

Advaxis, Inc.
Form 10QSB
September 22, 2008

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

FORM 10-QSB

(Mark One)

- QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 31, 2008

- TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from _____ to _____

Commission file number 000 28489

Advaxis, Inc.

(Exact name of small business issuer as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

02-0563870
(IRS Employer Identification No.)

The Technology Centre of New Jersey, 675 Route 1, Suite B113, North Brunswick, NJ 08902

(Address of principal executive offices)

(732) 545-1590

(Issuer's telephone number)

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

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

Yes No

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

Yes No

State the number of shares outstanding of each of the issuer's classes of common equity, as of July 31, 2008:

109,319,520 shares outstanding of the Company's Common Stock, par value \$.001 per share

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

Persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

ADVAXIS, INC.
(A Development Stage Company)
July 31, 2008

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PART I**Item 1. Financial Statements**

ADVAXIS, INC.
(A Development Stage Company)
Balance Sheet
(Unaudited)

| | July 31, 2008 |
|--|--------------------------|
| ASSETS | |
| Current Assets: | |
| Cash | \$ 260,596 |
| Prepaid expenses | 105,206 |
| Total Current Assets | 365,802 |
| Property and Equipment (net of accumulated depreciation of \$82,928) | 100,309 |
| Intangible Assets (net of accumulated amortization of \$200,927) | 1,224,882 |
| Other Assets | 3,876 |
| Total Assets | \$ 1,694,869 |
| LIABILITIES & SHAREHOLDERS' EQUITY | |
| Current Liabilities: | |
| Accounts payable | \$ 900,459 |
| Accrued expenses | 406,804 |
| Deferred revenue | 6,596 |
| Interest payable | 18,579 |
| Notes payable - current portion | 64,832 |
| Total Current Liabilities | 1,397,270 |
| Notes payable - net of current portion | 8,685 |
| Total Liabilities | 1,405,955 |
| Shareholders' Equity: | |
| Preferred stock, \$0.001 par value; 5,000,000 shares authorized; no shares issued and outstanding | - |
| Common Stock - \$0.001 par value; authorized 500,000,000 shares, issued and outstanding 109,319,520 shares | 109,320 |
| Additional Paid-In Capital | 16,540,857 |
| Deficit accumulated during the development stage | (16,361,263) |
| Total Shareholders' Equity | 288,914 |
| Total Liabilities and Shareholders' Equity | \$ 1,694,869 |

The accompanying footnotes are an integral part of these financial statements.

ADVAXIS, INC.
(A Development Stage Company)
Statement of Operations
(Unaudited)

| | 3 Months Ended July 31, 2008 | 3 Months Ended July 31, 2007 | 9 Months Ended July 31, 2008 | 9 Months Ended July 31, 2007 | Period from March 1, 2002 (Inception) to July 31, 2008 |
|---|---|---|---|---|---|
| Revenue | \$ 28,045 | \$ - | \$ 68,404 | \$ 154,201 | \$ 1,327,840 |
| Research & Development Expenses | 657,286 | 372,434 | 2,004,324 | 1,397,033 | 7,380,468 |
| General & Administrative Expenses | 605,319 | 448,492 | 2,349,439 | 2,296,393 | 9,322,326 |
| Total Operating expenses | 1,262,605 | 820,926 | 4,353,763 | 3,693,426 | 16,702,794 |
| Loss from Operations | (1,234,560) | (820,926) | (4,285,359) | (3,539,225) | (15,374,954) |
| Other Income (expense): | | | | | |
| Interest expense | (1,773) | (108,952) | (5,705) | (474,488) | (1,078,924) |
| Other Income | 2,599 | 3,168 | 46,427 | 41,140 | 246,255 |
| Gain on note retirement | - | - | - | 319,967 | 1,532,477 |
| Net changes in fair value of common stock warrant liability and embedded derivative liability | - | 2,044,825 | | 1,598,147 | (1,642,232) |
| Net (loss) Income | (1,233,734) | 1,118,115 | (4,244,637) | (2,054,459) | (16,317,379) |
| Dividends attributable to preferred shares | - | - | - | - | 43,884 |
| Net (loss) Income applicable to Common Stock | \$ (1,233,734) | \$ 1,118,115 | \$ (4,244,637) | \$ (2,054,459) | \$ (16,361,263) |
| Net (loss) Income per share, basic | \$ (0.01) | \$ 0.02 | \$ (0.04) | \$ (0.05) | |
| Net (loss) Income per share, diluted | \$ (0.01) | \$ 0.02 | \$ (0.04) | \$ (0.05) | |
| Weighted average number of shares outstanding, basic | 109,157,170 | 45,825,888 | 108,513,191 | 43,568,150 | |
| Weighted average number of shares outstanding, diluted | 109,157,170 | 54,773,193 | 108,513,191 | 43,568,150 | |

The accompanying footnotes are in integral part of these financial statements.

ADVAXIS, INC.
(A Development Stage Company)
Statement of Cash Flows
(Unaudited)

| | 9 Months ended July 31, 2008 | 9 Months ended July 31, 2007 | Period from March 1, 2002 (Inception) to July 31, 2008 |
|---|---------------------------------------|---------------------------------------|--|
| OPERATING ACTIVITIES | | | |
| Net loss | \$ (4,244,637) | \$ (2,054,459) | \$ (16,317,379) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Non-cash charges to consultants and employees for options and stock | 311,806 | 826,769 | 1,809,672 |
| Amortization of deferred financing costs | - | 97,122 | 260,000 |
| Non-cash interest expense | 3,002 | 264,886 | 513,280 |
| Accrued interest on notes payable | | 107,868 | |
| Loss on change in value of warrants and embedded derivative | - | (1,598,147) | 1,642,232 |
| Value of penalty shares issued | 31,778 | - | 149,276 |
| Depreciation expense | 26,975 | 23,011 | 82,928 |
| Amortization expense of intangibles | 51,795 | 40,077 | 204,098 |
| Gain on note retirement | - | (319,967) | (1,532,477) |
| Decrease (Increase) in prepaid expenses | 94,711 | (5,815) | (105,206) |
| Decrease (Increase) in other assets | - | 725 | (3,876) |
| Increase in accounts payable | 113,162 | 428,901 | 1,337,665 |
| Increase (Decrease) in accrued expenses | 101,781 | (213,122) | 390,617 |
| Increase in interest payable | - | - | 18,291 |
| Increase (Decrease) in deferred revenue | 6,596 | (20,350) | 6,596 |
| Net cash used in Operating Activities | (3,503,031) | (2,422,503) | (11,544,283) |
| INVESTING ACTIVITIES | | | |
| Cash paid on acquisition of Great Expectations | - | - | (44,940) |
| Purchase of property and equipment | (10,842) | (32,873) | (137,657) |
| Cost of intangible assets | (178,542) | (183,781) | (1,503,932) |
| Net cash used in Investing Activities | (189,384) | (216,654) | (1,686,529) |
| FINANCING ACTIVITIES | | | |
| Proceeds from convertible secured debenture | - | | 960,000 |
| Cash paid for deferred financing costs | | | (260,000) |
| Principal payment on notes payable | (10,960) | | (103,047) |
| Proceeds from notes payable | - | (6,648) | 1,271,224 |
| Net proceeds of issuance of Preferred Stock | - | | 235,000 |
| Payment on cancellation of warrants | - | | (600,000) |
| Proceeds of issuance of Common Stock; net of issuance costs | (78,013) | | 11,988,231 |
| Net cash (used in) provided by Financing Activities | (88,973) | (6,648) | 13,491,408 |
| Net (Decrease) Increase in cash | (3,781,388) | (2,645,805) | 260,596 |
| Cash at beginning of period | 4,041,984 | 2,761,166 | - |
| Cash at end of period | \$ 260,596 | \$ 115,361 | \$ 260,596 |

The accompanying footnotes are an integral part of these financial statements.

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Supplemental Schedule of Noncash Investing and Financing Activities

| | 9 Months ended July 31, 2008 | 9 Months ended July 31, 2008 | Period from March 1, 2002 (Inception) to July 31, 2008 |
|--|---|---|---|
| Equipment acquired under capital lease | - | \$ 45,580 | \$ 45,580 |
| Common Stock issued to Founders | - | - | \$ 40 |
| Notes payable and accrued interest converted to Preferred Stock | - | - | \$ 15,969 |
| Stock dividend on Preferred Stock | - | - | \$ 43,884 |
| Notes payable and accrued interest converted to Common Stock | - | \$ 700,000 | \$ 2,602,322 |
| Intangible assets acquired with notes payable | - | - | \$ 360,000 |
| D Debt discount in connection with recording the original value of the embedded derivative liability | - | - | \$ 512,865 |
| Allocation of the original secured convertible debentures to warrants | - | - | \$ 214,950 |
| Warrants issued in connection with issuances of common stock | - | - | 1,505,550 |

The accompanying footnotes are an integral part of these financial statements.

ADVAXIS, INC.
NOTES TO CONDENSED FINANCIAL STATEMENTS

1. Business description

We are a development stage biotechnology company utilizing multiple mechanisms of immunity with the intent to develop cancer vaccines that are more effective and safe than existing vaccines. To that end, we have licensed rights from the University of Pennsylvania (“Penn”) to use a patented system to engineer a live-attenuated *Listeria monocytogenes* bacteria (the “*Listeria System*”) to secrete a protein sequence containing a tumor-specific antigen. Using the *Listeria System*, we believe we will force the body’s immune system to process and recognize the antigen as if it were foreign, creating the immune response needed to attack the cancer. Our licensed *Listeria System*, developed at Penn over the past 10 years, provides a scientific basis for believing that this therapeutic approach induces a significant immune response to a tumor. Accordingly, we believe that the *Listeria System* is a broadly enabling platform technology that can be applied to many types of cancers. In addition, we believe there may be useful applications in infectious diseases and auto-immune disorders. The therapeutic approach that comprises the *Listeria System* is based upon the innovative work of Yvonne Paterson, Ph.D., Professor of Microbiology at Penn, involving the creation of genetically engineered *Listeria* that stimulate the innate immune system and induce an antigen-specific immune response involving humoral and cellular components. On July 1, 2002 (effective date) we entered into an exclusive 20-year license 9 patents/dockets from Penn to exploit the *Listeria System*, subject to meeting various royalty and other obligations (the “*Penn License*”) which was amended and restated on February 13, 2007. The First Amendment to the Amended and Restated Patent License Agreement was entered into on March 26, 2007 to exercise its option to license an additional *Listeria*-Based and LLO-Based Vaccine patent/docket for \$43,788. We have agreed in principle to license 12 other patents/dockets for \$297,322 however as of September 12, 2008 this Second Amendment has not been finalized and this amount is not reflected on the financial statement enclosed herein.

We have focused our initial development efforts on five lead compounds. In February 2006 we commenced a Phase I clinical study of Lovaxin C, a vaccine with a potential for treatment of cervical cancer. We completed this clinical study in the fourth fiscal quarter 2007 after 15 patients with end-stage cervical cancer were dosed with Lovaxin-C. This study was conducted in Mexico, Serbia and Israel. The objective of this trial was to establish a range of safe doses up to a maximally tolerated dose, which was achieved.

Based upon the outcome of our Phase I trial in advanced cervical cancer, we plan on undertaking a Phase II trial in Stage 2/3 Cervical Intraepithelial Neoplasia (CIN). Stage 3 CIN is carcinoma *in situ*, and is a non-invasive form of cervical cancer. Grades 1 and 2 CIN are commonly called cervical dysplasia. Thus CIN is the name of the disease that can increase in severity to become invasive cervical cancer. While CIN frequently regresses spontaneously, over 250,000 surgical procedures are performed in the US annually to prevent progression from CIN to invasive cancer. We have filed an Investigational New Drug (“IND”) with the U.S. Food and Drug Administration on May 16, 2008. This application includes a Phase II protocol for Lovaxin C, Advaxis’ lead drug candidate, for the treatment of CIN to be conducted in the U.S. The CIN study is scheduled to begin as soon as the FDA releases the Trial from clinical hold following the completion of the IND review.

On July 23, 2008 we received the FDA’s first written response letter which addressed preclinical, manufacturing, microbiologic, immunologic and clinical questions concerning Lovaxin C and its therapeutic use in CIN caused by the sexually transmitted human papilloma virus (“HPV”). The FDA also requested additional justification for the proposed Phase II study in this indication and the potential risks and benefits of the proposed therapy relative to the current surgical standard therapy. The proposed Phase II study is on clinical hold as we work closely with the FDA to address their questions.

The accompanying unaudited interim financial statements include all adjustments (consisting only of those of a normal recurring nature) necessary for a fair statement of the results of the interim period. These interim Financial

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Statements should be read in conjunction with the Company's Financial Statements and Notes for the year ended October 31, 2007 filed on Form 10-KSB. We believe these financial statements reflect all adjustments (consisting only of normal, recurring adjustments) that are necessary for a fair presentation of our financial position and results of operations for the periods presented. Results of operations for the interim periods presented are not necessarily indicative of results to be expected for the year.

The preparation of financial statements in conformity with U.S. Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts and the disclosure of contingent amounts in the financial statements and accompanying notes. Actual results could differ from those estimates.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. There is a working capital deficiency and recurring losses that raise substantial doubt about its ability to continue as a going concern. The financial statements do not include any adjustments to the carrying amount and classification of recorded assets and liabilities should we be unable to continue operations.

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Since our inception until July 31, 2008, the Company has reported accumulated net losses of \$16,361,263 and recurring negative cash flows from operations. In order to maintain sufficient cash and investments to fund future operations, we are seeking to raise additional capital in the fourth quarter of fiscal year 2008 through various financing alternatives. If additional capital were raised through the sale of equity or convertible debt securities, the issuance of such securities would result in additional dilution to our existing stockholders. A special committee of our Board of Directors recommended and the majority of our Board approved a Senior Promissory Note for up to \$800,000 from our CEO Thomas Moore with the following terms: (i) an interest rate accruing at 12% per annum, compounded quarterly, on the outstanding principal payable, (ii) one warrant for each dollar of the note drawn down to be issued at the price and the terms of the next raise with the warrants to be issued and registered with the warrants issued with the next raise and (iii) a late payment fee of 0.1% per day on any unpaid balance. The outstanding principal and the interest are payable at the earlier of the close of the next raise of a minimum of \$5 Million or February 15, 2009. On September 22, 2008 our CEO Thomas Moore agreed to these terms. We believe that our current cash and the proceeds of the note should sustain our plan of operations until January, 2009. However, the company cannot provide assurances that our plans will not change, or that changed circumstances will not result in the depletion of capital resources more rapidly than anticipated. If we are unable to obtain additional sources of financing or generate sufficient cash flows from sufficient capital, on or before January 31, 2009 it could create a material adverse effect on future operating prospects of the Company or cease our operations.

Since inception through July 31, 2008, all of the Company's revenue has been from grants. For the three and nine month period ended July 31, 2008, all of the revenue was received from the New Jersey Commission on Science and Technology.

Intangible Assets:

Intangible assets primarily consist of legal and filing costs associated with obtaining trademarks, patents and licenses. The license and patent costs capitalized primarily represent the value assigned to the Company's 20-year exclusive worldwide license agreement with Penn which are amortized on a straight-line basis over their remaining useful lives which are estimated to be twenty years from the effective date of Penn Agreement dated July 1, 2002. The value of the license and patents are based on management's assessment regarding the ultimate recoverability of the amounts paid and the potential for alternative future uses. This license includes the exclusive right to exploit 12 issued patents and the rights to exploit the majority of the 56 pending patents subject to finalization of the Second Amendment to the Amended and Restated Agreement. The Company exercised its option under the Second Amended and Restated Patent License Agreement to license a majority of these pending patents for a fee of \$297,000 but has not finalized this Agreement. As of the date of this filing we are negotiating in a period of good faith on the form of payment. As of July 31, 2008, all gross capitalized costs associated with the licenses and patents filed and granted as well as and costs associated with patents pending are \$1,327,493 (excluding the Second Amendment) as shown under license and patents on the table below. The \$1,327,493 capitalized cost the cost of the patents and licenses issued is estimated to be \$620,486 and cost of the patents pending or in process of filing is estimated to be \$707,007. The expirations dates of the existing patents range from 2014 to 2020. Capitalized costs associated with patent applications that are abandoned without future value are charged to expense when the determination is made not to pursue the application. No patent applications without value were abandoned and charged to expense in the current or prior year. Amortization expense for licensed technology and capitalized patent cost is included in general and administrative expense.

Under the amended and restated agreement we are billed actual patent expenses as they are passed through from Penn. The following is a summary of the intangibles assets as of the following fiscal periods:

| | October 31, 2007 | July 31, 2008 | Increase (Decrease) |
|-----------|------------------|---------------|---------------------|
| Trademark | \$ 87,857 | \$ 98,316 | \$ 10,459 |
| License | 496,127 | 529,915 | 33,788 |

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| | | | |
|--------------------------|--------------|--------------|------------|
| Patents | 663,283 | 797,578 | 134,295 |
| Total intangibles | 1,247,267 | 1,425,809 | 178,542 |
| Accumulated Amortization | (149,132) | (200,927) | 51,795 |
| Intangible Assets | \$ 1,098,135 | \$ 1,224,882 | \$ 126,747 |

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An asset is considered to be impaired when the sum of the undiscounted future net cash flows expected to result from the use of the asset and its eventual disposition exceeds its carrying amount. The amount of impairment loss, if any, is measured as the difference between the net book value of the asset and its estimated fair value.

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Loss Per Share:

Basic loss per share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the periods. Diluted earnings per share gives effect to dilutive options, warrants, convertible debt and other potential common stock outstanding during the period. Therefore, the impact of the potential common stock resulting from warrants, outstanding stock options and convertible debt are not included in the computation of diluted loss per share, as the effect would be anti-dilutive.

The table sets forth the number of potential shares of common stock that have been excluded from diluted net loss per share.

| | As of July 31, 2007 | As of July 31, 2008 |
|----------------------|------------------------|------------------------|
| Warrants | 25,009,220 | 94,149,587 |
| Stock Options | 8,512,841 | 8,812,841 |
| Convertible Debt (1) | 8,000,000 | - |
| Total All | 41,522,061 | 102,962,428 |

(1) Conversion of the outstanding principal of \$2,539,164 converted at 95% of the April 30, 2007 closing price of \$0.340 per share or \$0.323 per share.

Uncertain Tax Provisions:

Effective November 1, 2007 the Company adopted FASB Interpretation No. 48 "Accounting for Uncertainty in Income Taxes (an interpretation of FASB Statement No. 109)" ("FIN 48"). FIN 48 clarifies the accounting for uncertainty in tax positions and requires that companies recognize in their financial statements the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The adoption of FIN 48 in the first quarter of fiscal 2008 did not have an impact on the Company's financial condition or results of operations.

Secured Convertible Debenture:

Pursuant to a Securities Purchase Agreement dated February 2, 2006 (\$1,500,000 principal amount) and March 8, 2006 (\$1,500,000 principal amount) we issued to Cornell Capital Partners, LP ("Cornell") \$3,000,000 principal amount of the Company's Secured Convertible Debentures due February 1, 2009 (the "Debentures") at face amount, five year Warrants to purchase 4,200,000 shares of Common Stock at the price of \$0.287 per share and five year Warrants to purchase 300,000 shares of Common Stock at a price of \$0.3444 per share.

The Company measured the fair value of the warrants and embedded conversion features at each reporting date using the Black-Scholes-Merton valuation model based on the current assumptions at that point in time. This calculation has resulted in a fair market value significantly different than the previous reporting period. The increase or decrease in the "fair market value of the warrants and embedded conversion feature at each period results in a non-cash income or expense that is recorded in "other income (expense)" in the Statement of Operations along with corresponding changes in fair value of the liability.

The Company measured the fair value of the warrants on the date of each reporting period until the debt was extinguished on October 17, 2007. Changes that occurred in the three and nine month period ending July 31, 2007 resulted in a decrease in the fair value of the warrants and embedded derivative of \$2,044,825 and \$1,598,147, respectively recorded in the Statement of Operations as "income to net change in fair value of common stock warrant and embedded derivative liability".

Item 2. Management's Discussion and Analysis

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

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

Plan of Operations

We were originally incorporated in the state of Colorado on June 5, 1987 under the name Great Expectations, Inc. We were administratively dissolved on January 1, 1997 and reinstated June 18, 1998 under the name Great Expectations and Associates, Inc. In 1999, we became a reporting company under the Securities Exchange Act of 1934 (the "Exchange Act"). Until November 2004, we were a publicly-traded "shell" company without any business until November 12, 2004 when we acquired Advaxis, Inc., a Delaware corporation ("Advaxis"), through a Share Exchange and Reorganization Agreement, dated as of August 25, 2004 (the "Share Exchange"), by and among Advaxis, the stockholders of Advaxis and us. As a result of such acquisition, Advaxis became our wholly-owned subsidiary and our sole operating company. On December 23, 2004, we amended and restated our articles of incorporation and changed our name to Advaxis, Inc. On June 6, 2006 our shareholders approved the reincorporation of the Company from the state of Colorado to the state of Delaware by merging the Company into its wholly-owned subsidiary, which was effected on June 20, 2006. As used herein, the words "Company" and "Advaxis" refer to the current Delaware Corporation only unless the context references such entity prior to the June 20, 2006 reincorporation into Delaware. Our principal executive offices are located at Technology Centre of NJ, 675 US Highway One, North Brunswick, NJ 08902 and our telephone number is (732) 545-1590.

On July 28, 2005 we began trading on the Over-The-Counter Bulletin Board (OTC:BB) under the ticker symbol ADXS.

We are a biotechnology company utilizing multiple mechanisms of immunity with the intent to develop cancer vaccines that are more effective and safer than existing vaccines. We believe that by using our licensed Listeria System to engineer a live attenuated Listeria monocytogenes bacteria to secrete a protein sequence containing a tumor-specific antigen, we will force the body's immune system to process and recognize the antigen as if it were foreign, creating the immune response needed to attack the cancer. The licensed Listeria System, developed at Penn over the past 10 years, provides scientific evidence demonstrating that this therapeutic approach induces a significant therapeutic immune response to the tumor. Accordingly, we believe that the Listeria System is a broadly enabling platform technology that can be applied in many cancers, infectious diseases and auto-immune disorders.

We have no customers. We are in the development stage and have focused our initial development efforts on five lead compounds. In February 2006 we received governmental approvals in Mexico, Israel and Serbia to commence in those countries a Phase I clinical study of Lovaxin C, a vaccine with a potential for treatment of cervical and neck cancer. We completed this clinical study in the fourth fiscal quarter 2007. The study included 15 patients with advanced cervical cancer and met our trial objectives.

The FDA's written response to our initial IND filing, received July 23, 2008 addressed preclinical, manufacturing, microbiologic, immunologic and clinical questions concerning Lovaxin C and its therapeutic use in CIN and cervical cancer caused by the sexually transmitted human papilloma virus ("HPV"). The FDA also requested additional

justification for the first proposed Phase II study in this indication and the potential risks and benefits of the proposed therapy relative to the current surgical standard therapy. On August 27, 2008 a teleconference was conducted with FDA to better understand their questions and a complete written response is planned to be filed by the end of September 2008.

Based upon the outcome of our Phase I trial in advanced cervical cancer, we plan on undertaking a Phase II trial in Stage 2/3 Cervical Intraepithelial Neoplasia (CIN). Stage 3 CIN is carcinoma *in situ*, and is a non-invasive form of cervical cancer. Grades 1 and 2 CIN are commonly called cervical dysplasia. Thus CIN is the name of the disease that can increase in severity to become invasive cervical cancer. While CIN frequently regresses spontaneously, over 250,000 surgical procedures are performed in the US annually to prevent progression from CIN to invasive cancer. We have filed an Investigational New Drug (“IND”) with the U.S. Food and Drug Administration on May 16, 2008. This application includes a Phase II protocol for Lovaxin C, Advaxis’ lead drug candidate, for the treatment of CIN to be conducted in the U.S. The CIN study is scheduled to begin as soon as the FDA releases the Trial from clinical hold pending the completion of the IND review.

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Three months ended July 31, 2008 Compared to the three months ended July 31, 2007

Revenue. Our revenue increased by \$28,045, to \$28,045 for the three months ended July 31, 2008 (the “Fiscal 2008 Quarter”) as compared with no revenue for the three months ended July 31, 2007 (the “Fiscal 2007 Quarter”) due to the grant money received from the State of New Jersey in the Fiscal 2008 Quarter as compared to the Fiscal 2007 Quarter.

Research and Development Expenses. Research and development expenses increased by \$284,852, or 77%, to \$657,286 for the Fiscal 2008 Quarter as compared with \$372,434 for the Fiscal 2007 Quarter, principally attributable to the following:

- Clinical trial expenses increased by \$139,214, or 335%, to \$180,781 from \$41,567 due to our higher clinical trial activity to close out the trial in the Fiscal 2008 Quarter in preparation to file our IND.
- Wages, options and lab costs increased by \$125,008, or 65% to \$318,411 from \$193,403 principally due to our expanded research and development efforts, the hiring of an Executive Director of Product Development, a wage increase on November 1, 2007 and an increase in the bonus accrual.
- Consulting expenses decreased by \$10,024, or 52%, to \$9,357 from \$19,381, primarily reflecting reduced outside support in Fiscal 2008 as a result of hiring an Executive Director of Product Development.
- Subcontracted research expenses increased by \$25,605, or 179%, to \$39,900 from \$14,295, primarily reflecting the increased subcontract work performed by Dr. Paterson at Penn, pursuant to the our sponsored research agreement in the Fiscal 2008 Quarter compared to the same period last year.
- Manufacturing expenses increased by \$31,691, or 41% to \$108,838 from \$77,147; the result of the ongoing clinical supply program for our upcoming Phase II trial in the Fiscal 2008 Quarter compared to the start-up of a manufacturing program in the Fiscal 2007 Quarter.
- Toxicology study expenses decreased by \$26,640, to \$0 due to expenses incurred in the Fiscal 2007 Quarter as a result of a toxicology study by Pharm Olam in connection with our Lovaxin C product candidates in anticipation of clinical studies in 2008. No such expenses were incurred in the Fiscal 2008 Quarter.

General and Administrative Expenses. General and administrative expenses increased by \$156,826, or 35%, to \$605,319 for the Fiscal 2008 Quarter as compared with \$448,493 for the Fiscal 2007 Quarter, primarily attributable to the following:

- Wages, Options and benefit expenses increased by \$67,814, or 31% to \$284,945 from \$217,131 primarily due an increase in the Chief Executive Officer’s (“CEO”) base pay (\$25,000) per his employment agreement and overall higher wages for employees due to a wage increase on November 1, 2007 with a corresponding increase in benefit costs.
- Consulting fees and expenses increased by \$176,966 to \$39,682 from a credit of \$137,284. This increase was primarily attributed to an adjustment to fair value of Mr. Appel’s (LVEP Management, LLC (“LVEP”)) stock options in the Fiscal 2007 Quarter amounting to a credit of \$204,451 partially offset by increases in other consulting expenses due to lower fees recorded in the Fiscal 2008 Quarter verses the fees for other consultants in the Fiscal 2007 Quarter.
- Legal, accounting, professional and public relations expenses increased by \$3,149, or 2%, to \$151,827 from \$148,678, due to higher patent and tax/accounting expenses offset by fewer security filings and public relation expense in the Fiscal 2008 Quarter versus the Fiscal 2007 Quarter.
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Overall occupancy, investor conference and related travel expenses in Fiscal 2008 Quarter decreased by \$49,117 or 33% to \$100,926 from \$150,043 primarily due to lower attendance at scientific and investor conferences partially offset by an increase in travel and entertainment and insurance cost compared to the Fiscal 2007 Quarter.

- Offering expenses decreased by \$48,994 to \$1,350 from \$50,344 due to the preliminary services for the October 2007 raise in Fiscal 2007 Quarter not repeated in Fiscal 2008 Quarter.
- Amortization of intangibles and depreciation of fixed assets increased by \$7,009, or 36%, to \$26,590 from \$19,581 primarily due to an increase in intangibles in the Fiscal 2008 Quarter compared to the Fiscal 2007 Quarter.

Other Income (expense). Other Income (expense) decreased by \$1,938,216 to \$826 income for the Fiscal 2008 Quarter from income of \$1,939,041 for the Fiscal 2007 Quarter. During the Fiscal 2007 and the Fiscal 2008 Quarters, we recorded interest expense of (\$108,952) and (\$1,773) respectively, primarily related to interest accrued on our outstanding secured convertible debenture issued on February 2 and March 8, 2006. Interest income earned on investments for the Fiscal 2007 and Fiscal 2008 Quarters amounted to \$3,168 and \$2,599, respectively. In the Fiscal 2007 Quarter there was a net change of \$2,044,825 in the fair value of common stock warrants and embedded derivative liabilities recorded as income (non-cash item) compared to the fair values as of October 31, 2006 of the secured convertible debenture. There were no comparable entries in the Fiscal 2008 Quarter as the warrant and embedded derivative liability was settled in October 2007 and the gain in retirement in the Fiscal 2007 Quarter was settled in the Fiscal 2007 Quarter.

Nine months ended July 31, 2008 compared to the nine months ended July 31, 2007

Revenue. Our revenue decreased by \$85,797, or 56%, to \$68,404 during the Fiscal 2008 Period as compared with \$154,201 during the Fiscal 2007 Period primarily due to the decreased grant money of \$133,850 received from the National Cancer Institute in the Fiscal 2007 Period not repeated in the Fiscal 2008 Period partially offset by the increased grant money received from the State of New Jersey in the Fiscal 2008 Period as compared to the Fiscal 2007 Period.

Research and Development Expenses. Research and development expenses increased by \$607,291, or 44%, to \$2,004,324 for the Fiscal 2008 Period as compared with \$1,397,033 for the Fiscal 2007 Period, principally attributable to the following:

- Clinical trial expenses decreased by \$52,437, or 16%, to \$281,525 from \$333,962 due to our higher clinical trial activity in the Fiscal 2007 Period compared to the close out phase in the Fiscal 2008 Period.
- Wages, options and lab costs increased by \$249,782, or 39% to \$890,421 from \$640,640 principally due to our expanded research & development efforts, the hiring of an Executive Director of Product Development, a wage increase on November 1, 2007 and an increase in bonuses.
- Consulting expenses decreased by \$55,184, or 37%, to \$95,880 from \$151,064, primarily reflecting lower stock option expenses in the Fiscal 2008 Period compared to higher stock prices and option expense in the same period last year partially offset by higher IND consulting expenses in the Fiscal 2008 Period as compared to the same period last year.
- Subcontracted research expenses decreased by \$7,330, or 6%, to \$121,024 from \$128,354, primarily reflecting the decreased subcontract work performed by Dr. Paterson at Penn, pursuant to our sponsored research agreement in the Fiscal 2008 Period compared to the same period last year.
- Manufacturing expenses increased by \$510,102 to \$588,834 from \$78,732 as a result of the ongoing clinical supply program for our upcoming Phase II trial compared to the manufacturing program in the Fiscal 2007 Period.
- Toxicology study expenses decreased by \$37,640, or 59% to \$26,640 from \$64,280 due to expenses incurred in the Fiscal 2007 Period as a result of a toxicology study by Pharm Olam in connection with our Lovaxin C product candidates in anticipation of clinical studies in 2008.

We anticipate a continued increase in Research and Development expenses as a result of expanded development and commercialization efforts related to toxicology studies, clinical trials, and product development. Additionally we expect expenses to be incurred in the development of strategic and other relationships required if the licensing, manufacture and distribution of our product candidates are ultimately undertaken.

General and Administrative Expenses. General and administrative expenses decreased by \$53,046, or 2%, to \$2,349,439 for the Fiscal 2008 Period as compared with \$2,296,393 for the Fiscal 2007 Period, primarily attributable to the following:

- Wages, Options and benefit expenses increased by \$308,537, or 49% to \$942,166 from \$633,629 primarily due to the increase of the CEO's base pay by \$75,000 and stock compensation of \$71,250 per his employment agreement and overall higher wages and benefits for employees due to a wage increase on November 1, 2007.
- Consulting fees and expenses decreased by \$465,963, or 56%, to \$371,919 from \$837,882. This decrease was primarily attributed to an amendment to Mr. Appel's (LVEP) consulting agreement in the Fiscal 2007 Period partially offset by a settlement agreement in the Fiscal 2008 Period

which resulted in: (i) a decrease of \$362,115 in option expense recorded primarily due to an amendment of Mr. Appel's consulting agreement compared to no option expense recorded in the Fiscal 2008 Period; (ii) a decrease of \$200,000 primarily due to the issuance to Mr. Appel of 2 million shares in the Fiscal 2007 Period also due to the amendment, (iii) a net decrease of \$100,497 in Mr. Appel's consulting expenses recorded in the Fiscal 2008 Period compared to the Fiscal 2007 Period and (iv) a decrease of \$41,667 in Mr. Appel's bonus accrual in the Fiscal 2007 Period partially offset by (v) his \$130,000 settlement payment in cash in the Fiscal 2008 Period along with a \$14,615 payment in shares of the Company. Mr. Appel's net decreases (i-v) were partially offset by the increase in other consulting expenses due to higher financial advisor fees of \$227,303 recorded in the Fiscal 2008 Periods versus the fees for other consultants in the Fiscal 2007 Period.

- Legal, accounting, professional and public relations expenses increased by \$10,291, or 2%, to \$439,400 from \$429,109, primarily as a result of higher patent and tax and accounting expense partially offset by fewer security and public relations filings in the Fiscal 2008 Period versus the Fiscal 2007 Period.
- Recruiting fees for the Executive Director of Product Development in the Fiscal 2008 Period increased by \$62,295 to \$63,395 versus \$1,100 compared to the same period last year.
- Analysis research cost increased during the Fiscal 2008 Period by \$117,750 to \$117,990 from \$240. This increase consists of \$55,240 in warrant expense recorded based on the Black-Scholes calculation with the balance in fees and printing expense.
- Offering expense decreased by \$17,216 to \$33,128 from \$50,344 due primarily to penalty expense of \$3,778 recorded during the Fiscal 2008 Period due to the delay of effectiveness of the registration statement on Form SB-2, File No. 333-147752 versus \$50,344 recorded in the Fiscal 2007 Period.
- Overall occupancy costs, investor conference expenses and related travel expenses in the Fiscal 2008 Period increased by \$21,671 or 8% to \$302,672 from \$281,001 primarily due to increased travel and related expense at scientific and investor conferences compared to the Fiscal 2007 Period.
- Amortization of intangibles and depreciation of fixed assets increased by \$15,682, or 25%, to \$78,770 from \$63,088 primarily due to an increase in fixed assets and intangibles in the Fiscal 2008 Period compared to the Fiscal 2007 Period.

Other Income (expense). Other Income (expense) decreased by \$1,444,044 to income of \$40,722 income for the Fiscal 2008 Period from income of \$1,484,766 for the Fiscal 2007 Period. During the Fiscal 2007 and the Fiscal 2008 Periods, we recorded interest expense of \$474,488 and \$5,705 respectively, primarily related to interest accrued on our outstanding secured convertible debenture issued on February 2 and March 8, 2006. Interest income earned on investments for the Fiscal 2007 and Fiscal 2008 Periods amounted to \$41,140 and \$46,427, respectively. In the Fiscal 2007 Period there was a net change of \$1,598,147 in the fair value of common stock warrants and embedded derivative liabilities recorded as income (non-cash item) compared to the fair values as of October 31, 2006 of the secured convertible debenture. In addition, there was a \$319,967 gain on retirement due to the University of Pennsylvania Amended and Restated License Agreement recorded in the Fiscal 2007 Period. There were no comparable entries in the Fiscal 2008 Quarter as the warrant and embedded derivative liability was settled in October 2007 and the gain on retirement in the Fiscal 2007 Period was settled in the Fiscal 2007 Period.

No provision for income taxes was made for either fiscal quarter due to significant tax losses during and prior to such periods.

On July 31, 2008, our cash balance was \$260,596, and our working capital deficiency was \$1,031,468. In October 2007 the net proceeds of approximately \$8,452,342 from the issuance of common stock in a private placement was depleted by the cost of: retiring outstanding debt, interest of approximately \$2,889,999, the purchase of warrants in the amount of \$600,000 and the higher overall cost of development and operations as a public company. A special committee of our Board of Directors recommended and the majority of our Board approved a Senior Promissory Note a for up to \$800,000 from our CEO Thomas Moore with the following terms: (i) an interest rate accruing at 12% per annum, compounded quarterly, on the outstanding principal payable, (ii) one warrant for each dollar of the note drawn down to be issued at the price and the terms of the next raise with the warrants to be issued and registered with the warrants issued with the next raise and (iii) a late payment fee of 0.1% per day on any unpaid balance. The outstanding principal and the interest are payable at the earlier of the close of the next raise of a minimum of \$5 Million or February 15, 2009. On September 22, 2008 our CEO Thomas Moore agreed to these terms.

We intend to use our available cash and Senior Promissory Note of \$800,000 during the next 6 months following July 31, 2008 to respond to the FDA's questions regarding our IND (Clinical Hold) supporting our Phase II clinical trial in CIN using Lovaxin C, one of our lead product candidates in development using our Listeria System, maintain our research and development team to assist in the further development of Lovaxin P (our Listeria vaccine directed toward treatment of prostate cancer) and Lovaxin B (our Listeria vaccine directed toward treatment of breast cancer), as well as in the development of several additional Listeria based vaccines for the treatment of cancer, and to enhance our manufacturing capabilities and strategic activities. In order to maintain sufficient cash and investments to fund future operations, we are seeking to raise additional capital in the fourth quarter of fiscal year 2008 through various financing alternatives. If additional capital were raised through the sale of equity or convertible debt securities, the issuance of such securities would result in additional dilution to our existing stockholders. We believe that our current cash and Senior Promissory Note should sustain our plan of operations until January 2009. However, the company cannot provide assurances that our plans will not change, or that changed circumstances will not result in the depletion of capital resources more rapidly than anticipated. If we are unable to obtain additional sources of financing or generate sufficient cash flows from sufficient capital, on or before late January 2009 it could create a material adverse effect on future operating prospects of the Company or cease our operations.

Contingent obligations

On July 1, 2002 ("effective date") we entered into a 20-year exclusive worldwide license, with the Penn with respect to the innovative work of Yvonne Paterson, Ph.D., Professor of Microbiology in the area of innate immunity, or the immune response attributable to immune cells, including dendritic cells, macrophages and natural killer cells, that respond to pathogens non-specifically. This agreement has been amended from time to time and was amended and restated on February 13, 2007. The First Amendment to the Amended and Restated Patent License Agreement was

entered into on March 26, 2007, Penn has exercised its option to license an additional Listeria-Based and LLO-Based Vaccine patent/docket and the Second Amendment to the Amended and Restated Patent License Agreement has been agreed to in principal to license 12 other patents/dockets for \$297,322, however, as of September 12, 2008 this Second Amendment has not been finalized and this amount is not reflected on the financial statement enclosed herein. This license, unless sooner terminated in accordance with its terms, terminates upon the later of: (i) the expiration of the last to expire Penn patent right; or (ii) twenty years after the effective date. The license provides us with the exclusive commercial rights to the patent portfolio developed at Penn as of the effective date, in connection with Dr. Paterson and requires us to raise capital, pay various milestone, legal, filing and licensing payments to commercialize the technology. In exchange for the license, Penn received shares of our common stock, which currently represents approximately 5.8% of our common stock outstanding on a fully-diluted basis.

In addition, Penn is entitled to receive a non-refundable initial license fee, license fees, royalty payments and milestone payments based on net sales and percentages of sublicense fees and certain commercial milestones, as follows: 1.5% royalties on net sales in all countries; notwithstanding this royalty rate, we have agreed to pay Penn a total of \$525,000 over a three-year period as an advance minimum royalty after the first commercial sale of a product under each license (which payments we do not expect to begin within the next five years); an annual maintenance fee of \$50,000 starting on December 31, 2008, until the first commercial sale of a Penn licensed product; a total of \$157,134 in license payments in addition to the \$215,700 previously paid, or a total of \$372,834.

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Furthermore, upon the achievement of the first sale of a product in certain fields, Penn shall be entitled to milestone payments, as follows: \$2,500,000 shall be due for the first commercial sale of the first product in the cancer field; and \$1,000,000 shall be due upon the date of first commercial sale of a product in each of the secondary strategic fields sold. Therefore, the total potential amount of milestone payments is \$3,500,000 in the cancer field.

As a result of our payment obligations under the license, assuming and if we have net sales in the aggregate amount of \$100 million from our cancer products, our total payments to Penn over the next ten years could reach an aggregate of \$5,420,000. If over the next 10 years our net sales total an aggregate amount of only \$10 million from our cancer products, total payments to Penn could aggregate \$4,445,000.

This license also grants us exclusive negotiation rights and exclusive options until June 17, 2009 to obtain exclusive licenses to new inventions on therapeutic vaccines developed by Drs. Paterson and Fred Frankel and their laboratory. Each option is granted to us at no cost and provides a six-month exercise period from the date of disclosure. Under this option, we have finalized the First Amendment to the Amended and Restated Agreement for one docket and have negotiated a license for 12 additional dockets, with each docket having the potential of more than one patent. These dockets represent a majority of our pending patents and although we have agreed to a fee of \$297,000 we are negotiating in good faith the term of the form of payment and have not finalized the Second Amendment.

Item 3. Controls and Procedures.

As of the end of the period covered by this report, based on an evaluation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) under the Securities Exchange Act of 1934), each of the Chief Executive Officer and the Vice President of Finance, has concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in its Exchange Act reports is recorded, processed, summarized and reported within the applicable time periods specified by the rules and forms of the Securities and Exchange Commission.

There were no significant changes in the Company's internal controls or in any other factors that could significantly affect those controls subsequent to the date of the most recent evaluation of the Company's internal controls by the Company, including any corrective actions with regard to any significant deficiencies or material weaknesses.

PART II - OTHER INFORMATION

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

On July 2, 2008 we issued 245,844 shares of common stock to a Director in connection with his board of director's compensation agreement.

The above sale was exempt from registration under the Act by virtue of the provisions of Section 4(2) thereof.

Item 6. Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Principal Financial Officer pursuant to section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Principal Financial Officer pursuant to section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

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

ADVAXIS, INC.

Registrant

Date: September 22, 2008

By: /s/ Thomas Moore
Thomas Moore
Chief Executive Officer and Chairman of the Board

By: /s/ Fredrick Cobb
Fredrick Cobb
Vice President Finance, Principal Financial Officer