible loans. In 2010, we raised a total of $1,945,000 from the sale of our common stock (including warrants). In 2011, we raised a total of $895,000 from the sale of 850,000 shares of our common stock and five-year Class “C” Warrants to purchase 850,000 shares that exercisable at $1.25 per share and in a private placement that closed on July 27, 2011, we raised gross proceeds of $5,000,000 from the sale of the Notes and five year warrants (the “Note Warrants”) to purchase 4,000,000 shares of our common stock. The Notes were initially convertible at $1.25 per share, and the Warrants are initially exercisable at $1.25 per share, subject in both cases to anti-dilution adjustments for issuances below the exercise price then in effect and customary adjustments in the event of stock split, reverse stock split, stock dividend, recapitalization, reorganization or similar transaction involving this company’s common stock. One-half of the gross proceeds of the $5,000,000 Note Offering (i.e. $2,500,000) was released to us at the closing, and the $2,500,000 balance of the proceeds were held in escrow and released on October 5, 2011 following the signing of worldwide nonexclusive license with the NIH for the rights to certain intellectual property owned by the United States Government related to tumor infiltrating lymphocytes and T-cell technologies.

The Convertible Notes initially were to mature November 30, 2011 but have been amended and extended multiple times to the most recent extended maturity date of November 30, 2012. We are currently in negotiations to secure an additional maturity date extension. However, there can be no assurance that the Note holders will grant additional extensions

In February 2012 we raised $250,000 from the sale of our common stock (including warrants). the Warrants are initially exercisable at $1.25 per share, subject in both cases to anti-dilution adjustments for issuances below the exercise price then in effect and customary adjustments in the event of stock split, reverse stock split, stock dividend, recapitalization, reorganization or similar transaction involving this company’s common stock. The gross proceeds were used to pay the March 2012 quarterly installment of the CRADA.

In April 2012, we issued two (2) twelve (12%) percent promissory notes in the aggregate amount of $250,000 (each a “Promissory Note”) that mature upon the earlier of a sale of $1,000,000 or more of the Company’s securities or May 4, 2012 (the “Maturity Date”). On May 7, 2012 these promissory notes were exchanged for new notes described below.

In May 2012, we entered into Note and Common Stock Subscription Agreement (the “Subscription Agreement”) with eight accredited investors (collectively, the “Purchasers”) in connection with the subscription by the Purchasers for certain Secured Promissory Notes (the “2012 Secured Notes”) and shares of our common stock. Pursuant to the Subscription Agreements, the Purchasers agreed to lend us up to $1,500,000, and we agreed to sell to the Purchasers up to $1,500,000 of 2012 Secured Notes. In addition, we also agreed to issue to the Purchasers, for no additional consideration, one-half (1/2) share of Common Stock for every dollar funded under the 2012 Secured Notes.

As of June 30, 2012, $1,216,000 of the notes were funded, comprised of $916,000 in cash received during the period plus the $250,000 in exchanged notes as described above. Upon issuance, the Company was obligated to issue 608,000 shares of its common stock. The Company determined the fair value of the common stock to be issued was $498,000 and recorded a corresponding discount to the Notes.

The 2012 Secured Notes accrue interest on the outstanding principal amount of the 2012 Secured Notes at the rate of 12% per annum. The 2012 Secured Notes mature and were due and payable in full on the earlier of (i) June 30, 2012, (ii) the date on which the Company has, after May 7, 2012, raised capital (debt or equity) equal to or greater than $1,500,000 in the aggregate, or (iii) a sale and/or merger of the Company. The Notes matured and the Company entered into a Maturity Date Extension to September 30, 2012. Except for the change of the maturity date as described above, all of the terms and conditions of the Notes remain in full force and effect.

The repayment of the 2012 Secured Notes is required to be secured with a first lien on all of the assets of the Company, which lien will be parri passu with the Company's other current and future senior lenders. In addition, the 2012 Secured Notes are required to be secured by a pledge of all of the shares of Common Stock and by all Common Stock purchase options owned by the Company's current chief executive officer/ president.

During the six months ended June 30, 2012, we used the proceeds from the 2012 secured notes to pay the second $250,000 2012 quarterly installment of the CRADA and the remaining proceeds were used to fund ongoing operating expenses.

As of the date of this Quarterly Report, we do not have sufficient funds to repay the Notes on their current maturity date. As a result, unless the Note holders elect to convert their Notes or unless we either obtain at least $6,216,000 (excluding unpaid interest of approximately $351,000 at June 30, 2012) of new funding by the maturity dates of the Notes or obtain an additional extension of the maturity dates of the notes, we will be in default of our payment obligations under the Notes.

Upon a default, the interest rate on the 2011 Notes increases to 15% per annum, and the holders of the Notes have the right to demand that we immediately redeem all of the Notes at a price that is the greater than the outstanding balance of the Notes. In general, the investors may demand that the Notes be redeemed at a price equal to the greater of (i) 125% of the outstanding balance of the Notes, or (ii) an amount based on 135% of the greatest closing sale price of our common stock during the period beginning on the date of default until the redemption demand. A default will also permit the holders of the Notes to pursue collection actions against us.

Upon a default the 2011 Notes can be called for payment in full at any time the and the 2012 Secured Notes state that they are secured by a first priority lien on all of our assets. Accordingly, if we do not obtain additional funding by no later than November 30, 2012 (or a sooner date, if the holders of the 2011 Notes elect to accelerate the payment of their notes), we will not be able to repay these obligations. Since the 2012 Secured Notes state that they are secured by a first priority lien on all of our assets, the failure to repay those notes could result in the foreclosure of all of our assets. A foreclosure would result in the loss of our assets and business and the result in a total loss to our stockholders.

Furthermore, even if the holders of the Notes were to agree to further extend the maturity date of the Notes, based on our internally prepared budget, our current financial resources are insufficient to fund the $616,000 and the next $250,000 quarterly installment that we are required to pay to the NIH under the licensing agreements and CRADA, which were and are due August 27, and September 5, 2012, respectively. In addition our current financial resources are insufficient to fund our operations.

Finally, in order to develop our Cōntego™ program in accordance with our business plan and our agreement with the NIH we believe that we would have to spend in excess of $35 million during the next twelve months. Accordingly, in order to operate our business, we have to obtain substantial additional proceeds in the near future.

Our goal is to attempt to obtain the additional funds that we need through the sale of additional debt or equity securities. The sale of additional equity or convertible debt securities will result in additional dilution to our shareholders. The issuance of additional debt will result in increased expenses and could subject us to covenants that may have the effect of restricting our operations. We may also in the future seek to obtain funding through strategic alliances with larger pharmaceutical or biomedical companies. However, we currently have no agreements in place with any funding sources or with any strategic partners that could provide us with some or all of the funding that we need. Accordingly, we can provide no assurance that additional financing will be available to us in an amount or on terms acceptable to us, if at all. Even if we are able to obtain additional funding from either financings or alliances, no assurance can be given that the terms of such funding will be beneficial to us or our stockholders. If we are unsuccessful or only partly successful in our efforts to secure additional financing, we may find it necessary to suspend or terminate some or all of our product development and other activities.

Recent Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) No. 2011-04, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs". ASU No. 2011-4 does not require additional fair value measurements and is not intended to establish valuation standards or affect valuation practices outside of financial reporting. The ASU is effective for interim and annual periods beginning after December 15, 2011. The Company adopted ASU No. 2011-04 effective January 1, 2012. The updated guidance affects the Company's fair value disclosures, but will not affect the Company's results of operations, financial condition or liquidity.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income". The ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in shareholders' equity, and instead requires consecutive presentation of the statement of net income and other comprehensive income either in a continuous statement of comprehensive income or in two separate but consecutive statements. ASU No. 2011-5 is effective for interim and annual periods beginning after December 15, 2011. The Company adopted ASU 2011-05 effective January 1, 2012 and it did not affect the Company's results of operations, financial condition or liquidity.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment", an update to existing guidance on the assessment of goodwill impairment. This update simplifies the assessment of goodwill for impairment by allowing companies to consider qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount before performing the two step impairment review process. It also amends the examples of events or circumstances that would be considered in a goodwill impairment evaluation. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. The Company adopted ASU 2011-08 effective January 1, 2012. The adoption of this new accounting guidance will not have a significant effect on our goodwill impairment assessments in the future.

In December 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities." This ASU requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. ASU No. 2011-11 will be applied retrospectively and is effective for annual and interim reporting periods beginning on or after January 1, 2013. The Company does not expect adoption of this standard to have a material impact on its results of operations, financial condition, or liquidity.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the AICPA, and the Securities Exchange Commission (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and accompanying notes, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. When making these estimates and assumptions, we consider our historical experience, our knowledge of economic and market factors and various other factors that we believe to be reasonable under the circumstances. Actual results may differ under different estimates and assumptions.

The accounting estimates and assumptions discussed in this section are those that we consider to be the most critical to an understanding of our financial statements because they inherently involve significant judgments and uncertainties.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from these estimates.

Intangible Assets

We record intangible assets in accordance with guidance of the FASB. Intangible assets consist mostly of intellectual property rights that were acquired from an affiliated entity and recorded at their historical cost and are being amortized over a three years life. We review intangible assets subject to amortization at least annually to determine if any adverse conditions exist or a change in circumstances has occurred that would indicate impairment or a change in the remaining useful life. If the carrying value of the assets is determined not to be recoverable, we record an impairment loss equal to the excess of the carrying value over the fair value of the assets. Our estimate of fair value is based on the best information available. If the estimate of an intangible asset's remaining useful life is changed, we amortize the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Stock-Based Compensation

We periodically issue stock options and warrants to employees and non-employees in non-capital raising transactions for services and for financing costs. We adopted FASB guidance effective January 1, 2006, and are using the modified prospective method in which compensation cost is recognized beginning with the effective date (a) for all share-based payments granted after the effective date and (b) for all awards granted to employees prior to the effective date that remain unvested on the effective date. We account for stock option and warrant grants issued and vesting to non-employees in accordance with accounting guidance whereby the fair value of the stock compensation is based on the measurement date as determined at either (a) the date at which a performance commitment is reached, or (b) the date at which the necessary performance to earn the equity instrument is complete.

We estimate the fair value of stock options using the Black-Scholes option-pricing model, which was developed for use in estimating the fair value of options that have no vesting restrictions and are fully transferable. This model requires the input of subjective assumptions, including the expected price volatility of the underlying stock and the expected life of stock options. Projected data related to the expected volatility of stock options is based on the historical volatility of the trading prices of the Company's common stock and the expected life of stock options is based upon the average term and vesting schedules of the options. Changes in these subjective assumptions can materially affect the fair value of the estimate, and therefore the existing valuation models do not provide a precise measure of the fair value of our employee stock options.

Derivative Financial Instruments

We evaluate all of our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For stock-based derivative financial instruments, we use both a weighted average Black-Scholes-Merton and Binomial option pricing models to value the derivative instruments at inception and on subsequent valuation dates. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

Off-Balance Sheet Arrangements

At June 30, 2012, we had no obligations that would require disclosure as off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited primarily to interest income sensitivity, which is affected by changes in the general level of U.S. interest rates, particularly because a significant portion of our investments are in short-term debt securities issued by the U.S. government and institutional money market funds. The primary objective of our investment activities is to preserve principal; we do not enter into any instruments for trading purposes. Due to the nature of our marketable securities, we believe that we are not exposed to any material market risk. We do not have any derivative financial instruments or foreign currency instruments. If interest rates had varied by 10% in the six months ended June 30, 2012, it would not have had a material effect on our results of operations or cash flows for that period.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Securities Exchange Act Rule 13a-15(e)) as of the end of the quarterly period covered by this Quarterly Report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective to ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. A material weakness existed relating to a lack of segregation of financial accounting personnel and the expertise necessary to properly account for certain complex transactions. Notwithstanding the existence of this material weakness, we believe that the consolidated financial statements included in this report fairly present in all material respects our financial condition, results of operations and cash flows for the periods presented. This material weakness was identified in the Company’s annual Form 10-K. However, until this material weakness is remediated, management has concluded that there is a reasonable possibility that a material misstatement to the interim consolidated financial statements could occur and not be prevented or detected by the Company’s controls in a timely manner. Accordingly, management has determined that this control deficiency constitutes a material weakness.

Changes in Controls over Financial Reporting

In order to remedy the material weakness identified, we have recently under taken actions to implement proper controls and procedures, and other remedial actions which are in the process of being implemented. The Company has hired additional outside consultants to help with designing and implementing appropriate policies and procedures to assure that all of our controls and procedures are adequate and effective. Any failure to implement and maintain improvements in the controls over our financial reporting could cause us to fail to meet our reporting obligations under the SEC's rules and regulations. Any failure to improve our internal controls to address the weaknesses we have identified could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our common stock.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which this company is a party or of which our property is the subject.

Item 1A. Risk Factors

Information regarding risk factors appears under "Risk Factors" included in Item 1A, Part I, and under Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, of our Annual Report on Form 10-K for the year ended December 31, 2011. Except as set forth below, there have been no material changes from the risk factors previously disclosed in the above-mentioned periodic report.

We will need significant additional capital, without which we will have to curtail or cease operations.

The holder of our 7% Senior Unsecured Convertible Notes may demand repayment of those notes at anytime.

In July 2011, we issued $5,000,000 of our 7% Tranche A Senior Unsecured Convertible Notes and Tranche B Senior Unsecured Convertible Notes (collectively, the "2011 Notes"). The Notes initially matured on November 30, 2011, but the maturity date has been extended and amended. As of August 9, 2012, the holders of the 2011 Notes may demand payment at any time upon delivery of written notice to the Company (if no demand is made prior thereto, the 2011 Notes will mature on November 30, 2012). If a demand for payment is made, we will have to prepay all of the outstanding balance (approximately $5,329,000 as of June 30, 2012, including principal and unpaid interest). If we fail to pay the 2011 Notes when required, the interest rate on the 2011 Notes increases to 15% per annum, and the holders of the 2011 Notes have the right to demand that we immediately redeem all of the Notes at a price that is the greater than the outstanding balance of the 2011 Notes. In general, the investors may demand that the 2011 Notes be redeemed at a price equal to the greater of (i) 125% of the outstanding balance, or (ii) an amount based on 135% of the greatest closing sale price of our common stock during the period beginning on the date of default until the redemption demand. We currently do not have the funds to repay the 2011 Notes, and we have no agreements in place to obtain the necessary funds for such purpose. No assurance can be given that we will be able to repay the Notes when they become due.

We have agreed to grant a first priority lien on all of our assets to the holders of a new series of $1,500,000 secured promissory notes. Failure to repay the secured promissory notes will result in the loss of all of our assets.

During the six months ended June 30, 2012, we issued $1,216,000 of 12% Secured Promissory Notes as part of a $1,500,000 Secured Promissory Note credit facility. All of the Secured Promissory Notes are to be secured by first priority security interests on all of our assets. Accordingly, if we are unable to make any of the required payments under the Secured Promissory Notes or if we are otherwise unable to repay the debentures when repayment of the debentures are due, the holders of the debentures will have the right to foreclose on all of our assets, which would prevent us from continuing our operations. The Secured Promissory Notes have an extended maturity date of September 30, 2012. We currently do not have the funds to repay the Secured Promissory Notes on their scheduled maturity date. Failure to repay the foregoing debentures will result in a default, which could result in the acceleration of the debentures and the foreclosure of our assets which, in turn would result in our inability to conduct any further operations and the termination of our business.

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

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures

None.

Item 5. Other Information.

(a) None.

(b) There were no changes to the procedures by which security holders may recommend nominees to our board of directors.

Item 6. Exhibits

Exhibit Number	Description of Exhibit
31.1	Certification of Principal Executive Officer pursuant to Rule 13a-14 and Rule 15d-14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
31.2	Certification of Principal Financial Officer pursuant to Rule 13a-14 and Rule 15d 14(a), promulgated under the Securities and Exchange Act of 1934, as amended.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Executive Officer).
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Chief Financial Officer).
101.INS	XBRL Instance Document (1)
101.SCH	XBRL Taxonomy Extension Schema (1)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (1)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (1)
101.LAB	XBRL Taxonomy Extension Label Linkbase (1)
101.PRE	XBRL Extension Presentation Linkbase (1)

(1) XBRL Interactive Data files with detailed tagging will be filed by amendment to this Quarterly Report on Form 10-Q within 30 days of the filing date of this Quarterly Report on Form 10-Q, as permitted by Rule 405(a)(2)(ii) of Regulation S-T.

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.

Genesis Biopharma, Inc.

August 14, 2012 By: /s/ Anthony J. Cataldo

Anthony J. Cataldo
Chief Executive Officer (Principal Executive Officer)

August 14, 2012 By: /s/ Michael Handelman

Michael Handelman
Chief Financial Officer (Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION

I, Anthony J. Cataldo, Chief Executive Officer of Genesis Biopharma, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genesis Biopharma, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2012

By: /s/ Anthony J. Cataldo
Anthony J. Cataldo
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael Handelman, Chief Financial Officer of Genesis Biopharma, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Genesis Biopharma, Inc;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: August 14, 2012

By: /s/ Michael Handelman
Michael Handelman
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Genesis Biopharma, Inc. (the "Company") for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Anthony J. Cataldo, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2012

By: /s/ Anthony J. Cataldo
Anthony J. Cataldo
Chief Executive Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Genesis Biopharma, Inc. (the "Company") for the quarter ended June 30, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Michael Handelman, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 14, 2012

By: /s/ Michael Handelman
Michael Handelman
Chief Financial Officer

This certification accompanies each Report pursuant to § 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of §18 of the Securities Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.