ONCOSEC MEDICAL Inc
Form 10-Q
December 17, 2012
Table of Contents

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**(Mark One)**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended October 31, 2012**

**OR**

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

**For the transition period from to**

**Commission file number 000-54318**

# ONCOSEC MEDICAL INCORPORATED

(Exact name of registrant as specified in its charter)

| **Nevada** | **98-0573252** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (IRS Employer Identification No.) |

**4690 Executive Drive, Suite 250, San Diego, CA 92121**

(Address of principal executive offices) (zip code)

**855.662.6732**

(Registrant s telephone number, including area code)

**Not Applicable**

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the 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 x No o

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 (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes x No o

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 o | Accelerated filer o |
|---|---|
| Non-accelerated filer o | Smaller reporting company x |

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

**88,409,000 shares of the registrant s common stock were issued and outstanding as of December 14, 2012.**

Table of Contents

**OncoSec Medical Incorporated**

**Form 10-Q**

**for the Quarterly Period Ended October 31, 2012**

**TABLE OF CONTENTS**

Table of Contents

**OncoSec Medical Incorporated**

**(A Development Stage Company)**

**Consolidated Balance Sheets**

**As of October 31, 2012 and July 31, 2012**

| | (unaudited) October 31, 2012 | July 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | $ 3,530,473 | $ 5,141,509 |
| Prepaid expenses | 214,873 | 343,180 |
| Other current assets | 18,206 | 8,367 |
| Total Current Assets | 3,763,552 | 5,493,056 |
| Property and equipment, net | 67,687 | 76,911 |
| Intangible assets, net | 1,684,510 | 1,858,770 |
| Total Assets | $ 5,515,749 | $ 7,428,737 |
| | | |
| **Liabilities and Stockholders Equity** | | |
| | | |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | $ 742,625 | $ 384,321 |
| Accrued compensation | 159,352 | 218,849 |
| Accrued income taxes | 5,200 | 3,200 |
| Acquisition obligation, current | 931,943 | 1,416,786 |
| Total Current Liabilities | 1,839,120 | 2,023,156 |
| Acquisition obligation, net of current portion | 991,608 | 979,316 |
| Total Liabilities | 2,830,728 | 3,002,472 |
| | | |
| **Stockholders Equity** | | |
| Common stock authorized 3,200,000,000 common shares with a par value of $0.0001 Common stock issued and outstanding 88,159,000 and 87,856,000 common shares as of October 31,2012 and July 31, 2012, respectively | 8,816 | 8,786 |
| Additional paid-in capital | 5,905,608 | 5,593,567 |
| Warrants issued and outstanding 41,943,000 and 42,246,000 warrants as of October 31, 2012 and July 31, 2012, respectively | 4,998,250 | 5,024,640 |
| Deficit accumulated during the development stage | (8,227,653) | (6,200,728) |
| Total Stockholders Equity | 2,685,021 | 4,426,265 |
| Total Liabilities and Stockholders Equity | $ 5,515,749 | $ 7,428,737 |

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

Table of Contents

**OncoSec Medical Incorporated**

**(A Development Stage Company)**

**Consolidated Statements of Operations (unaudited)**

| | Three Months Ended October 31, 2012 | Three Months Ended October 31, 2011 | Period from Inception (February 8, 2008) to October 31, 2012 |
|---|---|---|---|
| Revenue | $ | $ | $ |
| Expenses: | | | |
| Research and development | 1,180,974 | 515,587 | 4,094,140 |
| General and administrative | 816,502 | 678,651 | 5,194,043 |
| Loss from operations | (1,997,476) | (1,194,238) | (9,288,183) |
| Other income (expense): | | | |
| Fair value of derivative liabilities in excess of proceeds | | | (808,590) |
| Adjustments to fair value of derivative liabilities | | 3,977,418 | 3,150,985 |
| Loss on extinguishment of debt | | | (761,492) |
| Financing transaction costs | | | (210,000) |
| Non-cash interest expense | (27,449) | (69,134) | (294,016) |
| Interest expense | | | (1,357) |
| Impairment charges | | | (9,000) |
| Net income (loss) before income taxes | (2,024,925) | 2,714,046 | (8,221,653) |
| Provision for income taxes | 2,000 | 2,000 | 6,000 |
| Net income (loss) | $ (2,026,925) | $ 2,712,046 | $ (8,227,653) |
| Basic net income (loss) per common share | $ (0.02) | $ 0.05 | |
| Diluted net income (loss) per common share | $ (0.02) | $ 0.05 | |
| Weighted average shares used in computing basic net income (loss) per common share | 87,892,196 | 56,856,000 | |
| Weighted average shares used in computing diluted net income (loss) per common share | 87,892,196 | 56,905,457 | |

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

Table of Contents

**OncoSec Medical Incorporated**

**(A Development Stage Company)**

**Consolidated Statements of Stockholders Equity (Deficit) (unaudited)**

**For the period from Inception (February 8, 2008) to October 31, 2012**

| | Common Stock (1) | | Additional Paid-In | Warrants | | Deficit Accumulated during the Development | Total Stockholders Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | Capital (1) | Shares | Amount | Stage | (Deficit) |
| Balance, February 8, 2008 | | $ | $ | | $ | $ | $ |
| Shares issued to founder on Feb 8, 2008 | 48,000,000 | 4,800 | 10,200 | | | | 15,000 |
| Private placement on June 30, 2008 | 20,480,000 | 2,048 | 29,952 | | | | 32,000 |
| Net loss | | | | | | (7,187) | (7,187) |
| Balance, July 31, 2008 | 68,480,000 | 6,848 | 40,152 | | | (7,187) | 39,813 |
| Net loss | | | | | | (33,714) | (33,714) |
| Balance, July 31, 2009 | 68,480,000 | 6,848 | 40,152 | | | (40,901) | 6,099 |
| Net loss | | | | | | (36,158) | (36,158) |
| Balance, July 31, 2010 | 68,480,000 | 6,848 | 40,152 | | | (77,059) | (30,059) |
| Common stock cancelled | (17,280,000) | (1,728) | 1,728 | | | | |
| Private placement on March 18, 2011 | 1,456,000 | 146 | 659,873 | 1,456,000 | 431,981 | | 1,092,000 |
| Common stock issued for services | 200,000 | 20 | 331,980 | | | | 332,000 |
| Private placement on June 24, 2011 | 4,000,000 | 400 | (400) | 4,000,000 | | | |
| Net loss | | | | | | (3,758,817) | (3,758,817) |
| Balance, July 31, 2011 | 56,856,000 | 5,686 | 1,033,333 | 5,456,000 | 431,981 | (3,835,876) | (2,364,876) |
| Issuance of warrants Inovio | | | | 4,000,000 | 958,111 | | 958,111 |
| Expiration of Series B Warrants | | | | (4,000,000) | | | |
| Re-classification of Series A Warrants | | | | 4,240,000 | 657,604 | | 657,604 |
| Public offering on March 28, 2012, net of issuance costs of $542,500 | 31,000,000 | 3,100 | 4,227,456 | 32,550,000 | 2,976,944 | | 7,207,500 |
| Share-based compensation expense | | | 332,778 | | | | 332,778 |
| Net loss | | | | | | (2,364,852) | (2,364,852) |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Balance, July 31, 2012 | 87,856,000 | $ 8,786 | $ 5,593,567 | 42,246,000 | $ 5,024,640 | $ (6,200,728) | $ 4,426,265 |
| Share-based compensation expense | | | 179,631 | | | | 179,631 |
| Issuance of common stock upon exercise of warrants | 303,000 | 30 | 132,410 | (303,000) | (26,390) | | 106,050 |
| Net loss | | | | | | (2,026,925) | (2,026,925) |
| Balance, October 31, 2012 | 88,159,000 | $ 8,816 | $ 5,905,608 | 41,943,000 | $ 4,998,250 | $ (8,227,653) | $ 2,685,021 |

(1) Adjusted to reflect the forward stock split of 32-for-1 effective March 1, 2011.

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

Table of Contents

**OncoSec Medical Incorporated**

**(A Development Stage Company)**

**Consolidated Statements of Cash Flows (unaudited)**

| | Three Months Ended October 31, 2012 | Three Months Ended October 31, 2011 | Period from Inception (February 8, 2008) to October 31, 2012 |
|---|---|---|---|
| *Operating activities* | | | |
| Net income (loss) | $ (2,026,925) | $ 2,712,046 | $ (8,227,653) |
| Adjustments to reconcile net income (loss) to net cash used in operating activities: | | | |
| Depreciation and amortization | 183,484 | 167,596 | 1,151,753 |
| Write-down of supplies inventory | | | 38,000 |
| Write-down of web development costs | | | 9,000 |
| Fair value of derivative liabilities in excess of proceeds | | | 808,590 |
| Loss on extinguishment of debt | | | 761,492 |
| (Gain) loss on adjustment to fair value of derivative liabilities | | (3,977,418) | (3,150,985) |
| Non-cash interest expense | 27,449 | 69,134 | 294,016 |
| Share-based compensation | 179,631 | 5,139 | 512,409 |
| Amortization of common stock issued for services | | 83,000 | 332,000 |
| Changes in operating assets and liabilities: | | | |
| (Increase) decrease in prepaid expenses | 128,307 | 67,721 | (214,873) |
| (Increase) decrease in other current assets | (9,839) | 7,416 | (18,206) |
| (Decrease) increase in accounts payable and accrued liabilities | 358,304 | (28,878) | 742,625 |
| (Decrease) increase in accrued compensation | (59,497) | (38,594) | 159,352 |
| (Decrease) Increase in accrued income taxes | 2,000 | 1,600 | 5,200 |
| Net cash (used in) provided by operating activities | (1,217,086) | (931,238) | (6,797,280) |
| *Investing activities* | | | |
| Purchases of property and equipment | | (17,339) | (124,797) |
| Investment in intangible assets | | | (250,000) |
| Net cash (used in) provided by investing activities | | (17,339) | (374,797) |
| *Financing activities* | | | |
| Proceeds from issuance of common stock and warrants | | | 11,889,000 |
| Payment of financing and offering costs | | | (542,500) |
| Payment of amounts due under acquisition obligation | (500,000) | (100,000) | (750,000) |
| Proceeds from exercise of warrants | 106,050 | | 106,050 |
| Proceeds from amounts due to stockholder | | | 153,867 |
| Repayment of amounts due to stockholder | | | (153,867) |
| Net cash (used in) provided by financing activities | (393,950) | (100,000) | 10,702,550 |
| Net increase (decrease) in cash | (1,611,036) | (1,048,577) | 3,530,473 |
| Cash and cash equivalents, at beginning of period | 5,141,509 | 2,457,693 | |
| Cash and cash equivalents, at end of period | $ 3,530,473 | $ 1,409,116 | $ 3,530,473 |
| | | | |
| Supplemental disclosure for cash flow information: | | | |
| Cash paid during the period for: | | | |
| Interest | $ | $ | $ 1,357 |

| | | | | | |
|---|---|---|---|---|---|
| Income taxes | $ | | $ | 400 | $ 800 |
| | | | | | |
| Noncash investing and financing transaction: | | | | | |
| Fair value of placement agent warrants issued in the public offering | $ | | $ | | $ 276,980 |
| Acquisition obligation of asset purchase agreement | $ | | $ | | $ 2,750,000 |
| Acquisition obligation discounts - imputed interest and fair value of warrants | $ | | $ | 402,355 | $ 402,355 |

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

Table of Contents

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 Nature of Operations and Basis of Presentation**

OncoSec Medical Incorporated (the Company ) was incorporated under the name of Netventory Solutions Inc., in the state of Nevada on February 8, 2008 to pursue the business of inventory management solutions. On March 1, 2011, Netventory Solutions Inc. completed a merger with its subsidiary OncoSec Medical Incorporated and changed its name to OncoSec Medical Incorporated. On March 24, 2011, the Company completed the acquisition of certain technology and related assets from Inovio Pharmaceuticals, Inc. ( Inovio ) pursuant to an Asset Purchase Agreement (the Asset Purchase Agreement ) dated March 14, 2011. The acquired technology and related assets relate to the use of drug-medical device combination products for the treatment of various cancers. With this acquisition, the Company re-focused its efforts in the biomedical industry and abandoned its efforts in the online inventory services industry. Prior to the acquisition of the assets from Inovio, the Company had been inactive since March 2010 and had no continuing operations other than those of a company seeking a business opportunity. The Company has not produced any revenues from its newly acquired assets and is considered a development stage company.

The accompanying consolidated financial statements include the accounts of OncoSec Medical Incorporated and its wholly-owned inactive subsidiary, OncoSec Medical Therapeutics Incorporated ( OncoSec Medical Therapeutics ), which was acquired on June 3, 2011 for a total purchase price of $1,000. OncoSec Medical Therapeutics was incorporated in Delaware on July 2, 2010. There have been no significant transactions related to this subsidiary since its inception. All significant intercompany transactions and balances have been eliminated at consolidation.

**Note 2 Significant Accounting Policies**

*Financial Instruments*

The carrying amounts for cash and cash equivalents, prepaid expenses, accounts payable and accrued expenses approximate fair value due to their short-term nature, generally less than three months. The carrying amounts of the Company s short-term and long-term acquisition obligation outstanding approximate their fair value based upon current rates and terms available to us for similar activity. It is management s opinion that the Company is not exposed to significant interest, currency, or credit risks arising from its other financial instruments and that their fair values approximate their carrying values except where separately disclosed.

*Derivative Liabilities*

The Company accounts for its warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded at fair value as of the date of issuance on the Company s consolidated balance sheets and no further adjustments to their valuation are made. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on the Company s consolidated balance sheets at their fair value on the date of issuance and will be revalued on each subsequent balance sheet date until such instruments are exercised or expire, with any changes in

the fair value between reporting periods recorded as other income or expense. Management estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for future financings, expected volatility, expected life, yield, and risk-free interest rate.

*Use of Estimates*

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and disclosures made in the accompanying notes to the consolidated financial statements. Actual results could differ materially from the estimates.

Table of Contents

*Property and Equipment*

The cost of property and equipment is depreciated on a straight-line basis over the estimated useful lives of the related assets. The useful lives of property and equipment for the purpose of computing depreciation are:

| | |
|---|---|
| Computers and Equipment | 3 to 5 years |
| Computer Software | 1 to 3 years |
| Leasehold Improvements | 1 year |

Total depreciation expense recorded for the three months ended October 31, 2012 and 2011 was approximately $9,000 and $8,000 respectively.

*Net Income (Loss) Per Share*

The Company computes basic net income (loss) per common share by dividing the applicable net income (loss) by the weighted average number of common shares outstanding during the respective period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period, plus the dilutive effect of potential future issuances of common stock relating to stock options and other potentially dilutive securities using the treasury stock method. In calculating diluted earnings per share, the dilutive effect of stock options is computed using the average market price for the respective period. In addition, the assumed proceeds under the treasury stock method include the average unrecognized compensation expense of stock options that are in-the-money. This results in the assumed buyback of additional shares, thereby reducing the dilutive impact of stock options. The Company determined 455,000 shares underlying stock options issued and outstanding during the period ended October 31, 2011 were dilutive. The Company did not include 4,509,800 shares underlying stock options issued and outstanding for the three months ended October 31, 2012, nor warrants outstanding for the three months ended October 31, 2012 and 2011 of 41,943,000 and 14,696,000, respectively in the computation of net income (loss) per share, as the effect would have been anti-dilutive.

*Stock Options to Non-Employees*

Expense for stock options granted to non-employees has been determined using the estimated fair value of the stock options issued, based on the Black-Scholes Option Pricing Model. Such options are revalued quarterly until fully vested, with any change in fair value expensed. During the three months ended October 31, 2012, the Company recorded $6,000 in research and development expense and $135,000 in general and administrative expense for stock options granted to non-employees.

*Comprehensive Income*

Comprehensive income or loss includes all changes in equity except those resulting from investments by owners and distributions to owners. The Company did not have any items of comprehensive income or loss other than net loss from operations for the three months ended October 31, 2012 and 2011, or for the period from inception (February 8, 2008) through October 31, 2012.

**Note 3 Cash and Cash equivalents and Liquidity**

The Company considers all liquid investments with maturities of ninety days or less when purchased to be cash equivalents. As of October 31, 2012 and July 31, 2012, cash and cash equivalents were comprised of cash in checking accounts.

The Company s activities to date have been supported by equity and debt financing. It has sustained losses in previous reporting periods with an inception to date loss of $8,227,653 as of October 31, 2012.

The Company does not currently believe that its existing cash resources are sufficient to meet its anticipated needs during the next twelve months. The Company will require additional financing to fund its planned operations, including research and development, clinical trials and commercialization of the intellectual property acquired from Inovio pursuant to the Asset Purchase Agreement (as further described in Note 5) and making of scheduled payments to Inovio under the acquisition obligation (as further described in Note 6). In addition, the Company will require additional financing in order to seek to license or acquire new assets, research and develop any potential patents and the related compounds, and obtain any further intellectual property that the Company may seek to acquire. Additional financing may not be available to the Company when needed or, if available, it may not be obtained on commercially reasonable terms. If the Company is not able to obtain the necessary additional financing on a timely basis, the Company will be forced to delay or scale down some or all of its development activities or perhaps even cease the operation of its business. Since inception the Company has funded its operations primarily through equity and debt financings and it expects that it will continue to fund its operations through equity and debt financing. If the Company raises additional financing by issuing equity securities, its existing stockholders ownership will be diluted. Obtaining commercial loans, assuming those loans would be available, will increase the Company s liabilities and future cash commitments. The Company also expects to pursue non-dilutive financing sources. However, obtaining such financing would require significant efforts by the Company s management team, and such financing may not be available, and if available, could take a long period of time to obtain.

Table of Contents

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. There is substantial doubt about the Company s ability to continue as a going concern as the continuation of the Company s business is dependent upon obtaining additional financing sources and the continued support of its stockholders to aid in financing operations. The consolidated financial statements do not include any adjustments that might result from this uncertainty.

**Note 4 Fair Value of Financial Instruments**

Financial assets and liabilities are measured at fair value, which is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The following is a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

- Level 1 Quoted prices in active markets for identical assets or liabilities.

- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

In conjunction with the June 2011 Private Placement, the Company issued warrants with derivative features. These instruments, the Series A and Series C Warrants, were accounted for as derivative liabilities (see Note 7).

The Company used Level 3 inputs for its valuation methodology for the warrant derivative liabilities. The estimated fair values were determined using a Monte Carlo option pricing model based on various assumptions (see Note 7). The Company s derivative liabilities are adjusted to reflect estimated fair value at each period end, with any decrease or increase in the estimated fair value being recorded in other income or expense accordingly, as adjustments to fair value of derivative liabilities.

On February 21, 2012, Series C Warrants to purchase an aggregate of 4,000,000 shares of the Company s stock expired unexercised. On March 28, 2012, the Series A Warrants were reclassified to equity, following the reset of the exercise price to the base floor price of $0.50 per warrant share and an evaluation of the instrument s settlement provisions which were determined to be fixed-for-fixed (see Note 7).

During the three months ended October 31, 2011, the estimated fair value of derivative liabilities decreased by $3,977,418 and was recorded as other income during the period.

Table of Contents

**Note 5 Intangible Asset Acquisition and Cross License Agreement**

On March 14, 2011, the Company entered the Asset Purchase Agreement with Inovio, whereby the Company agreed to purchase certain assets of Inovio related to certain non-DNA vaccine and selective electrochemical tumor ablation ( SECTA ) technology (which we now refer to as the OncoSec Medical System, or OMS), including, among other things: (a) certain patents, including patent applications, and trademarks related to the SECTA technology; (b) certain equipment, machinery, inventory and other tangible assets related to the technology; (c) certain engineering and quality documentation related to the technology; and (d) the assignment of certain contracts related to the technology. In return, the Company is obligated to pay Inovio $3,000,000 in scheduled payments over the period of two years from the closing date of the Asset Purchase Agreement and a royalty on commercial product sales related to the SECTA technology. The transaction closed on March 24, 2011.

In connection with the closing of the Asset Purchase Agreement, the Company entered into a cross-license agreement with Inovio. Under the terms of the agreement, the Company granted Inovio a fully paid-up, exclusive, worldwide license to certain of the acquired SECTA technology patents in the field of use of electroporation. No consideration was received by the Company, nor will Inovio be liable for future royalty fees related to this arrangement. Inovio also granted the Company a non-exclusive, worldwide license to certain non-SECTA technology patents held by it in consideration for the following: (a) a fee for any sublicense of the Inovio technology, not to exceed 10%; (b) a royalty on net sales of any business the Company develops with the Inovio technology, not to exceed 10%; and (c) payment to Inovio of any amount Inovio pays to one licensor of the Inovio technology that is a direct result of the license. In addition, the Company agreed not to transfer this non-exclusive license apart from the assigned intellectual property.

ASC 805, *Business Combinations*, provides guidance on determining whether an acquired set of assets meets the definition of a business for accounting purposes. Under the framework, the acquired set of activities and assets have to be capable of being operated as a business, from the viewpoint of a market participant as defined in ASC 820, *Fair Value Measurements*. Two essential elements required for an integrated set of activities are inputs and outputs. The Company evaluated the Asset Purchase Agreement and in accordance with the guidance, determined it did not meet the definition of a business acquisition as the acquisition consisted solely of the SECTA technology and certain other tangible assets. The Company did not acquire the right to any employees previously involved with the technology, or research processes previously in place at Inovio. The Company has therefore accounted for the transaction as an asset acquisition.

The purchase price was allocated to the identified tangible and intangible assets acquired based on their relative fair values, which were derived from their individual estimated fair values of $38,000 and $3,000,000, respectively. Included in the estimated fair value of the intangible assets is the value associated with the engineering and quality documentation acquired, which was determined to have no stand-alone value apart from the patents. The relative fair value of the intangible assets of $2,962,000 was reduced by a discount of approximately $174,000 recorded for the acquisition obligation (see Note 6). The relative fair value of the tangible assets of $38,000 was expensed to research and development as of the acquisition date.

The following table summarizes the purchase price allocation for the assets acquired:

| | | |
|---|---|---|
| Intangible assets - patents | $ | 2,788,154 |
| Tangible assets - machinery, property and inventory | $ | 38,000 |

Patents are stated net of accumulated amortization of approximately $1,104,000 and $929,000 as of October 31, 2012 and July 31, 2012, respectively. The patents are amortized on a straight-line basis over the estimated remaining useful lives of the assets, determined as four years from the date of acquisition. Amortization expense for the three months ended October 31, 2012 and 2011 was approximately $174,000 and $160,000, respectively.

In accordance with the provisions of the applicable authoritative guidance, the Company s long-lived assets and amortizable intangible assets are tested for impairment whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The Company assesses the recoverability of such assets by determining whether their carrying value can be recovered through undiscounted future operating cash flows, including its estimates of revenue driven by assumed market segment share and estimated costs. If impairment is indicated, the Company measures the amount of such impairment by comparing the fair value to the carrying value. During the three months ended October 31, 2012 and 2011, no impairment was recorded.

Table of Contents

**Note 6 Acquisition Obligation**

On March 24, 2011, the Company recorded an acquisition obligation for amounts due to Inovio in accordance with the Asset Purchase Agreement (see Note 5). On September 28, 2011, the Company entered into a First Amendment to Asset Purchase Agreement (the First Amendment ). The First Amendment modified the payment of $750,000 due to Inovio by September 24, 2011, requiring the Company to make a payment of $100,000 to Inovio on September 30, 2011, with the remaining $650,000 to be paid to Inovio at the earlier of: (a) 30 days following the receipt by the Company of aggregate net proceeds of more than $5,000,000 from one or more financings occurring on or after September 30, 2011, or (b) March 31, 2012. On March 24, 2012, the Company entered into a Second Amendment to Asset Purchase Agreement (the Second Amendment ). The Second Amendment further modified the payment terms for the $1,150,000 scheduled payments due to Inovio in March 2012 by requiring the Company to make a payment of $150,000 on March 31, 2012, with the remaining $1,000,000 to be paid to Inovio on December 31, 2013. In consideration for the First Amendment, the Company issued to Inovio a warrant to purchase 1,000,000 shares of common stock (see Note 8). In consideration for the Second Amendment, the Company issued to Inovio a warrant to purchase 3,000,000 shares of common stock (see Note 8).

In accordance with ASC 835-30 Interest on Receivables and Payables , the future payments under the acquisition obligation were discounted using the incremental borrowing rate of 5.00%, to arrive at an initial imputed interest discount on the obligation as of the acquisition date of approximately $174,000. The imputed interest discount was recorded as a reduction to the relative fair value of the intangible assets acquired (see Note 5). The discount was revised as of the date of the First and Second Amendments to arrive at a revised imputed interest discount on the obligation of approximately $132,000 as of September 28, 2011 and $145,000 as of March 24, 2012. The increase in imputed interest as of the date of the Second Amendment was primarily due to the extended payment terms. Non-cash interest expense recognized during the three months ended October 31, 2012 and 2011 was approximately $27,000 and $52,000, respectively. As of October 31, 2012 and 2011, the outstanding acquisition obligation was reduced by short-term imputed interest discounts of approximately $68,000 and $96,000, respectively, and long-term imputed interest discounts of approximately $8,000 and $26,000, respectively.

The Company evaluated both amendments in accordance with ASC 470-50. The Company determined the modification of the terms upon entry into the First Amendment to the Asset Purchase Agreement on September 28, 2011, was not considered substantial as of that date. In accordance with the guidance, the fair value of the warrants issued to Inovio as consideration for the Amendment were recorded as a discount to the acquisition obligation to be amortized to interest expense over the remaining term of the modified obligation payable, starting September 28, 2011. On March 24, 2012, the Company entered into the Second Amendment. In accordance with the guidance, the Company evaluated the cumulative impact of both amendments and determined the modification of the terms of the Asset Purchase Agreement as a result of the Second Amendment was considered substantial. The Company recorded the difference between the re-acquisition price and carrying value of the debt as of the modification date of March 24, 2012 as a loss on debt extinguishment of $761,492. The loss on debt extinguishment recorded resulted in the write-off of the unamortized portion of the discount to the debt obligation initially recorded upon entry into the First Amendment in the amount of approximately $113,000 as of March 24, 2012. As of March 24, 2012, the acquisition obligation s fair value was $2,504,178. During the three months ended October 31, 2011, approximately $17,000 was recognized as non-cash interest expense for amortization of the discount to the acquisition obligation.

The scheduled payments for the $3,000,000 obligation under this arrangement, as amended, are as follows:

- $ 250,000 - Upon the closing of the Asset Purchase Agreement
- $ 100,000 - September 30, 2011

- $ 150,000 - March 31, 2012
- $ 500,000 - September 24, 2012
- $ 1,000,000 - March 24, 2013
- $ 1,000,000 - December 31, 2013

On March 24, 2011, September 30, 2011, March 30, 2012 and September 24, 2012, the Company made payments of $250,000, $100,000, $150,000 and $500,000, respectively, to Inovio.

Table of Contents

**Note 7 Private Placements and Public Offering**

**March 2011 Private Placement**

On March 18, 2011, the Company closed a private placement whereby it issued 1,456,000 units at a purchase price of $0.75 per unit for gross proceeds of $1,092,000. Each unit consists of one share of common stock and one share purchase warrant entitling the holder to acquire one share of common stock at a price of $1.00 per share for a period of five years from the closing of the private placement. The fair value of the warrants, based on their fair value relative to the common stock issued, was $431,981 (based on the Black-Scholes Option Pricing Model assuming no dividend yield, volatility of 89.68%, and a risk-free interest rate of 2.11%). The warrants were exercisable as of March 18, 2011 and any unexercised warrants will expire on March 18, 2016. The Company completed an evaluation of the warrants issued in connection with this private placement and determined the warrants should be classified as equity within the consolidated balance sheets as the instrument s settlement provisions were fixed-for-fixed.

**June 2011 Private Placement**

On June 24, 2011, the Company closed a private placement whereby it issued an aggregate of 4,000,000 shares of the Company s common stock at a purchase price of $0.75 per share, and three series of warrants, the Series A Warrants, the Series B Warrants and the Series C Warrants, to purchase an aggregate of 12,000,000 shares of the Company s common stock, for proceeds to the Company of $3.0 million (the June 2011 Private Placement ). After deducting for fees and expenses, the aggregate net proceeds from the sale of the common stock and the warrants in the June Private Placement were approximately $2.79 million.

Pursuant to the terms of the Securities Purchase Agreement, each investor was issued a Series A Warrant, a Series B Warrant and a Series C Warrant, each to purchase up to a number of shares of the Company s common stock equal to 100% of the shares issued to such investor. The Series A Warrants have an exercise price of $1.20 per share, are exercisable immediately upon issuance and have a term of exercise equal to five years. The Series B Warrants have an exercise price of $0.75 per share, are exercisable immediately upon issuance and expire on February 21, 2012. The Series C Warrants have an exercise price of $1.20 per share, vest and are exercisable ratably commencing on the exercise of the Series B Warrants held by each investor and have a term of exercise equal to five years. The Series C Warrants also expire if the Series B Warrants expire unexercised. On February 21, 2012, the Series B and Series C Warrants expired unexercised.

On June 24, 2011, in connection with the closing of the June 2011 Private Placement, the Company and the Purchasers entered into a registration rights agreement pursuant to which the Company is required to file a registration statement within 30 days following such closing to register the resale of the common stock and the common stock underlying the warrants issued in the June 2011 Private Placement. The failure on the part of the Company to meet the filing deadlines and other requirements set forth in the registration rights agreement may subject the Company to payment of certain monetary penalties, up to a maximum of 9% of the aggregate proceeds of the June 2011 Private Placement. As of October 31, 2012 the Company was in compliance with the requirements set forth in the registration rights agreement.

In addition, pursuant to the terms of a placement agent agreement entered into with the lead placement agent on June 1, 2011 and amended on June 21, 2011, the Company agreed to pay the lead placement agent and the co-placement agent fees equal to 6% of the aggregate gross

proceeds raised in the private placement of $180,000 and reimbursement to the lead placement agent for certain expenses in the amount of $30,000. The total cash fees of $210,000 paid to the placement agents were recorded as a period expense as of the closing date. In connection with the agreement, the Company also issued to the placement agents Series A Warrants to purchase 6% of the aggregate common stock issued in the June 2011 Private Placement, or 240,000 shares of common stock.

**Allocation of Proceeds**

At the closing date of the June 2011 Private Placement, the estimated fair value of the Series A and Series C Warrants exceeded the proceeds from the June 2011 Private Placement of $3,000,000 (see the valuations of these derivative liabilities under the heading, Derivative Liabilities below). As a result, all of the proceeds were allocated to these derivative liabilities and no proceeds remained for allocation to the common stock and Series B Warrants issued in the financing.

Table of Contents

**Common Stock**

At the closing date of the June 2011 Private Placement, the Company issued 4,000,000 shares of unregistered common stock and recorded the par value of the shares issued of $400 (at par value of $0.0001 per share) with a corresponding reduction to paid-in capital, given that there was no allocated value from the proceeds to the common stock.

**Derivative Liabilities**

The Company accounted for the Series A and C Warrants in accordance with accounting guidance for derivatives. The accounting guidance provides a two-step model to be applied in determining whether a financial instrument is indexed to an entity s own stock that would qualify such financial instruments for a scope exception. This scope exception specifies that a contract that would otherwise meet the definition of a derivative financial instrument would not be considered as such if the contract is both (i) indexed to the entity s own stock and (ii) classified in the stockholders equity section of the balance sheet. The Company determined that its Series A and Series C Warrants were ineligible for equity classification as a result of the anti-dilution provisions in the Series A and Series C Warrants that may result in an adjustment to the warrant exercise price.

On the closing date of the June 2011 Private Placement, the derivative liabilities were recorded at an estimated fair value of $3,808,590. Given that the fair value of the derivative liabilities exceeded the total proceeds of the private placement of $3,000,000, no net amounts were allocated to the common stock. The $808,590 amount by which the recorded liabilities exceeded the proceeds was charged to other expense at the closing date. The Company revalued the derivative liability as of each subsequent balance sheet date, with any changes in the fair value between reporting periods recorded as other income or expense.

On March 28, 2012, the anti-dilution provisions of the Series A Warrants were triggered upon the closing of the Company s March 2012 registered public offering, which resulted in the reset of the exercise price of the Series A Warrants to the base floor price of $0.50. The fair value of the derivative liabilities as of March 28, 2012 was $657,604. The reset of the exercise price to the base floor price caused the anti-dilution provisions to become void as of March 28, 2012 and for future periods. As a result, on March 28, 2012, the Series A Warrants were reclassified as equity within the Company s consolidated financial statements, at a fair value of $657,604.

The estimated fair values of the derivative liabilities at October 31, 2011 were $872,967. The change in the estimated fair value of the Series A and C Warrants during the three months ended October 31, 2011, resulted in other income of $3,977,418. Such change in the estimated fair value was primarily due to the fluctuation in the Company s common stock price and updates to the assumptions used in the option pricing models.

The derivative liabilities were valued as of October 31, 2011, using a Monte Carlo valuation model with the following assumptions:

| | October 31, 2011 |
|---|---|
| Closing price per share of common stock | 0.31 |

| | |
|---|---|
| Exercise price per share | 1.20 |
| Expected volatility | 94.5% |
| Risk-free interest rate | 0.99% |
| Dividend yield | |
| Floor price | 0.50 |
| Remaining expected term of underlying securities (years) | 4.65 |

In addition, as of the valuation date, management assessed the probabilities of future financings assumptions in the Monte Carlo valuation models.

**March 2012 Public Offering**

On March 28, 2012, the Company closed its registered public offering of an aggregate of 31,000,000 shares of the Company s common stock and warrants to purchase an aggregate of 31,000,000 shares of common stock for gross proceeds to the Company of $7.75 million (the March 2012 Public Offering ). On March 23, 2012, the Company entered into a Securities Purchase Agreement (the Securities Purchase Agreement ) for the issuance and sale by the Company of the common stock and warrants in the Public Offering. After deducting for fees and expenses, the aggregate net proceeds from the March 2012 Public Offering were approximately $7.2 million.

Table of Contents

Pursuant to the terms of the Securities Purchase Agreement, at the closing each purchaser was issued a warrant to purchase up to a number of shares of the Company s common stock equal to 100% of the shares issued to such purchaser in the Public Offering. The warrants have an exercise price of $0.35 per share, are exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance of the warrants, or March 28, 2017.

Pursuant to a Placement Agent Agreement dated January 23, 2012 by and between the Company and Rodman & Renshaw, LLC ( Rodman ), as subsequently amended on March 12, 2012 (as amended, the Placement Agent Agreement ), Rodman agreed to act as the Company s placement agent in connection with the Public Offering. Under the Placement Agent Agreement, the Company agreed to pay Rodman a cash fee equal to 6% of the gross proceeds of the Public Offering, as well as a non-accountable expense allowance equal to 1% of the gross proceeds of the March 2012 Public Offering. In addition, the Company agreed to issue to the placement agent warrants to purchase up to an aggregate of 5% of the aggregate number of shares of common stock sold in the Public Offering, or warrants to purchase 1,550,000 shares of the Company s common stock (the Placement Agent Warrants ). As permitted under the Placement Agent Agreement, the Company elected to pay 30% of the 5% Placement Agent Warrants directly to Roth Capital Partners, LLC ( Roth ), who acted as financial advisors in the Public Offering, and as a result issued to Rodman a Placement Agent Warrant to purchase 1,085,000 shares of common stock and issued to Roth a Placement Agent Warrant to purchase 465,000 shares of common stock. The Placement Agent Warrants have substantially the same terms as the warrants issued to the purchasers in the Public Offering, except that such warrants have an exercise price of $0.3125 and shall expire on March 23, 2017. The fair value of the Placement Agent Warrants was $276,980 (based on the Black-Scholes Option Pricing Model assuming no dividend yield, volatility of 125.0%, and a risk-free interest rate of 1.05%), and was recorded as an offering cost. The Placement Agent Warrants and the shares of the Company s common stock underlying the Placement Agent Warrants have not been registered under the Securities Act of 1933, as amended.

The fair value of the warrants issued in connection with the March 2012 Public Offering to the purchasers, based on their fair value relative to the common stock issued, was $3,206,486 (based on the Black-Scholes Option Pricing Model assuming no dividend yield, volatility of 125.0%, and a risk-free interest rate of 1.05%). The Company completed an evaluation of all of the warrants issued in connection with this March 2012 Public Offering and determined the warrants should be classified as equity within the consolidated balance sheet.

**Note 8 Other Equity and Common Stock Transactions**

On March 1, 2011 the Company effected a 32 for one forward stock split of its authorized, issued and outstanding common stock. As a result, its authorized capital increased from 100,000,000 shares of common stock at $0.001 par value to 3,200,000,000 shares of common stock at $0.0001 par value, and its outstanding common stock has increased from 2,140,000 shares of common stock to 68,480,000 shares of common stock as of that date. The accompanying consolidated financial statements for the annual prior periods presented have been retroactively adjusted to reflect the effects of the forward stock split.

On March 22, 2011, 17,280,000 shares of common stock held by previous majority stockholders were returned to the Company for no consideration. The shares were not retired and are available for future issuance.

On May 9, 2011, the Board of Directors authorized the issuance of 200,000 fully vested shares of the Company s common stock to a consultant in exchange for advisory services. The shares were valued at $332,000, based on the closing price of the Company s common stock on the date of issuance, and are amortized over the service period of twelve months. During the three months ended October 31, 2011 $83,000 was recorded as consulting expense for these shares.

On September 28, 2011, in consideration for the First Amendment entered into with Inovio, the Company issued to Inovio a warrant to purchase 1,000,000 shares of the Company s common stock (see Note 6). The warrant has an exercise price of $1.20 per share, is exercisable immediately upon issuance and has an exercise term of five years. The warrant also contains a mandatory exercise provision allowing the Company to request the exercise of the warrant in whole provided that the Company s Daily Market Price (as defined in the warrant) is equal to or greater than $2.40 for twenty consecutive trading days. The Company completed an evaluation of the warrant issued in connection with this private placement and determined the warrants should be classified as equity within the consolidated balance sheet. The fair value of the warrant was $228,509 (based on the Black-Scholes Option Pricing Model assuming no dividend yield, volatility of 87.62%, and a risk-free interest rate of 0.96%). In accordance with the guidance, the fair value of the warrant will be recorded as a discount to the acquisition obligation and amortized to interest expense over the remaining term of the modified obligation payable (see Note 6).

Table of Contents

On March 24, 2012, in consideration for the Second Amendment entered into with Inovio, the Company issued to Inovio a warrant to purchase 3,000,000 shares of the Company s common stock (see Note 6). The warrant has an exercise price of $1.00 per share, is exercisable immediately upon issuance and has an exercise term of five years. The warrant also contains a mandatory exercise provision allowing the Company to request the exercise of the warrant in whole provided that the Company s Daily Market Price (as defined in the warrant) is equal to or greater than $2.40 for twenty consecutive trading days. The Company completed an evaluation of the warrant issued in connection with this private placement and determined the warrants should be classified as equity within the consolidated balance sheet. The fair value of the warrant was $729,602 (based on the Black-Scholes Option Pricing Model assuming no dividend yield, volatility of 125.0%, and a risk-free interest rate of 1.04%). In accordance with the applicable guidance, the fair value of the warrant will be recorded as part of the loss on debt extinguishment as of the issuance date (see Note 6).

At October 31, 2012 the Company had outstanding warrants to purchase 41,943,000 shares of common stock, with exercise prices ranging from $0.3125 to $1.20, all of which were classified as equity instruments. These warrants expire at various times between June 2016 and March 2017.

The Company has not adopted any policy regarding payment of dividends. No dividends have been paid during the periods presented.

**Note 9 Stock-Based Compensation**

In May 2011, the Company s Board of Directors adopted the OncoSec Medical Incorporated 2011 Stock Incentive Plan (the 2011 Plan ), subject to stockholder approval. The 2011 Plan authorized the Board of Directors to grant incentive stock options and non-statutory stock options to employees, directors, and consultants for up to 5,200,000 shares of common stock. Under the Plan, incentive stock options and nonqualified stock options can be granted. Incentive stock options are to be granted at a price that is no less than 100% of the fair value of the stock at the date of grant. Options vest over a period specified in individual option agreements entered into with grantees, and are exercisable for a maximum period of ten years after the date of grant. Options granted to stockholders who own more than 10% of the outstanding stock of the Company at the time of grant must be issued at an exercise price no less than 110% of the fair value of the stock on the date of grant. The Company obtained stockholder approval of the 2011 Plan at its March 2, 2012 annual meeting of stockholders.

During the three months ended October 31, 2012, the Company granted options to purchase 155,000 shares of the Company s common stock to employees under the 2011 Plan. The options issued to employees have a ten-year term, vest over two to three years and have exercise prices ranging from $.20 to $.42. The Company also granted options to purchase 1,200,000 shares of the Company s common stock to consultants under the 2011 Plan. The options issued to consultants have three year terms, vest in accordance with the term of the consulting agreement, and have an exercise price of $.18.

During the three months ended October 31, 2011, the Company granted options to purchase 355,000 and 100,000 shares of the Company s common stock to employees and directors, respectively, under the 2011 Plan. The options issued to employees have a ten-year term, vest over two years and have an exercise price of $0.40. The options issued to directors have a ten-year term, vests quarterly in equal increments over one year and have an exercise price of $0.40.

The Company recognizes compensation expense for stock option awards on a straight-line basis over the applicable service period of the award. The service period is generally the vesting period, with the exception of options granted subject to a consulting agreement, whereby the option vesting period and the service period are defined pursuant to the terms of the consulting agreement. Share-based compensation expense for awards granted during the three months ended October 31, 2012 and 2011, were based on the grant date fair value estimated using the Black-Scholes Option Pricing Model.

The following assumptions were used to calculate the fair value of share based compensation during the periods.

| | October 31, 2012 | October 31,2011 |
|---|---|---|
| Expected volatility | 79.25% - 97.85% | 85.96% |
| Risk-free interest rate | 0.36% - 1.92% | 0.96% |
| Expected forfeiture rate | 0.00% | 0.00% |
| Expected dividend yield | | |
| Expected term | 3 10 years | 5 6 years |

Table of Contents

Expected price volatility is the measure by which the Company s stock price is expected to fluctuate during the expected term of an option. The Company exited shell status on March 24, 2011. In situations where a newly public entity has limited historical data on the price of its publicly traded shares and no other traded financial instruments, authoritative guidance is provided on estimating this assumption by basing its expected volatility on the historical, expected, or implied volatility of similar entities whose share option prices are publicly available. In making the determination as to similarity, the guidance recommends the consideration of industry, stage of life cycle, size and financial leverage of such other entities. The Company s expected volatility is derived from the historical daily change in the market price of its common stock since it exited shell status, as well as the historical daily changes in the market price for the peer group as determined by the Company.

The expected term of the options represents the period that stock-based awards are expected to be outstanding based on the simplified method provided in ASC Topic 718, which averages an award s weighted-average vesting period and expected term for share options and warrants. The Company will continue to use the simplified method until it has the historical data necessary to provide a reasonable estimate of expected life in accordance with ASC Topic 718, as amended by SAB 110. For the expected term of options issued to employees and directors, the Company used a simple average of the vesting period and the contractual term for options granted, all of which have been granted subsequent to March 2011, as permitted by ASC Topic 718. The Company expects to continually evaluate its historical data as a basis for determining the expected terms of options granted under the 2011 Plan.

The Company s estimation of the expected term for stock options granted to parties other than employees or directors is the contractual term of the option award. For the purposes of estimating the fair value of stock option awards, the risk-free interest rate used in the Black-Scholes calculation is based on the prevailing U.S. Treasury yield. The Company has never paid any dividends on its common stock and does not anticipate paying dividends on its common stock in the foreseeable future.

Stock-based compensation expense recognized in the Company s consolidated statements of operations is based on awards ultimately expected to vest, reduced for estimated forfeitures. Authoritative guidance requires forfeitures to be estimated at the time of grant, and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Due to the Company s minimal stock-based compensation activity, the Company has not had significant forfeitures of stock options granted to employees and directors. Therefore, the Company has estimated the forfeiture rate of its outstanding stock options as zero, but will continually evaluate its historical data as a basis for determining expected forfeitures.

Share-based compensation expense recorded in the Company s consolidated statement of operations for the three months ended October 31, 2012 and 2011 resulting from share-based compensation awarded to the Company s employees, directors and consultants was approximately $180,000 and $5,100, respectively. Of this balance, $20,000 and $2,500 was recorded to research and development, and $160,000 and $2,600 was recorded in General and Administrative in the Company s consolidated statement of operations for the periods ended October 31, 2012 and 2011, respectively.

A summary of the stock option activity is as follows:

| | Option Shares Outstanding | Weighted-Average Exercise Price | Aggregate Intrinsic Value ($000 s) |
|---|---|---|---|
| Balance at July 31, 2012 | 3,175,000 | $ 0.24 | $ 24 |
| Granted | 1,355,000 | 0.18 | 171 |
| Exercised | | 0.00 | |

| | | | | |
|---|---|---|---|---|
| Forfeited / Cancelled | (20,200) | | 0.32 | 1 |
| Balance at October 31, 2012 | 4,509,800 | $ | 0.22 | $ 437 |

| Range of Exercise Prices | Number of Shares Outstanding | Weighted Average Contractual Life (in years) | Weighted Average Exercise Price | Number Of Shares Exercisable | Weighted Average Remaining Contractual Life (in years) | Weighted Averae Exercise Price |
|---|---|---|---|---|---|---|
| $ 0.18 - 0.42 | 4,509,800 | 6.18 | 0.22 | 2,658,950 | 5.89 | $ 0.22 |

The weighted-average grant date fair value of stock options granted during the three months ended October 31, 2012 and 2011 was $0.16 and $0.28, respectively. As of October 31, 2012, there was approximately $241,000 of unrecognized non-cash compensation cost related to unvested options, which will be recognized over a weighted average period of 1.03 years.

Table of Contents

**Note 10 Income Taxes**

The Company uses the asset and liability method of accounting for income taxes, in accordance with ASC 740-10, which requires the recognition of deferred tax liabilities for taxable temporary differences and deferred tax assets for deductible temporary differences and operating loss carryforwards using enacted tax rates in effect in the years the differences are expected to reverse. Deferred income tax benefit or expense is recognized as a result of changes in net deferred tax assets or deferred tax liabilities. A valuation allowance is recorded when it is more likely than not that some or all of any deferred tax assets will not be realized. As of October 31, 2012 and July 31, 2012, the Company recorded a full valuation allowance on its deferred tax assets.

**Note 11 Commitments and Contingencies**

In the ordinary course of business, the Company may become a party to lawsuits involving various matters. The Company is unaware of any such lawsuits presently pending against it which, individually or in the aggregate, are deemed to be material to the Company s financial condition or results of operations.

On May 12, 2011, the Company entered into a one-year lease agreement for office space, with a base annual rent of $42,000. On June 1, 2012, the Company entered into an amendment to its lease agreement. The lease amendment extends the lease term for a period of seven months commencing on June 1, 2012, through December 31, 2012. The amendment also increases the base monthly rent to approximately $10,000.

On May 18, 2011, the Company entered into Employment Agreements with a term of five years with its President and Chief Executive Officer, its Chief Business Officer and its VP Finance and Controller (the Officers Under the terms of the agreements, if any of the Officers are terminated other than for cause, death or disability, or if the case of termination of employment with the Company for good reason, the Officers are entitled to receive (i) severance payments equal to between six and twenty four months of base salary, (ii) a pro rata percentage of the annual bonus received the prior fiscal year and (iii) payment of health benefits for a period between six and twenty four months, conditioned on the execution of a release. In addition, in the event of a change in control of the Company, the agreements provide for the acceleration of vesting of any unvested stock options outstanding. Effective April 26, 2012, as a result of the termination of employment of the Company s Chief Business Officer and his execution of a release, the Company recorded a severance liability of $220,000 in accordance with the terms of the Employment Agreement and the separation release.

Effective May 15, 2012, the Company adopted a defined contribution savings plan pursuant to Section 401(k) of the Internal Revenue Code. The plan is for the benefit of all qualifying employees and permits voluntary contributions by employees up to 100% of eligible compensation, subject to the Internal Revenue Service ( IRS ) imposed maximum limits. The terms of the plan allows for discretionary employer matching contributions. No employer matching contributions were made during the three months ended October 31, 2012.

On August 24, 2012, the Company entered into an agreement with the University of South Florida Research Foundation to license certain intellectual property in exchange for payments upon the achievement of specified milestones and royalty payments at specified percentages of net sales of licensed products and processes, as defined, upon commercialization of stipulated licensed products or processes. The first payment will be for $50,000 upon the start of a future Phase II clinical trial for specific indications, $100,000 upon the start of a specified future Phase III clinical trial and $250,000 upon FDA approval under certain conditions. The Company also agreed to issue 150,000 shares of the Company s

common stock within 6 months of the effective date of the agreement and to pay for certain patent prosecution and filing fees.

**Note 12 Related Party Transactions**

The Company s Chairman of the Board of Directors is also a Director and the Chairman (formerly Executive Chairman) of Inovio. The Company s Chairman abstained from all discussions and voting related to negotiations of the Asset Purchase Agreement disclosed in Note 5 and the Amendment (and related warrant) disclosed in Notes 6 and 8, while performing his duties as Executive Chairman of Inovio.

**Note 13 Subsequent Event**

On December 17, 2012, the Company closed a private placement whereby it issued an aggregate of 28,800,000 shares of the Company s common stock at a purchase price of $0.25 per share, and warrants to purchase an aggregate of 14,400,000 shares of the Company s common stock, for proceeds to the Company of $7.2 million (the December 2012 Private Placement ). After deducting for fees and expenses, the aggregate net proceeds from the sale of the common stock and the warrants in the December 2012 Private Placement were approximately $6.5 million.

Pursuant to the terms of the Securities Purchase Agreement, each investor was issued a warrant to purchase up to a number of shares of the Company s common stock equal to 50% of the shares issued to such investor. The warrants have an exercise price of $0.26 per share, are exercisable immediately upon issuance and have a term of exercise equal to four years.

In addition, pursuant to the terms of a placement agent agreement entered into with the lead placement agent, the Company agreed to pay the placement agent and certain financial advisors to the Company fees equal to 6% of the aggregate gross proceeds raised in the private placement of $432,000 and reimbursement to the lead placement agent for certain expenses in an amount equal to 1% of the aggregate gross proceeds raised in the private placement of $72,000. In connection with the agreement, the Company also issued to the placement agent and financial advisors warrants to purchase 5% of the aggregate common stock issued in the December 2012 Private Placement, or a total of 1,440,000 shares of common stock.

Table of Contents

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

**Cautionary Statement**

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our Unaudited Consolidated Financial Statements and the related notes thereto contained in Part I, Item 1 of this Report. The information contained in this Quarterly Report on Form 10-Q is not a complete description of our business or the risks associated with an investment in our common stock. We urge you to carefully review and consider the various disclosures made by us in this Report and in our other reports filed with the Securities and Exchange Commission, or SEC, including our Annual Report on Form 10-K for the fiscal year ended July 31, 2012, our subsequent quarterly reports on Form 10-Q and our subsequent reports on Form 8-K, which discuss our business in greater detail.*

*This quarterly report on Form 10-Q contains forward-looking statements that involve risks, uncertainties and assumptions. If such risks or uncertainties materialize or such assumptions prove incorrect, our results could differ materially from those expressed or implied by such forward-looking statements and assumptions. In some cases, you can identify forward-looking statements by terminology such as may , should , expects , plans , anticipates , believes , estimates , predicts , potential or continue or the negative of these terms or other comparable terminology. All statements made in this Form 10-Q other than statements of historical fact are statements that could be deemed forward-looking statements. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors in Part II, Item IA of this Quarterly Report on Form 10-Q, and similar discussions in our other SEC filings. Risks that could cause actual results to differ from those contained in the forward-looking statements include but are not limited to risks related to: our ability to continue as a going concern; our need to raise additional capital and our ability to obtain financing; uncertainties inherent in pre-clinical studies and clinical trials; general economic and business conditions; our limited operating history; our ability to recruit and retain qualified personnel; our ability to manage future growth; our ability to develop our planned products; and our ability to protect our intellectual property. These forward-looking statements speak only as of the date of this Form 10-Q, except as required by applicable law, we do not intend to update any of these forward-looking statements.*

*As used in this quarterly report on Form 10-Q and unless otherwise indicated, the terms the Company , we , us and our refer to OncoSec Medical Incorporated.*

**Company Overview**

We were incorporated under the laws of the State of Nevada on February 8, 2008 under the name Netventory Solutions Inc. to pursue the business of inventory management solutions. Effective March 1, 2011, we completed a merger with our subsidiary, OncoSec Medical Incorporated, a Nevada corporation which was incorporated solely to effect a change in our name. As a result, we have changed our name from Netventory Solutions Inc. to OncoSec Medical Incorporated . On March 1, 2011 we effected a 32 for one forward stock split of our authorized, issued and outstanding common stock. As a result, our authorized capital increased from 100,000,000 shares of common stock at $0.001 par value to 3,200,000,000 shares of common stock at $0.0001 par value, and our outstanding common stock increased from 2,140,000 shares of common stock to 68,480,000 shares of common stock as of that date. The accompanying consolidated financial statements for annual prior periods presented have been retroactively adjusted to reflect the effects of the forward stock split.

*Asset Purchase Agreement*

On March 24, 2011, we completed the acquisition of certain assets of Inovio Pharmaceuticals, Inc. ( Inovio ) pursuant to an Asset Purchase Agreement dated March 14, 2011 by and between the Company and Inovio (the Asset Purchase Agreement ). The acquired assets relate to certain non-DNA vaccine technology and intellectual property relating to selective tumor ablation technologies, which we now refer to as the OncoSec Medical System ( OMS ), a therapy which uses an electroporation device to facilitate delivery of chemotherapy agents, or nucleic acids encoding cytokines, into tumors and/or surrounding tissue for the treatment and diagnosis of various cancers. The acquired assets included, among other things: certain equipment, machinery, inventory and other tangible assets of Inovio related to the OMS technology; certain engineering and quality documentation related to the OMS technology; the assignment of certain contracts; and certain of Inovio s patents, including patent applications, and trademarks, and all goodwill associated therewith related to the OMS technology.

Table of Contents

We did not assume any of the liabilities of Inovio except liabilities under the assigned contracts and assigned intellectual property arising after the closing date of the Asset Purchase Agreement. We are required to pay Inovio $3,000,000 in scheduled payments over a period of two years from the closing date and a royalty on any commercial product sales related to the OMS technology. We made our first payment upon closing of the acquisition under the Asset Purchase Agreement, using proceeds received in the March 2011 Private Placement described below. On September 28, 2011, we entered into a First Amendment to Asset Purchase Agreement (the First Amendment ). The First Amendment modified the payment terms of the $750,000 due to Inovio by September 24, 2011, instead requiring us to make a payment of $100,000 to Inovio on September 30, 2011, with the remaining $650,000 to be paid to Inovio at the earlier of (a) 30 days following the receipt by us of aggregate net proceeds of more than $5,000,000 from one or more financings occurring on or after September 30, 2011, or (b) March 31, 2012. On March 24, 2012, we entered into a Second Amendment to Asset Purchase Agreement (the Second Amendment ). The Second Amendment further modified the payment terms for the $1,150,000 scheduled payments due to Inovio in March 2012 by requiring us to make a payment of $150,000 on March 31, 2012, with the remaining $1,000,000 to be paid to Inovio on December 31, 2013.

In consideration for the First Amendment we issued to Inovio a warrant to purchase 1,000,000 shares of common stock with an exercise price of $1.20 per share. In consideration for the Second Amendment, we issued to Inovio a warrant to purchase 3,000,000 shares of our common stock with an exercise price of $1.00 per share. Each of the warrants was exercisable immediately upon issuance and has an exercise term of five years. Each of the warrants also contains a mandatory exercise provision allowing us to request the exercise of the warrant in whole provided that our daily market price (as defined in the warrant) is equal to or greater than $2.40 for twenty consecutive trading days. We completed an evaluation of the warrants issued to Inovio and determined the warrants should be classified as equity within the consolidated balance sheet.

In connection with the Asset Purchase Agreement, on March 24, 2011 we entered into a cross-license agreement with Inovio pursuant to which we granted Inovio a fully paid-up, exclusive, worldwide license to certain of the OMS technology patents in the field of gene or nucleic acids, outside of those encoding cytokines, delivered by electroporation. Inovio also granted us a non-exclusive, worldwide license to certain non-OMS technology patents in the OMS field in exchange for: a fee for any sublicense of the Inovio technology, not to exceed 10%; a royalty on net sales of any business we develop with the Inovio technology, not to exceed 10%; and payment to Inovio of any amount Inovio pays to the licensor of the Inovio technology that is a direct result of the license.

Following the acquisition of the OMS technology assets from Inovio, we relocated our principal office to San Diego, California. Our business is now focused on designing, developing and commercializing innovative and proprietary medical approaches for the treatment of solid tumors that have unmet medical needs or where currently approved therapies are inadequate based on their therapeutic benefit or side-effect profile. Our therapies are based on the use of electroporation to deliver either an approved chemotherapeutic agent ( NeoPulse ), or a DNA plasmid construct that encodes for a cytokine ( ImmunoPulse ) to treat solid tumors. NeoPulse and ImmunoPulse specifically target destruction of cancerous cells and not healthy normal tissues. Our goal is to improve the lives of people suffering from the life-altering effects of cancer through the development of our novel treatment approaches. We have initiated three Phase II clinical trials for the use of our therapies to treat metastatic melanoma, Merkel cell carcinoma and cutaneous T-cell lymphoma.

*Private Placements*

On March 18, 2011, we closed a private placement of 1,456,000 units at a purchase price of $0.75 per unit for gross proceeds of $1,092,000 (the March 2011 Private Placement ). Each unit consists of one share of our common stock and one share purchase warrant entitling the holder to acquire one share of common stock at a price of $1.00 per share for a period of five years from the closing of the March 2011 Private Placement. The warrants were exercisable as of March 18, 2011 and any unexercised warrants will expire on March 18, 2016. We completed an evaluation of the warrants issued with this private placement and determined the warrants should be classified as equity within the consolidated balance sheet. We are not obligated to register any of the shares issued or issuable upon exercise of the warrants issued in the March 2011 Private Placement.

On June 24, 2011, we sold in a private placement an aggregate of 4,000,000 shares of our common stock and three series of warrants to purchase an aggregate of 12,000,000 shares of our common stock at a per unit purchase price of $0.75 per unit, for proceeds to us of $3.0 million (the June 2011 Private Placement ). We also issued warrants to purchase 240,000 shares of our common stock to the co-placement agents in the offering. After deducting for fees and expenses, the aggregate net cash proceeds from the June 2011 Private Placement were approximately $2.79 million.

Table of Contents

Pursuant to the terms of the Securities Purchase Agreement that we entered into with the purchasers in the June 2011 Private Placement, each purchaser was issued a Series A Warrant, a Series B Warrant and a Series C Warrant, each to purchase up to a number of shares of our common stock equal to 100% of the shares issued to such purchaser pursuant to the Securities Purchase Agreement. The Series A Warrants had an initial exercise price of $1.20 per share, are exercisable immediately upon issuance and have a term of five years. On February 21, 2012, the Series B and Series C Warrants expired unexercised. On March 28, 2012, the exercise price of the Series A Warrants reset to $0.50 upon the closing of the March 2012 Public Offering.

*March 2012 Public Offering*

On March 28, 2012, we completed a registered public offering of an aggregate of 31,000,000 shares of common stock and warrants to purchase an aggregate of 31,000,000 shares of common stock at an aggregate purchase price of $7.75 million (the March 2012 Public Offering ). After deducting for fees and expenses, the aggregate net proceeds to us from the March 2012 Public Offering were approximately $7.2 million. The warrants issued in the offering have an exercise price of $0.35 per share, are exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance of the warrants.

Under our placement agent agreement with Rodman & Renshaw, LLC ( Rodman ), we agreed to pay the placement agent a cash fee equal to 6% of the gross proceeds of the offering, as well as a non-accountable expense allowance equal to 1% of the gross proceeds of the offering. In addition, we agreed to issue to the placement agent warrants to purchase up to an aggregate of 5% of the aggregate number of shares of common stock sold in the offering, or 1,550,000 shares of common stock (the Placement Agent Warrants ). As permitted under the agreement, we elected to pay 30% of the 5% Placement Agent Warrants directly to Roth Capital Partner, LLC ( Roth ), who acted as our financial advisor in the offering, and as a result issued a warrant to purchase 1,085,000 shares of common stock to Rodman and a warrant to purchase 465,000 shares of common stock to Roth. The Placement Agent Warrants have substantially the same terms as the warrants issued to the purchasers in the offering, except that such warrants have an exercise price of $0.3125 and expire on March 23, 2017. The Placement Agent Warrants and the shares of common stock underlying the Placement Agent Warrants have not been registered. We completed an evaluation of all of the warrants issued in connection with the March 2012 Public Offering and determined the warrants should be classified as equity within the consolidated balance sheet.

As further discussed in Liquidity and Capital Resources below, we will need to raise additional funds in order to continue operating our business.

**Critical Accounting Policies**

Accounting for Long-Lived Assets / Intangible Assets

We assess the impairment of long-lived assets, consisting of property and equipment, and finite-lived intangible assets, whenever events or circumstances indicate that the carry value may not be recoverable. Examples of such circumstances include: (1) loss of legal ownership or title to an asset; (2) significant changes in our strategic business objectives and utilization of the assets; and (3) the impact of significant negative industry or economic trends.

Recoverability of assets to be held and used in operations is measured by a comparison of the carrying amount of an asset to the future net cash flows expected to be generated by the assets. The factors used to evaluate the future net cash flows, while reasonable, require a high degree of judgment and the results could vary if the actual results are materially different than the forecasts. In addition, we base useful lives and amortization or depreciation expense on our subjective estimate of the period that the assets will generate revenue or otherwise be used by us. If such assets are considered impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less selling costs.

We also periodically review the lives assigned to our intangible assets to ensure that our initial estimates do not exceed any revised estimated periods from which we expect to realize cash flows from the technologies. If a change were to occur in any of the above-mentioned factors or estimates, the likelihood of a material change in our reported results would increase.

Derivative Liabilities

In conjunction with the June 2011 private placement, we issued warrants that are accounted for as derivative liabilities. These derivative liabilities were determined to be ineligible for equity classification due to certain price protection and anti-dilution provisions.

Table of Contents

These derivative liabilities were initially recorded at their estimated fair value on the date of issuance of the common stock and warrants, and are subsequently adjusted to reflect the estimated fair value at each period end, with any decrease or increase in the estimated fair value being recorded as other income or expense. The fair value of these liabilities is estimated using option pricing models that are based on the individual characteristics of the common stock, the derivative liabilities on the valuation date, probabilities related to future financings, as well as assumptions for volatility, remaining expected life, and risk-free interest rate. The option pricing models of our derivative liabilities are estimates and are sensitive to changes to inputs and assumptions used in the option pricing models.

Share-Based Compensation

We grant equity-based awards under our share-based compensation plan. We estimate the fair value of share-based payment awards using the Black-Scholes option valuation model. This fair value is then amortized over the requisite service periods of the awards. The Black-Scholes option valuation model requires the input of subjective assumptions, including price volatility of the underlying stock, risk-free interest rate, dividend yield, and expected life of the option. Share-based compensation expense is based on awards ultimately expected to vest, and therefore is reduced by expected forfeitures. Changes in assumptions used under the Black-Scholes option valuation model could materially affect our net loss and net loss per share.

**Results of Operations for the Three Months Ended October 31, 2012 Compared to the Three Months Ended October 31, 2011**

The unaudited consolidated financial data for the three months ended October 31, 2012 and October 31, 2011 is presented in the following table and the results of these two periods are used in the discussion thereafter.

| | October 31, 2012 ($) | October 31, 2011 ($) | Increase/ (Decrease) ($) | Increase/ (Decrease) % |
|---|---|---|---|---|
| **Revenue** | | | | |
| **Operating expenses** | | | | |
| Research and development | 1,180,974 | 515,587 | 665,387 | ** |
| General and administrative | 816,502 | 678,651 | 137,851 | 20 |
| **Loss from operations** | (1,997,476) | (1,194,238) | 803,238 | 67 |
| **Other income (expense)** | | | | |
| Interest expense non-cash | (27,449) | (69,134) | (41,685) | (60) |
| Adjustments to fair value of derivative liabilities | | 3,977,418 | (3,977,418) | (100) |
| **Net income (loss) before income taxes** | (2,024,925) | 2,714,046 | (4,738,971) | ** |
| **Income tax provision** | 2,000 | 2,000 | | |
| **Net income (loss)** | (2,026,925) | 2,712,046 | (4,738,971) | ** |

** Percentage increase/(decrease) is greater than 100%.

Research and Development Expenses

The $665,000 increase in research and development expenses for the three month period ended October 31, 2012 as compared to the three month period ended October 31, 2011 was mainly the result of increases in salary and associated costs of $184,000, contract labor and professional services of $290,000, share based compensation expense of $160,000 and travel and related costs of $10,000. We expect research and development to account for a significant portion of our total expenses in the future, and to increase substantially over the 2013 fiscal year, as we continue to focus on designing and developing our therapies.

General and Administrative

The $138,000 increase in general and administrative expenses for the three month period ended October 31, 2012 as compared to the three month period ended October 31, 2011 was primarily the result of increases in corporate communications costs of $85,000 consisting primarily of investor relation services, share based compensation expense of $20,000 as well as other general corporate matters and increased travel and associated costs of $10,000.

Table of Contents

Other Income (Expense)

The $3,977,000 decrease in other income for the three month period ended October 31, 2012 as compared to the same period ended October 31, 2011 was due to the recording of other income of $3,977,000 as a result of the adjustment to fair value of the derivative liabilities as of October 31, 2011. In connection with the June Private Placement, we issued warrants to purchase 240,000 shares of our common stock to the co-placement agents and warrants to purchase 12,000,000 shares of our common stock to the investors in the private placement. As more fully described in Note 7 to our consolidated financial statements, certain warrants issued in connection with the June Private Placement were determined to be derivative liabilities as a result of the anti-dilution provisions contained in the warrant agreements, which may result in an adjustment to the warrant exercise price. All of these warrants ceased to be classified as derivative liabilities as of March 28, 2012.

**Liquidity and Capital Resources**

*Working Capital*

Our working capital as of October 31, 2012 and July 31, 2012 is summarized as follows:

| | At October 31, 2012 ($) | At July 31, 2012 ($) |
|---|---|---|
| Current assets | 3,763,552 | 5,493,056 |
| Current liabilities | 1,839,120 | 2,023,156 |
| Working capital | 1,924,432 | 3,469,900 |

Current Assets

The decrease in our current assets was primarily due to a decrease in cash from $5,142,000 as of July 31, 2012, to $3,530,000 as of October 31, 2012, as a result of cash used in operations during the period ended October 31, 2012. As of October 31, 2012, our current assets included cash and cash equivalents of $3,530,473.

Current Liabilities

Current liabilities at October 31, 2012 decreased to $1,839,000 from $2,023,000 as of July 31, 2012. This decrease was primarily due to the $500,000 payment made on September 24, 2012 to Inovio in accordance with the Asset Purchase Agreement as more fully discussed in Note 6 to our consolidated financial statements.

*Cash Flow*

Cash Used in Operating Activities

Cash used in operating activities for the three-month period ended October 31, 2012 was $1,217,000, as compared to $931,000 for the period ended October 31, 2011. This increase was related to increased costs of operations, such as salary expense and associated costs, legal fees and professional fees, primarily related to an increase in our research and development activities.

Cash Used in Investing Activities

There was no investing activity for the period ended October 31, 2012. Cash used in investing activities was $17,000 for the period ended October 31, 2011, and related to the purchase of property and equipment.

Cash Provided by Financing Activities

Cash used in financing activities was $394,000 for the period ended October 31, 2012, and primarily related to the scheduled payment made to Inovio in connection with the Asset Purchase Agreement, offset by proceeds received from the exercise of warrants during the period. Cash used in financing activities was $100,000 for the period ended October 31, 2011, and also related to the scheduled payment made to Inovio in connection with the Asset Purchase Agreement.

*Recent Financings*

As described above, on March 18, 2011 we issued 1,456,000 units at a price of $0.75 per unit for gross proceeds of $1,092,000. Each unit consisted of one share of our common stock and one share purchase warrant entitling the warrant holder to purchase an additional share of our common stock at a price of $1.00 per share for a period of five years from closing. We issued the units to three subscribers. We used $250,000 of the proceeds as the first payment to Inovio pursuant to the Asset Purchase Agreement and used the remaining funds for general working capital purposes.

Table of Contents

On June 24, 2011, in the June 2011 Private Placement, we sold an aggregate of 4,000,000 shares of our common stock and issued three series of warrants, the Series A Warrants, the Series B Warrants and the Series C Warrants, to purchase an aggregate of 12,000,000 shares of the our common stock at a per unit purchase price of $0.75 per unit, for proceeds to us of $3.0 million. We paid fees and expenses of $210,000 to the co-placement agents and issued the co-placement agents warrants to purchase 240,000 shares of our common stock on terms substantially similar to the Series A Warrants. After deducting for fees and expenses, the aggregate net cash proceeds from the June 2011 Private Placement were approximately $2,790,000. The Series A Warrants currently have an exercise price of $0.50 per share, were exercisable immediately upon issuance and have a term of exercise equal to five years. On February 21, 2012, the Series B and Series C Warrants expired unexercised.

On March 28, 2012, in the March 2012 Public Offering, we sold an aggregate of 31,000,000shares of common stock and warrants to purchase 31,000,000 shares of common stock for an aggregate purchase price of $7.75 million. The warrants have an exercise price of $0.35 per share, are exercisable immediately upon issuance and have a term of exercise equal to five years from the date of issuance. We paid fees and expenses of $542,500 and issued warrants to purchase 1,550,000 shares of our common stock on terms substantially similar to the purchaser warrants to the placement agent and a financial advisor in the March 2012 Public Offering. After deducting for fees and expenses, our aggregate net proceeds from the offering were approximately $7.2 million.

*Cash Requirements*

Our primary objectives are to develop and pursue the commercialization of our planned products and to identify additional products for acquisition and development. We continuously search for industry experts to expand our management team and better position our company. In addition, we expect to pursue raising sufficient capital to fund our operations and to acquire and develop additional assets and technology consistent with our business objectives.

We estimate our operating expenses and working capital requirements for the fiscal year ending July 31, 2013 to be as follows:

| **Expense** | | **Amount** |
|---|---|---|
| Product development | $ | 2,700,000 |
| Employee compensation | | 2,000,000 |
| General and administration | | 1,300,000 |
| Professional services fees | | 400,000 |
| Total | $ | 6,400,000 |

As of October 31, 2012, we had cash and cash equivalents of approximately $3,530,000. We do not expect these funds to be sufficient to continue to operate our business through the remainder of our fiscal period ended July 31, 2013. We will require additional financing to fund our planned operations during our fiscal period ended July 31, 2013, including the continuation of our ongoing clinical trials, commercializing any assets obtained under the Asset Purchase Agreement, seeking to license or acquire new assets, and researching and developing any potential patents, the related compounds and any further intellectual property that we may acquire. We will also require additional financing to meet our remaining obligation to Inovio under the Asset Purchase Agreement, which requires that we make the following payments: (i) $1,000,000 on March 24, 2013; and (ii) $1,000,000 December 31, 2013.

If the investors and placement agents in the June 2011 Private Placement and March 2012 Public Offering choose to exercise their remaining outstanding warrants in full on a cash basis, we would receive approximately $2 million and $11 million, respectively. However, the warrant

holders may choose not to exercise any of the warrants they hold, may choose to net exercise their warrants as provided in such warrants under certain limited circumstances, or may choose to exercise only a portion of the warrants issued. The exercise prices of the outstanding warrants currently exceed the current market price of our common stock on the OTC Bulletin Board. As a result, we may never receive proceeds from the exercise of such warrants.

We currently do not have committed sources of financing and may not be able to obtain a financing, particularly if the volatile conditions in the capital and financial markets, and more particularly the market for early development stage biomedical company stocks persist. Additional financing may not be available to us when needed or, if available, may not be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we may be forced to delay or scale down some or all of our development activities or cease the operation of our business.

Table of Contents

Since inception we have funded our operations primarily through equity and debt financings and we expect to continue to do so in the future. If we obtain additional financing by issuing equity securities, our existing stockholders ownership will be diluted. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments. We may be unable to maintain operations at a level sufficient for investors to obtain a return on their investments in our common stock. Further, we may continue to be unprofitable.

*Going Concern*

As of October 31, 2012, we have incurred a net loss of $8,227,653 since our inception. In their report on the annual consolidated financial statements for the fiscal year ended July 31, 2012, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. As further discussed in Note 3 to the financial statements for the fiscal year ended July 31, 2012, during that fiscal year we incurred losses from operations, had negative working capital, and were in need of additional capital to grow our operations to become profitable. Management s plans are to continue to seek funding from our stockholders and other qualified investors in order to pursue our business plan.

We expect our cash requirements over the annual fiscal period ending July 31, 2013 to be approximately $6,400,000. As of October 31, 2012, we had cash and cash equivalents of $3,530,473. We are obligated to make payments to Inovio of $1,000,000 on March 24, 2013 and $1,000,000 on December 31, 2013.

**Off-Balance Sheet Arrangements**

We have no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to stockholders.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

Not Applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, or SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our VP Finance and Controller, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

As required by Rule 13a-15(b) under the Exchange Act, our management conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer (being our principal executive officer) and our VP Finance and Controller (being our principal financial officer), of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. Based on the foregoing evaluation, our Chief Executive Officer and our VP Finance and Controller, in their capacities as our principal executive officer and our principal financial officer, concluded that as of the end of the period covered by this report our disclosure controls and procedures were effective.

**Changes in Our Controls**

There were no changes in our internal controls over financial reporting during our fiscal quarter ended October 31, 2012 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

**PART II OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are not currently a party to any proceedings the adverse outcome of which, individually or in the aggregate, would have a material adverse effect on our financial position or results of operations.

Table of Contents

**ITEM 1A. RISK FACTORS**

***We must raise additional capital in order to continue operating our business, and such additional funds may not be available on acceptable terms or at all.***

We do not generate any cash from operations and must raise additional funds in order to continue operating our business. We expect our cash requirements over the annual fiscal period ending July 31, 2013, including our mandatory payments to Inovio under the Asset Purchase Agreement, to be approximately $6,400,000. As of October 31, 2012, we had cash and cash equivalents of $3,530,473. We do not expect these funds to be sufficient to continue to operate our business through the remainder of our fiscal year ending July 31, 2013, and will require additional financing to fund our planned operations.

We expect to continue to fund our operations primarily through equity and debt financings in the future. If additional capital is not available, we may not be able to continue to operate our business pursuant to our business plan or we may have to discontinue our operations entirely. We will require additional financing to fund our planned operations, including developing and commercializing the assets obtained under the Asset Purchase Agreement with Inovio, seeking to license or acquire new assets, researching and developing any potential patents, related compounds and other intellectual property, funding potential acquisitions, and supporting clinical trials and seeking regulatory approval relating to our assets and any assets we may acquire in the future. Additional financing may not be available to us when needed or, if available, may not be available on commercially reasonable terms. If we issue equity or convertible debt securities to raise additional funds, our existing stockholders may experience substantial dilution, and the new equity or debt securities may have rights, preferences and privileges senior to those of our existing stockholders. If we incur additional debt, it may increase our leverage relative to our earnings or to our equity capitalization, requiring us to pay additional interest expenses. Obtaining commercial loans, assuming those loans would be available, would increase our liabilities and future cash commitments.

We may not be able to obtain additional financing if the volatile conditions in the capital and financial markets, and more particularly the market for early development stage biomedical company stocks, persist. Weak economic and capital markets conditions could result in increased difficulties in raising capital for our operations. We may not be able to raise money through the sale of our equity securities or through borrowing funds on terms we find acceptable. If we cannot raise the funds that we need, we will be unable to continue our operations, and our stockholders could lose their entire investment in our company.

**Risks Related to Our Business**

***We have never generated revenue from our operations and our independent auditors have expressed substantial doubt about our ability to continue as a going concern***

We have not generated any revenue from operations since our inception. During the period ended October 31, 2012, we incurred a net loss of $2,026,925. From inception through October 31, 2012, we incurred an aggregate loss of $8,227,653. We expect that our operating expenses will increase substantially over the 2013 fiscal year as we continue to pursue U.S. Food and Drug Administration ( FDA ) approval for our product candidates. We expect our expenses during our fiscal year ending July 31, 2013 to be approximately $6,400,000, including general and administrative expenses and our mandatory payments to Inovio but excluding the cost of any future acquisitions and development activities. As

of October 31, 2012, we had cash and cash equivalents of $3,530,473.

In order to fund our anticipated budget through the end of our fiscal year ending July 31, 2013, including payments owing to Inovio under the Asset Purchase Agreement, we believe that we will need to raise approximately $1.3 million in additional funds. This amount could increase if we encounter unanticipated difficulties. In addition, our estimates of the amount of cash necessary to fund our business and development and commercialization activities may prove to be wrong, and we could spend our available financial resources much faster than we currently expect. If we cannot raise the money that we need in order to continue to develop our business, we will be forced to delay, scale back or eliminate some or all of our proposed operations. If any of these were to occur, there is a substantial risk that our business would fail.

Table of Contents

These circumstances raise substantial doubt about our ability to continue as a going concern, as described in the explanatory paragraph to our independent auditors report on our financial statements for the year ended July 31, 2012, which is included in our Annual Report on Form 10-K for the fiscal year ended July 31, 2012, filed with the Securities and Exchange Commission (the SEC ) on October 15, 2012. Although our financial statements raise substantial doubt about our ability to continue as a going concern, they do not reflect any adjustments that might result if we are unable to continue our business. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

***We are an early-stage company with a limited operating history, which may hinder our ability to successfully meet our objectives.***

We are an early-stage company with only a limited operating history upon which to base an evaluation of our current business and future prospects and how we will respond to competitive, financial or technological challenges. Only recently have we explored opportunities in the biomedical industry. As a result, the revenue and income potential of our business is unproven. In addition, because of our limited operating history, we have limited insight into trends that may emerge and affect our business. Errors may be made in predicting and reacting to relevant business trends and we will be subject to the risks, uncertainties and difficulties frequently encountered by early-stage companies in evolving markets. We may not be able to successfully address any or all of these risks and uncertainties. Failure to adequately do so could cause our business, results of operations and financial condition to suffer or fail.

***We have not commercialized any of our potential product candidates and we cannot predict if or when we will become profitable.***

We have not commercialized any product candidate relating to our current assets in the biomedical industry. Our ability to generate revenues from any of our product candidates will depend on a number of factors, including our ability to successfully complete clinical trials, obtain necessary regulatory approvals and negotiate arrangements with third parties to help finance the development of, and market and distribute, any product candidate that receives regulatory approval. In addition, we will be subject to the risk that the marketplace will not accept our products.

Because of the numerous risks and uncertainties associated with our product development and commercialization efforts, we are unable to predict the extent of our future losses or when or if we will become profitable, and it is possible we will never commercialize any of our product candidates or become profitable. Our failure to obtain regulatory approval and successfully commercialize any of our product candidates would have a material adverse effect on our business, results of operations, financial condition and prospects and could result in our inability to continue operations.

***If we are unable to successfully recruit and retain qualified personnel, we may not be able to continue our operations.***

In order to successfully implement and manage our business plan, we will depend upon, among other things, successfully recruiting and retaining qualified personnel having experience in the biomedical industry. Competition for qualified individuals is intense. If we are not able to find, attract and retain qualified personnel on acceptable terms, our business operations could suffer.

Additionally, although we have employment agreements with each of our executive officers, these agreements are terminable by them at will and we may not be able to retain their services. The loss of the services of any members of our senior management team could delay or prevent the development and commercialization of any other product candidates and our business could be harmed to the extent that we are not able to find suitable replacements.

***Future growth could strain our resources, and if we are unable to manage our growth, we may not be able to successfully implement our business plan.***

We hope to experience rapid growth in our operations, which will place a significant strain on our management, administrative, operational and financial infrastructure. Our future success will depend in part upon the ability of our executive officers to manage growth effectively. This will require that we hire and train additional personnel to manage our expanding operations. In addition, we must continue to improve our operational, financial and management controls and our reporting systems and procedures. If we fail to successfully manage our growth, we may be unable to execute upon our business plan.

Table of Contents

***We may be unable to successfully develop and commercialize the assets we recently acquired, or acquire, or develop and commercialize new assets and product candidates.***

Our future results of operations will depend to a significant extent upon our ability to successfully develop and commercialize in a timely manner the assets we recently acquired from Inovio related to certain non-DNA vaccine technology and intellectual property relating to selective electrochemical tumor ablation, which we now refer to as the OncoSec Medical System ( OMS ). In addition, we may acquire new assets or product candidates in the future. There are numerous difficulties inherent in acquiring, developing and commercializing new products and product candidates, including difficulties related to:

- successfully identifying potential product candidates;
- developing potential product candidates;
- difficulties in conducting or completing clinical trials, including receiving incomplete, unconvincing or equivocal clinical trials data;
- obtaining requisite regulatory approvals for such products in a timely manner or at all;
- acquiring, developing, testing and manufacturing products in compliance with regulatory standards in a timely manner or at all;
- being subject to legal actions brought by our competitors, which may delay or prevent the development and commercialization of new products;
- delays or unanticipated costs; and
- significant and unpredictable changes in the payer landscape, coverage and reimbursement for any products we develop.

As a result of these and other difficulties, we may be unable to develop potential product candidates using our intellectual property, and potential products in development by us may not receive timely regulatory approvals, or approvals at all, necessary for marketing by us or our third-party partners. If we do not acquire or develop product candidates, any of our product candidates are not approved in a timely fashion or at all or, when acquired or developed and approved, cannot be successfully manufactured and commercialized, our operating results would be adversely

affected. In addition, we may not recoup our investment in developing products, even if we are successful in commercializing those products. Our business expenditures may not result in the successful acquisition, development or commercialization of products that will prove to be commercially successful or result in the long-term profitability of our business.

***Regulatory authorities may not approve our product candidates or the approvals may be too limited for us to earn sufficient revenues.***

The FDA and other foreign regulatory agencies can delay approval of or refuse to approve our product candidates for a variety of reasons, including failure to meet safety and efficacy endpoints in our clinical trials. Our product candidates may not be approved even if they achieve their endpoints in clinical trials. Regulatory agencies, including the FDA, may disagree with our trial design and our interpretation of data from preclinical studies and clinical trials. Clinical trials of our product candidates may not demonstrate that they are safe and effective to the extent necessary to obtain regulatory approvals. We have initiated three Phase II clinical trials to assess our ImmunoPulse technology in patients with metastatic melanoma, Merkel cell carcinoma and cutaneous T-cell lymphoma. If we cannot adequately demonstrate through the clinical trial process that a therapeutic product we are developing is safe and effective, regulatory approval of that product would be delayed or prevented, which would impair our reputation, increase our costs and prevent us from earning revenues. Even if a product candidate is approved, it may be approved for fewer or more limited indications than requested or the approval may be subject to the performance of significant post-marketing studies. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates. Any limitation, condition or denial of approval would have an adverse affect on our business, reputation and results of operations.

Acquisition of the OMS technology included an extensive clinical database from two Phase III clinical trials that were halted before enrollment was completed. In 2007, these two Phase III clinical trials, HNBE-01 and HNBE-02, which were designed to evaluate the use of the NeoPulse technology as a treatment for resectable recurrent and second primary squamous cell carcinomas of the head and neck were halted as a result of a recommendation from the Data Monitoring Committee (DMC). The DMC cited concerns regarding efficacy and safety, including mortality rates and enrollment futility. In the DMC s opinion, although no single parameter was sufficient to warrant recommending a review of the trial, the totality of data for these recurrent head and neck cancer studies suggested an unfavorable benefit-to-risk profile for the NeoPulse arm

Table of Contents

relative to the surgery arm. Without conducting further analysis, enrollment for both studies were halted, however the treated patients were followed up to two years to further evaluate safety and efficacy, as per the protocol, and the clinical trials were not reinitiated. Upon acquisition of the OMS technology, OncoSec has since carried out extensive analysis of the available data from 214 patients treated in both Phase III studies, which indicated that there were no statistically significant differences between time to death or duration of local control between the control or experimental arms, or the combined groups across studies. Furthermore, none of the other parameters examined, including demographics, time since original diagnosis, prior therapies or tumor stage, showed any significant statistical difference between these parameters. OncoSec is continuing to evaluate this data, however if we are unable to initiate or complete new Phase III or pivotal clinical studies, we will be unable to commercialize the NeoPulse technology.

***Delays in the commencement or completion of clinical testing for product candidates based on the OMS technology could result in increased costs to us and delay or limit our ability to pursue regulatory approval or generate revenues.***

Clinical trials are very expensive, time consuming and difficult to design and implement. Even if the results of our proposed clinical trials are favorable, clinical trials for product candidates based on the OMS technology will continue for several years and may take significantly longer than expected to complete. Delays in the commencement or completion of clinical testing could significantly affect our product development costs and business plan. We do not know whether our Phase II clinical trials will be completed on schedule, if at all. In addition, we do not know whether any other pre-clinical or clinical trials will begin on time or be completed on schedule, if at all. The commencement and completion of clinical trials can be delayed for a number of reasons, including delays related to:

- obtaining clearance from the FDA or respective international regulatory equivalent to commence a clinical trial;
- reaching agreement on acceptable terms with prospective clinical research organizations, or CROs, clinical investigators and trial sites;
- obtaining institutional review board, or IRB, approval to initiate and conduct a clinical trial at a prospective site;
- identifying, recruiting and training suitable clinical investigators;
- identifying, recruiting and enrolling subjects to participate in clinical trials for a variety of reasons, including competition from other clinical trial programs for similar indications; and
- retaining patients who have initiated a clinical trial but may be prone to withdraw due to side effects from the therapy, lack of efficacy, personal issues, or for any other reason they choose, or who are lost to further follow-up.

We believe that we have planned and designed an adequate clinical trial program for our product candidates based on our OMS technology. However, the FDA could determine that it is not satisfied with our plan or the details of our pivotal clinical trial protocols and designs.

Additionally, changes in applicable regulatory requirements and guidance may occur and we may need to amend clinical trial protocols to reflect these changes. Amendments may require us to resubmit our clinical trial protocols to IRBs for reexamination, which may impact the costs, timing or successful completion of a clinical trial. If we experience delays in completion of, or if we terminate, any of our clinical trials, the commercial prospects for our product candidates may be harmed, which may have a material adverse effect on our business, results of operations, financial condition and prospects.

***We expect to rely on third parties to conduct our clinical trials. If these third parties do not successfully carry out their duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our product candidates and our business could be substantially harmed.***

We expect to enter into agreements with third-party CROs to conduct our planned clinical trials and anticipate that we may enter into other such agreements in the future regarding any future product candidates. We rely heavily on these parties for the execution of our clinical and pre-clinical studies, and control only certain aspects of their activities. We, and our CROs, are required to comply with the current FDA Code of Federal Regulations for Conducting Clinical Trials and GCP and ICH guidelines. The FDA enforces these GCP regulations through periodic inspections of trial sponsors, principal investigators, CRO trial sites, laboratories, and any entity having to do with the completion of the study protocol and processing of data. If we, or our CROs, fail to comply with applicable GCP regulations, the data generated in our clinical trials may be deemed unreliable and the FDA may require us to perform additional clinical trials before approving our marketing applications. Upon inspection, the FDA and similar foreign regulators may determine that our clinical trials are not compliant with GCP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process.

Table of Contents

If any of our relationships with third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs on commercially reasonable terms, or at all. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols or regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our results of operations and the commercial prospects for our product candidates could be harmed, our costs could increase and our ability to generate additional revenues could be delayed.

***We may participate in clinical trials conducted under an approved investigator sponsored investigational new drug (IND) application and correspondence and communication with the FDA pertaining to these trials will strictly be between the investigator and the FDA.***

We have in the past, and could in the future, participate in clinical trials conducted under an approved investigator sponsored investigational new drug (IND) application. Regulations and guidelines imposed by the FDA with respect to IND applications include a requirement that the sponsor of a clinical trial provide ongoing communication with the agency as it pertains to safety of the treatment. This communication can be relayed to the agency in the form of safety reports, annual reports or verbal communication at the request of the FDA. Accordingly, it is the responsibility of each investigator (as the sponsor of the trial) to be the point of contact with the FDA. The communication and information provided by the investigator may not be appropriate and accurate, and the investigator has the ultimate responsibility and final decision-making authority with respect to submissions to the FDA. This may result in reviews, audits, delays or clinical holds by the FDA ultimately affecting the timelines for these studies and potentially risking the completion of these trials.

***We may incur liability if our promotions of product candidates are determined, or are perceived, to be inconsistent with regulatory guidelines.***

The FDA provides guidelines with respect to appropriate product promotion and continuing medical and health education activities. Although we endeavor to follow these guidelines, the FDA or the Office of the Inspector General: U.S. Department of Health and Human Services may disagree, and we may be subject to significant liability, including civil and administrative remedies as well as criminal sanctions. In addition, management s attention could be diverted and our reputation could be damaged.

***We have limited experience in manufacturing our product candidates in quantities required to conduct our clinical trials, and if our products are eventually approved for sale by the FDA, in manufacturing commercial quantities. We may not be able to comply with applicable manufacturing regulations or produce sufficient product for contract, clinical trial or commercial purposes.***

The commercial manufacturing of DNA based cytokines and other biological products is a time-consuming and complex process, which must be performed in compliance with the FDA s current Good Manufacturing Practices, or cGMP, regulations. We may not be able to comply with the cGMP regulations, and our manufacturing process may be subject to delays, disruptions or quality control problems. In addition, we may need to complete the installation and validation of additional large-scale fermentation and related purification equipment to produce the quantities of product expected to be required for clinical trials, and if our products are eventually approved for sale by the FDA, for commercial purposes. We have limited experience in manufacturing at this scale. Noncompliance with the cGMP regulations, the inability to complete the installation or validation of additional large-scale equipment, or other problems with our manufacturing process may limit or delay the development or commercialization of our product candidates, and cause us to breach our contract manufacturing service arrangements.

***If any product candidate for which we receive regulatory approval does not achieve broad market acceptance or coverage by third-party payors, the revenues that we generate may be limited.***

The commercial success of any potential product candidates for which we obtain marketing approval from the FDA or other regulatory authorities will depend upon the acceptance of these products by physicians, patients, healthcare payors and the medical community. Coverage and reimbursement of our approved product by third-party payors is also necessary for commercial success. The degree of market acceptance of any potential product candidates for which we may receive

Table of Contents

regulatory approval will depend on a number of factors, including:

- our ability to provide acceptable evidence of safety and efficacy;
- acceptance by physicians and patients of the product as a safe and effective treatment;
- the prevalence and severity of adverse side effects;
- limitations or warnings contained in a product s FDA-approved labeling;
- the clinical indications for which the product is approved;
- availability and perceived advantages of alternative treatments;
- any negative publicity related to our or our competitors products;
- the effectiveness of our or any current or future collaborators sales, marketing and distribution strategies;
- pricing and cost effectiveness;
- our ability to obtain sufficient third-party payor coverage or reimbursement; and
- the willingness of patients to pay out of pocket in the absence of third-party payor coverage.

Our efforts to educate the medical community and third-party payors on the benefits of any of our potential product candidates for which we obtain marketing approval from the FDA or other regulatory authorities may require significant resources and may never be successful. If our potential products do not achieve an adequate level of acceptance by physicians, third-party payors and patients, we may not generate sufficient revenue from these products to become or remain profitable.

***We may not be successful in executing our strategy for the commercialization of our product candidates. If we are unable to successfully execute our commercialization strategy, we may not be able to generate significant revenue.***

We intend to advance a commercialization strategy that leverages previous in-depth clinical experiences, previous CE (Conformité Européene) approvals for the electroporation-based devices and late stage clinical studies in the United States (Phase III) and Europe (Phase IV). This strategy includes seeking approval from the FDA to initiate pivotal registration studies in the United States for select rare cancers that have limited, adverse or no therapeutic alternatives. This strategy also includes expanding the addressable markets for the OMS therapies through the addition of relevant indications. Our commercialization plan also includes partnering and/or co-developing OMS in developing geographic locations, such as Eastern Europe and Asia, where local resources are best leveraged and appropriate collaborators can be secured.

We may not be able to implement our commercialization strategy as we have planned. Further, we have little experience and have not proven our ability to succeed in the biomedical industry and are not certain that our implementation strategy, if implemented correctly, would lead to significant revenue. If we are unable to successfully implement our commercialization plans and drive adoption by patients and physicians of our potential future products through our sales, marketing and commercialization efforts, then we will not be able to generate significant revenue which will have a material adverse effect on our business, results of operations, financial condition and prospects.

***In order to market our proprietary products, we may choose to establish our own sales, marketing and distribution capabilities. We have no experience in these areas, and if we have problems establishing these capabilities, the commercialization of our products would be impaired.***

We may choose to establish our own sales, marketing and distribution capabilities to market products to our target markets. We have no experience in these areas, and developing these capabilities will require significant expenditures on personnel and infrastructure. While we intend to market products that are aimed at a small patient population, we may not be able to create an effective sales force around even a niche market. In addition, some of our product candidates may require a large sales force to call on, educate and support physicians and patients. We may desire in the future to enter into collaborations with one or more pharmaceutical companies to sell, market and distribute such products, but we may not be able to enter into any such arrangement on acceptable terms, if at all. Any collaboration we do enter into may not be effective in generating meaningful product royalties or other revenues for us.

Table of Contents

***Our success depends in part on our ability to protect our intellectual property. Because of the difficulties of protecting our proprietary rights and technology, we may not be able to ensure their protection.***

Our commercial success will depend in large part on obtaining and maintaining patent, trademark and trade secret protection of our product candidates and their respective components, formulations, manufacturing methods and methods of treatment, as well as successfully defending these patents against third-party challenges. Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates is dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

The coverage claimed in a patent application typically is significantly reduced before a patent is issued, either in the United States or abroad. Consequently, any of our pending or future patent applications may not result in the issuance of patents and any patents issued may be subjected to further proceedings limiting their scope and may in any event not contain claims broad enough to provide meaningful protection. Any patents that are issued to us or our future collaborators may not provide significant proprietary protection or competitive advantage, and may be circumvented or invalidated. In addition, unpatented proprietary rights, including trade secrets and know-how, can be difficult to protect and may lose their value if they are independently developed by a third party or if their secrecy is lost. Further, because development and commercialization of our potential product candidates can be subject to substantial delays, our patents may expire and provide only a short period of protection, if any, following any future commercialization of products. Moreover, obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by government patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements. If any of our patents are found to be invalid or unenforceable, or if we are otherwise unable to adequately protect our rights, it could have a material adverse impact on our business and our ability to commercialize or license our technology and products.

***We may incur substantial costs as a result of litigation or other proceedings relating to protection of our patent and other intellectual property rights, and we may be unable to successfully protect our rights to our potential products and technology.***

If we choose to go to court to stop a third party from using the inventions claimed by our patents, that third party may ask the court to rule that the patents are invalid and/or should not be enforced. These lawsuits are expensive and could consume time and other resources even if we were successful in stopping the infringing activity. In addition, the court could decide that our patents are not valid and that we do not have the right to stop others from using the inventions claimed by the patents.

Additionally, even if the validity of these patents is upheld, the court could refuse to stop a third party s infringing activity on the ground that such activities do not infringe our patents. The U.S. Supreme Court has recently revised certain tests regarding granting patents and assessing the validity of patents to make it more difficult to obtain patents. As a consequence, issued patents may be found to contain invalid claims according to the newly revised standards. Some of our patents may be subject to challenge and subsequent invalidation or significant narrowing of claim scope in a reexamination proceeding, or during litigation, under the revised criteria.

***Third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our products.***

The manufacture, use and sale of new products that are the subject of conflicting patent rights have been the subject of substantial litigation in the biomedical industry. These lawsuits relate to the validity and infringement of patents or proprietary rights of third parties. Litigation may be

costly and time-consuming, and could divert the attention of our management and technical personnel. In addition, if we infringe on the rights of others, we could lose our right to develop, manufacture or market products or could be required to pay monetary damages or royalties to license proprietary rights from third parties. Although the parties to patent and intellectual property disputes in the biomedical industry have often settled their disputes through licensing or similar arrangements, the costs associated with these arrangements may be substantial and could include ongoing royalties. Furthermore, we cannot be certain that the necessary licenses would be available to us on commercially reasonable terms or at all. As a result, an adverse determination in a judicial or administrative proceeding or failure to obtain necessary licenses could prevent us from manufacturing and selling our products, and could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Table of Contents

***Extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities.***

All biomedical companies are subject to extensive, complex, costly and evolving government regulation. For the U.S., these regulations are principally administered by the FDA and to a lesser extent by the United States Drug Enforcement Agency (the DEA ) and state government agencies, as well as by various regulatory agencies in foreign countries where products or product candidates are being manufactured and/or marketed. The Federal Food, Drug and Cosmetic Act, the Controlled Substances Act and other federal statutes and regulations, and similar foreign statutes and regulations, govern or influence the testing, manufacturing, packing, labeling, storing, record keeping, safety, approval, advertising, promotion, sale and distribution of our products. Under these regulations, we may become subject to periodic inspection of our facilities, procedures and operations and/or the testing of our product candidates and products by the FDA, the DEA and other authorities, which conduct periodic inspections to confirm that we are in compliance with all applicable regulations. In addition, the FDA and foreign regulatory agencies conduct pre-approval and post-approval reviews and plant inspections to determine whether our systems and processes are in compliance with cGMP and other regulations. Following such inspections, the FDA or other agency may issue observations, notices, citations and/or warning letters that could cause us to modify certain activities identified during the inspection. To the extent that we successfully commercialize any product, we may also be subject to ongoing FDA obligations and continued regulatory review with respect to manufacturing, processing, labeling, packaging, distribution, storage, advertising, promotion and recordkeeping for the product. Additionally, we may be required to conduct potentially costly post-approval studies and report adverse events associated with our products to FDA and other regulatory authorities. Unexpected or serious health or safety concerns would result in labeling changes, recalls, market withdrawals or other regulatory actions.

The range of possible sanctions includes, among others, FDA issuance of adverse publicity, product recalls or seizures, fines, total or partial suspension of production and/or distribution, suspension of the FDA s review of product applications, enforcement actions, injunctions, and civil or criminal prosecution. Any such sanctions, if imposed, could have a material adverse effect on our business, operating results, financial condition and cash flows. Under certain circumstances, the FDA also has the authority to revoke previously granted drug approvals. Similar sanctions as detailed above may be available to the FDA under a consent decree, depending upon the actual terms of such decree. If internal compliance programs do not meet regulatory agency standards or if compliance is deemed deficient in any significant way, it could materially harm our business.

Moreover, the regulations, policies or guidance of the FDA or other regulatory agencies may change and new or additional statutes or government regulations may be enacted that could prevent or delay regulatory approval of our product candidates or further restrict or regulate post-approval activities. If we are not able to achieve and maintain regulatory compliance, we may not be permitted to market our potential product candidates, which would adversely affect our ability to generate revenue and achieve or maintain profitability.

***We face potential product liability exposure and if successful claims are brought against us, we may incur substantial liability.***

The clinical use of our product candidates exposes us to the risk of product liability claims. Any side effects, manufacturing defects, misuse or abuse associated with our product candidates could result in injury to a patient or even death. In addition, a liability claim may be brought against us even if our product candidates merely appear to have caused an injury. Product liability claims may be brought against us by consumers, healthcare providers, pharmaceutical companies or others coming into contact with our product candidates, among others.

Regardless of merit or potential outcome, product liability claims against us may result in, among other effects, the inability to commercialize our product candidates, impairment of our business reputation, withdrawal of clinical trial participants and distraction of management s attention

from our primary business. If we cannot successfully defend ourselves against product liability claims we could incur substantial liabilities.

***The biomedical industry is highly competitive.***

The biomedical industry has an intensely competitive environment that will require an ongoing, extensive search for technological innovations and the ability to market products effectively, including the ability to communicate the effectiveness, safety and value of products to healthcare professionals in private practice, group practices and payers in managed care organizations, group purchasing organizations and Medicare & Medicaid services. We face competition from a number of sources, including large pharmaceutical companies, biotechnology companies, academic institutions, government agencies and private and public research institutions. We are smaller than almost all of our competitors. Most of our

Table of Contents

competitors have been in business for a longer period of time than us, have a greater number of products on the market and have greater financial and other resources than we do. Furthermore, recent trends in this industry are that large drug companies are consolidating into a smaller number of very large entities, which further concentrates financial, technical and market strength and increases competitive pressure in the industry. If we directly compete with these very large entities for the same markets and/or products, their financial strength could prevent us from capturing a share of those markets. It is possible that developments by our competitors will make any products or technologies that we develop or acquire noncompetitive or obsolete.

***If our competitors market and/or develop competing product candidates that are marketed more effectively, approved more quickly or demonstrated to be safer or more effective than our product candidates, then our commercial opportunities may be reduced or eliminated.***

The biomedical industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary therapeutics. If we are able to obtain regulatory approval of our product candidates related to our OMS technology or any assets we may acquire in the future, we will face competition from products currently marketed by companies much larger than us that address our targeted indications.

In addition to already marketed products, we also face competition from product candidates that are or could be under development. We expect our product candidates, if approved and commercialized, to compete on the basis of, among other things, product efficacy and safety, time to market, price, patient reimbursement by third-party payors, extent of adverse side effects and convenience of treatment procedures. We may not be able to effectively compete in one or more of these areas. We also may not be able to differentiate any products that we are able to market from those of our competitors or successfully develop or introduce new products that are less costly or offer better results than those of our competitors.

Additionally, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that limit or block us from developing or commercializing our product candidates. Our competitors may also develop products that are more effective, more useful, better tolerated, subject to fewer or less severe side effects, more widely prescribed or accepted or less costly than ours and may also be more successful than us in manufacturing and marketing their products. If we are unable to compete effectively with the marketed therapeutics of our competitors or if such competitors are successful in developing products that compete with our potential product candidates that are approved, our business, results of operations, financial condition and prospects may be materially adversely affected.

***If we fail to comply with federal and state healthcare laws, including fraud and abuse and health information privacy and security laws, we could face substantial penalties and our business, results of operations, financial condition and prospects could be adversely affected.***

Even though we do not and will not control referrals of healthcare services or bill directly to third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients rights may be applicable to our business. We could be subject to healthcare fraud and abuse and patient privacy regulation by both the federal government and the states in which we conduct our business. To the extent that any product we make is sold in a foreign country, we also may be subject to foreign laws and regulations. If we or our operations are found to be in violation of any of these laws or any other governmental regulations that apply to us, we may be subject to penalties, including civil and criminal penalties, damages, fines, exclusion from participation in U.S. federal or state health care programs, and the curtailment or restructuring of our operations. Any penalties, damages, fines, curtailment or restructuring of our operations could materially adversely affect our ability to operate our business and our financial results. Further, any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management s attention from the operation of our business. Moreover, achieving and sustaining compliance with applicable federal and state privacy, security and fraud laws may prove costly.

***We may engage in strategic transactions that could impact our liquidity, increase our expenses and present significant distractions to our management.***

From time to time we may consider engaging in strategic transactions, such as acquisitions of companies, asset purchases and out-licensing or in-licensing of products, product candidates or technologies. Any such transaction may require us to incur non-recurring or other charges, may increase our near and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations and financial results. For example, these transactions may entail numerous operational and financial risks, including, among others, exposure to unknown liabilities, disruption of our business and diversion of our management s time and attention in order to develop acquired products, product candidates or technologies, difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel, and inability to retain key employees of any acquired businesses. Accordingly, although we may not choose to undertake or may not be able to successfully complete any transactions of the nature described above, any transactions that we do complete could have a material adverse effect on our business, results of operations, financial condition and prospects.

Table of Contents

***Our business and operations would suffer in the event of system failures.***

Despite the implementation of security measures, our internal computer systems and those of our current and any future partners, contractors and consultants are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. System failures, accidents or security breaches could cause interruptions in our operations, and could result in a material disruption of our commercialization activities, development programs and our business operations, in addition to possibly requiring substantial expenditures of resources to remedy. The loss of clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the commercialization of any potential product candidate could be delayed.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm our business.***

Effective internal controls are necessary for us to provide reliable financial reports. If we cannot provide reliable financial reports, our operating results could be misstated, our reputation may be harmed and the trading price of our stock could be negatively affected. As described in Item 9A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2012, we have only recently remediated certain material weaknesses in our internal control over financial reporting related to period end financial disclosures and reporting process and inadequate segregation of duties. We have implemented actions to address these weaknesses and to enhance the reliability and effectiveness of our internal controls and operations, and our management has concluded that there are no material weaknesses in our internal controls over financial reporting as of July 31, 2012. However, our controls over financial processes and reporting may not continue to be effective, or we may identify additional material weaknesses or significant deficiencies in our internal controls in the future. Any failure to remediate any future material weaknesses or implement required new or improved controls, or difficulties encountered in their implementation, could harm our operating results, cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements or other public disclosures. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock.

***Maintaining compliance with our obligations as a public company may strain our resources and distract management, and if we do not remain compliant our stock price may be adversely affected.***

We are required to evaluate our internal control systems in order to allow management to report on our internal controls as required by Section 404 of the Sarbanes-Oxley Act of 2002, and our management is required to attest to the adequacy of our internal controls. Recent SEC pronouncements suggest that in the next several years we may be required to report our financial results using new International Financial Reporting Standards, replacing GAAP, which would require us to make significant investments in training, hiring, consulting and information technology, among other investments. All of these and other reporting requirements and heightened corporate governance obligations that we face, or will face, will further increase the cost to us, perhaps substantially, of remaining compliant with our obligations under the Exchange Act and other applicable laws, including the Sarbanes-Oxley Act and the Dodd-Frank Act of 2010. In order to meet these incremental obligations, we will need to invest in our corporate and accounting infrastructure and systems, and acquire additional services from third party auditors and advisors. As a result of these requirements and investments, we may incur significant additional expenses and may suffer a significant diversion of management s time. There is no guarantee that we will be able to continue to meet these obligations in a timely manner, and we could therefore be subject to sanctions or investigation by regulatory authorities such as the SEC. Any such actions could adversely affect the market price of our common stock, perhaps significantly.

**Risks Related to our Common Stock**

***We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.***

The continued operation and expansion of our business will require substantial funding. Investors seeking cash dividends in the foreseeable future should not purchase our common stock. We have paid no cash dividends on any of our capital stock to date and we currently intend to retain our available cash to fund the development and growth of our business. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board of Directors deems relevant. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. Any return to stockholders will therefore be limited to the appreciation of their stock, which may never occur.

Table of Contents

***If we issue additional shares in the future, our existing shareholders will be diluted.***

Our articles of incorporation authorize the issuance of up to 3,200,000,000 shares of common stock with a par value of $0.0001 per share. Our Board of Directors may choose to issue some or all of such shares to acquire one or more companies or products and to fund our overhead and general operating requirements. The issuance of any such shares will reduce the book value per share and may contribute to a reduction in the market price of the outstanding shares of our common stock. If we issue any such additional shares, such issuance will reduce the proportionate ownership and voting power of all current shareholders. Further, such issuance may result in a change of control of our corporation.

***Sales of common stock by our stockholders, or the perception that such sales may occur, could depress our stock price.***

The market price of our common stock could decline as a result of sales by, or the perceived possibility of sales by, our existing stockholders. Since March 2011 we have completed a number of offerings of our common stock and warrants and have issued an aggregate of 82,702,000 shares of our common stock, including common stock underlying warrants. Future sales of common stock by significant stockholders, including by those who acquired their shares in our prior offerings or who are affiliates, or the perception that such sales may occur, could depress the price of our common stock.

***Trading of our stock is restricted by the SEC s penny stock regulations and certain FINRA rules, which may limit a stockholder s ability to buy and sell our common stock.***

Our securities are covered by certain penny stock rules, which impose additional sales practice requirements on broker-dealers who sell low-priced securities to persons other than established customers and accredited investors. For transactions covered by these rules, a broker-dealer must make a special suitability determination for the purchaser and have received the purchaser s written consent to the transaction prior to sale, among other things. These rules may affect the ability of broker-dealers and holders to sell our common stock and may negatively impact the level of trading activity for our common stock. To the extent our common stock remains subject to the penny stock regulations, such regulations may discourage investor interest in and adversely affect the market liquidity of our common stock.

The Financial Industry Regulatory Authority (known as FINRA ) has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer s financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit your ability to buy and sell our stock and have an adverse effect on the market for our shares.

***Our common stock is illiquid and the price of our common stock may be negatively impacted by factors which are unrelated to our operations.***

Our common stock only recently began trading on the OTC Bulletin Board ( OTCBB ), and has a limited trading history on that market. Trading on the OTCBB is frequently highly volatile, with low trading volume. Since our common stock became available for trading on the OTCBB in March 2011, we have experienced significant fluctuations in the stock price and trading volume of our common stock. There is no assurance that a sufficient market will develop in our stock, in which case it could be difficult for stockholders to sell their stock. The market price of our common stock could continue to fluctuate substantially.

Factors affecting the trading price of our common stock may include:

- adverse research and development or clinical trial results;

- our inability to obtain additional capital;

Table of Contents

- announcement that the FDA denied our request to approve our products for commercialization in the United States, or similar denial by other regulatory bodies which make independent decisions outside the United States;

- potential negative market reaction to the terms or volume of any issuance of shares of our stock to new investors or service providers;

- sales of substantial amounts of our common stock, or the perception that substantial amounts of our common stock will be sold, by our stockholders in the public market;

- declining working capital to fund operations, or other signs of apparent financial uncertainty;

- significant advances made by competitors that adversely affect our potential market position; and

- the loss of key personnel and the inability to attract and retain additional highly-skilled personnel.

Additionally, our clinical trials will be open-ended and, therefore, there is the possibility that information regarding the success (or setbacks) of our clinical trials may be obtained by the public prior to a formal announcement by us.

**Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

None

**Item 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**Item 4. MINE SAFETY DISCLOSURES**

Not applicable.

**Item 5. OTHER INFORMATION**

None.

Table of Contents

**Item 6. EXHIBITS**

| Exhibit Number | Description of Exhibit |
|---|---|
| 3.1 | Certificate of Incorporation of Netventory Solutions, Inc. (incorporated by reference to our Registration Statement on Form S-1, filed on September 3, 2008) |
| 3.2 | Amended and Restated Bylaws (incorporated by reference to our Current Report on Form 8-K, filed on March 6, 2012) |
| 3.3 | Articles of Merger dated February 9, 2011 (incorporated by reference to our Current Report on Form 8-K, filed on March 3, 2011) |
| 3.4 | Certificate of Change dated February 9, 2011 (incorporated by reference to our Current Report on Form 8-K, filed on March 3, 2011) |
| 3.5 | Certificate of Correction dated March 9, 2011 (incorporated by reference to our Current Report on Form 8-K, filed on March 14, 2011) |
| 31.1 | Certification of Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934 |
| 31.2 | Certification of Principal Financial Officer pursuant to Rules 13a-14 and 15d-14 promulgated under the Securities Exchange Act of 1934 |
| 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 32.2 | Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| 101.INS* | XBRL Instance Document |
| 101.SCH* | XBRL Taxonomy Extension Schema Document |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document |

*In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be furnished and not filed.

Table of Contents

**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.

**ONCOSEC MEDICAL INCORPORATED**

/s/ PUNIT DHILLON
By: Punit Dhillon
*(Principal Executive Officer)*

Dated: December 17, 2012

/s/ VERONICA VALLEJO
By: Veronica Vallejo
*(Principal Financial Officer)*

Dated: December 17, 2012