

ORAMED PHARMACEUTICALS INC.
Form 10QSB
January 14, 2008

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

FORM 10-QSB

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

For the quarterly period ended **November 30, 2007**

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

For the transition period from _____ to _____

Commission file number **000-50298**

ORAMED PHARMACEUTICALS INC.

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

Nevada

(State or other jurisdiction of incorporation or
organization)

98-0376008

(I.R.S. Employer Identification No.)

2 Elza Street, Jerusalem, Israel 93706

(Address of principal executive offices)

011 972-54-7909058

(Issuer's telephone number)

N/A

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

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

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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY
PROCEEDINGS DURING THE PRECEDING FIVE YEARS**

Check whether the registrant filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes No

APPLICABLE ONLY TO CORPORATE ISSUERS

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: **46,034,804** common shares issued and outstanding as at **January 11, 2008**.

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

PART I

Item 1. Financial Statements

Our financial statements are stated in thousands United States Dollars and are prepared in accordance with United States Generally Accepted Accounting Principles.

ORAMED PHARMACEUTICALS INC.
(A development stage company)
CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

| | November 30, 2007 Unaudited | August 31, 2007 Unaudited |
|---|--|--|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 1,479 | \$ 1,918 |
| Prepaid expenses and other current assets | 73 | 12 |
| Total current assets | 1,552 | 1,930 |
| PROPERTY AND EQUIPMENT, NET | 8 | 2 |
| DEPOSITS | 6 | 5 |
| Total assets | \$ 1,566 | \$ 1,937 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable and accrued expenses | \$ 67 | \$ 341 |
| Due to shareholder | 47 | 47 |
| Convertible notes payable | 275 | 275 |
| Stock payable | 506 | 761 |
| Total current liabilities | 895 | 1,424 |
| STOCKHOLDERS' EQUITY: | | |
| Common stock of \$ 0.001 par value - Authorized: 200,000,000 shares at November 30, 2007 and August 31, 2007; Issued and outstanding: 46,034,804 at November 30, 2007 and 45,231,779 shares at August 31, 2007, respectively | 46 | 45 |
| Additional paid-in capital | 5,454 | 4,947 |
| Deficit accumulated during the development stage | (4,829) | (4,479) |
| Total stockholders' equity | 671 | 513 |
| Total liabilities and stockholders' equity | \$ 1,566 | \$ 1,937 |

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ORAMED PHARMACEUTICALS INC.**(A development stage company)****CONSOLIDATED STATEMENTS OF EXPENSES****U.S. dollars in thousands, except share and per share data**

| | Three months ended November 30, | | From April 12, 2002 (inception date) through November 30, 2007 |
|---|--|-------------|---|
| | 2007 | 2006 | 2007 |
| | Unaudited | | Unaudited |
| Operating expenses: | | | |
| Research and development | \$ 95 | \$ 28 | \$ 2,507 |
| Loss from impairment | - | - | 435 |
| General and administrative | 266 | 48 | 1,791 |
| | 361 | 76 | 4,733 |
| Interest expense | - | (1) | (24) |
| Interest income | 11 | - | 120 |
| Net loss | \$ (350) | \$ (77) | \$ (4,829) |
| Basic and diluted net loss per share from | | | |
| continuing operations | \$ (0.01) | \$ (0.00) | n/a |
| Weighted average number of shares used in | | | |
| computing basic and diluted net loss per | | | |
| share | 45,609,417 | 41,456,779 | n/a |

ORAMED PHARMACEUTICALS INC.**(A development stage company)****STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY****U.S. dollars in thousands, except share data**

| | Common Stock | | Additional paid-in capital | Deficit accumulated during the development stage | Total stockholders' equity |
|---|--------------|-------|----------------------------------|--|----------------------------------|
| | Shares | \$ | | | |
| Balance as of August 12, 2002 (Inception) | 34,828,200 | 35 | 19 | - | 54 |
| Net loss | - | - | - | (65) | (65) |
| Balance as of August 31, 2003 | 34,828,200 | 35 | 19 | (65) | (11) |
| Shares cancelled | (19,800,000) | (20) | 20 | - | - |
| Shares issued for investment in ISTI-NJ | 1,144,410 | 1 | 434 | - | 434 |
| Shares issued for offering costs | 1,752,941 | 2 | (2) | - | - |
| Shares issued cash | 550,000 | - | 274 | - | 275 |
| Contributions to paid in capital | - | - | 19 | - | 19 |
| Net loss | - | - | - | (717) | (717) |
| Balance as of August 31, 2004 | 18,475,551 | 18 | 764 | (782) | - |
| Imputed interest | - | - | 1 | - | 1 |
| Net loss | - | - | - | (46) | (46) |
| Balance as of August 31, 2005 | 18,475,551 | 18 | 765 | (828) | (45) |
| Shares issued for cash | 22,981,228 | 23 | - | - | 23 |
| Imputed interest | - | - | 4 | - | 4 |
| Net loss | - | - | - | (415) | (415) |
| Balance as of August 31, 2006 | 41,456,779 | 41 | 769 | (1,243) | (433) |
| Shares issued for cash | 3,650,000 | 4 | 1,821 | - | 1,825 |
| Shares issued for services | 125,000 | - | 99 | - | 99 |
| Stock based compensation related to options | | | | | |
| granted to employees and directors | - | - | 2,146 | - | 2,146 |
| Discount on convertible note related to beneficial | | | | | |
| conversion feature | - | - | 108 | - | 108 |
| Imputed interest | - | - | 4 | - | 4 |
| Net loss | - | - | - | (3,236) | (3,236) |
| Balance as of August 31, 2007 | 45,231,779 | \$ 45 | \$ 4,947 | \$ (4,479) | \$ 513 |
| Shares issued for stock payable related to prior | | | | | |

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| | | | | | | | | | |
|--|------------|----|-----|-------|-------|----|---------|----|-----|
| period sales for cash, net of offering costs | 520,000 | 1 | 254 | - | 255 | | | | |
| Shares issued for services | 283,085 | - | 170 | - | 170 | | | | |
| Stock based compensation related to options granted to employees and directors | - | - | 83 | - | 83 | | | | |
| Imputed interest | - | - | - | - | - | | | | |
| Net loss | - | - | - | (350) | (350) | | | | |
| | 46,034,804 | \$ | 46 | \$ | 5,454 | \$ | (4,829) | \$ | 671 |

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ORAMED PHARMACEUTICALS INC.
(A development stage company)
CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands, except share and per share data

| | Three months ended | | From April |
|--|---------------------------|-------------|-------------------|
| | November 30, | | 12, |
| | 2007 | 2006 | 2002 |
| | Unaudited | | (inception |
| | | | date) |
| | | | through |
| | | | November |
| | | | 30, |
| | | | 2007 |
| | | | Unaudited |
| <u>Cash flows from operating activities:</u> | | | |
| Net loss | \$ (350) | \$ (77) | \$ (4,829) |
| Adjustments required to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation | - | - | 1 |
| Amortization of debt discount | - | - | 108 |
| Stock option expense | 83 | - | 2,229 |
| Common stock issued for services | 170 | 13 | 269 |
| Loss on impairment of investment | - | - | 435 |
| Imputed interest | - | 1 | 9 |
| <u>Changes in operating assets and liabilities:</u> | | | |
| Prepaid expenses and other current assets | (61) | - | (72) |
| Accounts payable and accrued expenses | (274) | (41) | 65 |
| Total net cash used in operating activities | (433) | (104) | (1,787) |
| <u>Cash flows from investing activities:</u> | | | |
| Purchase of property and equipment | (7) | - | (8) |
| Lease deposits | - | - | (6) |
| Total net cash used in investing activities | (7) | - | (14) |
| <u>Cash flows from financing activities:</u> | | | |
| Proceeds from sales of common stock | - | - | 2,434 |
| Cash received for stock payable | - | - | 506 |
| Proceeds from convertible notes | - | - | 275 |
| Proceeds from short term note payable | - | - | 120 |
| Payments of short term note payable | - | - | (120) |
| Shareholder advances | - | - | 66 |
| Net cash provided by financing activities | - | - | 3,281 |
| Increase (decrease) in cash and cash equivalents | (439) | (104) | 1,479 |
| Cash and cash equivalents at beginning of period | 1,918 | 176 | - |

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| | | | | | | |
|--|----|-------|----|----|----|-------|
| Cash and cash equivalents at end of period | \$ | 1,479 | \$ | 72 | \$ | 1,479 |
| Non cash investing and financing activities: | | | | | | |
| Stock issued for stock payable | \$ | 255 | \$ | - | \$ | - |
| Discount on convertible note from BCF | | - | | - | | 108 |
| Shares issued for offering costs | | - | | - | | 2 |
| Forgiveness of debt by shareholder | | - | | - | | 19 |

ORAMED PHARMACEUTICALS, INC.
(formerly Integrated Securities Technologies, Inc.)
(A development stage company)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
November 30, 2007
(UNAUDITED)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements of Oramed Pharmaceuticals, Inc. have been prepared in accordance with accounting principles generally accepted in the United States of America and the rules of the Securities and Exchange Commission, and should be read in conjunction with the audited consolidated financial statements and notes thereto contained in Oramed's Annual Report filed with the SEC on Form 10-KSB. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of financial position and the results of operations for the interim periods presented have been reflected herein. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. Notes to the financial statements which would substantially duplicate the disclosure contained in the audited consolidated financial statements for fiscal 2007 as reported in the 10-KSB have been omitted.

NOTE 2 – GOING CONCERN

Oramed's has incurred losses since inception and has no revenues through November 30, 2007. The process of developing commercial products will require significant additional expenditures for research and development, maintaining the key technology license, pre-clinical testing and clinical trials, as well as obtaining regulatory approval. These activities, together with general and administrative expenses, are expected to result in substantial operating losses in the foreseeable future.

In the event Oramed is unable to successfully raise capital and generate revenues, it is unlikely that Oramed will have sufficient cash flows and liquidity to finance its business operations as currently contemplated. Accordingly, Oramed will likely reduce general and administrative expenses and cease or delay development projects until it is able to obtain sufficient financing. There can be no assurance that additional funds will be available on terms acceptable to Oramed, or at all.

These conditions raise substantial doubt about Oramed's ability to continue to operate as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effect on the recoverability and classification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

NOTE 3 - COMMON STOCK

Stock issued for stock payable

During the three months ended November 30, 2007, Oramed issued 510,000 shares of common stock for cash received in the prior year. Oramed also issued 10,000 shares as a finder's fee to the placement agent.

Stock issued for services

On September 7, 2007, Oramed issued 283,025 shares of common stock valued at \$170 to a third party, SwissCaps, for services.

Stock options issued for services

Oramed estimates the fair value of stock options granted using the Black-Scholes-Merton option-pricing model. The option-pricing model requires a number of assumptions, of which the most significant are, expected stock price volatility, and the expected option term. Expected volatility was calculated based upon actual historical stock price movements over the most recent periods ending on the grant date, equal to the expected option term and ranged from 97%-115%.. The expected option term represents the period that Oramed's stock options are expected to be outstanding, giving consideration to the contractual terms of the stock options. Oramed has historically not paid dividends and has no foreseeable plans to issue dividends. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with an equivalent term and ranged from 4.57% - 4.94% .

On September 4, 2007, Oramed granted 300,000 warrants to two consultants for services with a fair value of \$60. The warrants are exercisable at \$0.45 per share for two years and vest monthly over one year. \$15 was expensed during the three months ended November 30, 2007 related to these warrants.

On October 30, 2007, Oramed granted to an advisory board member options to purchase 100,000 shares of Oramed's common stock at an exercise price of \$ 0.76 per share with a fair value of \$7. The options vest in one and a half years on a monthly basis and expire in 2.5 years. \$1 was expensed during the three months ended November 30, 2007 related to these options.

Oramed recognized \$67 of expense during the three months ended November 30, 2007 related to options granted in prior years.

Item 2. Management's Discussion and Analysis and Plan of Operation.

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. 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. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled *Risk Factors*, that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our financial statements are stated in United States Dollars (US\$) and are prepared in accordance with United States Generally Accepted Accounting Principles. In this quarterly report, unless otherwise specified, all dollar amounts are expressed in United States dollars. All references to *CDN\$* refer to Canadian dollars and all references to *common shares* refer to the common shares in our capital stock.

As used in this quarterly report, the terms *we*, *us*, *our*, and *Oramed* means Oramed Pharmaceuticals Inc., unless otherwise indicated.

General***Corporate Overview***

We were incorporated on April 12, 2002, under the laws of the State of Nevada. From incorporation until March 3, 2006, we were an exploration stage company engaged in the acquisition and exploration of mineral properties. We were unsuccessful in that endeavour and have now become a pharmaceutical research and development company.

Effective April 10, 2006, we changed our name from *Integrated Security Technologies, Inc.* to *Oramed Pharmaceuticals Inc.* when we merged with our newly formed subsidiary, *Oramed Pharmaceuticals Inc.* The board of directors also adopted the Bylaws of the subsidiary, *Oramed Pharmaceuticals Inc.*

Our Current Business

On March 8, 2006 we executed an agreement with Hadasit Medical Services and Development Ltd. to acquire provisional patent application No. 60/718716 and related intellectual property. The provisional patent application No. 60/718716 related to a method of preparing insulin so that it may be taken orally to be used in the treatment for the treatment of individuals with diabetes. Effective April 10, 2006, we changed our name from *Integrated Security Technologies, Inc.* to *Oramed Pharmaceuticals Inc.* Based on provisional patent application No. 60/718716, we filed a patent application under the Patent Cooperation Treaty at the Israel Patent Office for *Methods and Compositions for Oral Administration of Proteins* on August 31, 2006. We are now a pharmaceutical company engaged in the research and development of innovative pharmaceutical solutions, including an orally ingestible insulin pill to be used for the treatment of individuals with diabetes, rectal application of insulin, flu vaccines, use of oral ingestible pills for delivery other polypeptides and use of rectal application for delivery of other polypeptides.

Agreement with Hadasit Medical Services and Development Ltd.

On March 8, 2006 we executed an agreement with Hadasit Medical Services and Development Ltd. to acquire provisional patent application No. 60/718716, including related intellectual property. The provisional patent

application No. 60/718716 related to a method of preparing insulin so that it may be taken orally for the use in the treatment of individuals with diabetes. Under the terms of the agreement, we agreed to contract Hadasit Medical Services and Development Ltd. to provide us with consulting services to assist us in the completion of clinical trials on provisional patent application No. 60/718716. When the clinical trials have been completed Hadasit Medical Services and Development Ltd. will provide us with the preparation of a full report assessing the results of the clinical trials and the viability of provisional patent application No. 60/718716 and related intellectual property. We agreed to pay Hadasit Medical Services and Development Ltd. \$200,000 for the provision of these consulting services if we requested the consulting services from Hadasit Medical Services and Development Ltd.

Under this agreement we also agreed to secure proper conditions for the future development of provisional patent application No. 60/718716 and related intellectual property by raising at least \$1,000,000 through a private placement of our securities.

If the assessment from the clinical trials is successful, we have 120 days to attain the above mentioned financing or we will need to return provisional patent application No. 60/718716 and related intellectual properties to Hadasit Medical Services and Development Ltd. Even though the clinical trials have not been fully completed, we believe we have achieved the required financing of \$1,000,000. Accordingly, we do not have to return provisional patent application No. 60/718716 and related intellectual properties to Hadasit Medical Services and Development Ltd.

Pursuant to this agreement with Hadasit Medical Research Services and Development Ltd. dated February 17, 2006, we also agreed to grant to Dr. Miriam Kidron an option to purchase 3,361,360 shares of our common stock at the exercise price of \$0.001 per share if Dr. Miriam Kidron continued to provide consulting services directly to our company following consummation of clinical trials. Because we have successfully completed our exploratory clinical trials and Dr. Miriam Kidron is continuing to provide consulting services directly to our company, we are obligated to issue these options to Dr. Miriam Kidron.

Hadasit Medical Services and Development Ltd. is a related party of the company due to it being a 9% shareholder of our company and the primary researcher for Hadasit Medical Services and Development Ltd. is a director of our company.

Business Operations

The provisional patent application No. 60/718716 was set to expire on September 6, 2006. On August 31, 2006, we filed a formal patent application under the Patent Cooperation Treaty at the Israel Patent Office for *Methods and Compositions for Oral Administration of Proteins*. Priority was claimed from provisional patent application No. 60/718716. All countries were designated and the United States Patent and Trademark Office was designated as the Search and Examination Authority.

On October 26, 2006, we executed an agreement with Swiss Caps AG. Under the terms of the agreement Swiss Caps AG agreed to manufacture oral gel capsules for clinical testing of our oral insulin product. Under the terms of this agreement, Swiss Caps AG will provide gel capsules for our clinical trials. Following a stringent due diligence process and an in depth review of our oral delivery technology, Swiss Caps AG agreed to accept shares of our common stock in exchange for their services. According to the agreement, all amounts due in payment to Swiss Caps AG have been paid in shares of our common stock. A copy of the agreement with Swiss Caps AG can be found as exhibit attached to our current report on Form 8-K filed on November 2, 2006.

On January 30, 2007 we formed a scientific advisory committee to provide scientific advice to our board of directors. Our advisory committee will not have authority to make decisions, carry out any functions or bind us to any obligations. Currently, members of our scientific advisory committee include Dr. Harold Jacob, Dr. Nir Barzilai, Dr.

Itamar Raz, Prof. Ele Ferrannini, Dr. Derek LeRoith and Dr. John Ziemniak. Dr. Harold Jacob has a strong background, both in medical sciences as well as biotechnology and medical devices. He practiced clinical gastroenterology in New York and served as Chief of Gastroenterology at St. Johns Episcopal Hospital and South Nassau Communities Hospital, and was a Clinical Assistant Professor of Medicine at SUNY. Dr. Barzilai is the Director of the Institute for Aging Research at the Albert Einstein College of Medicine. He is currently an Associate Professor in the Department of Medicine, Molecular genetics and the Diabetes Research Center and is a member of the Divisions of Endocrinology and Geriatrics. He is also the Director of the Montefiore Hospital Diabetes Clinic.

Dr. Itamar Raz, is a professor of Internal Medicine at Hadassah University Medical Center and the head of the Diabetes Unit at Hadassah. During 1992-2005 he served as the President of the Israel Diabetes Association. He is the head of the Israel National Council of Diabetes and president of D-Cure, a foundation that supports research in the field of diabetes. Professor Ele Ferrannini has worked with various institutions including the Department of Internal Medicine, University of Pisa School of Medicine, and CNR (National Research Council) Institute of Clinical Physiology, Pisa, Italy; Diabetes Division, Department of Medicine, University of Texas Health Science Center at San Antonio, Texas, USA. He also has published over 350 original papers and 50 book chapters. Dr. Derek LeRoith has served as the Chief of the Diabetes Branch at the National Institute of Diabetes, Digestive and Kidney Diseases in the National Institute of Health in Maryland, and he is now serving as the Chief of the Division of Endocrinology, Diabetes and Bone Diseases. He is a prominent member in over 15 professional societies globally, including the Society for Endocrinology, Metabolism and Diabetes of South Africa, the European Association for the Study of Diabetes, and the American Diabetes Association. Dr. Ziemniak has over 20 years experience in the pharmaceutical industry. He has worked extensively in drug development having been involved in the conception, filing, and approval of over 13 NDAs and greater than 20 INDs covering a wide variety of drugs and indications.

On May 1, 2007 we announced the commencement of Phase I of our clinical trials, which will be conducted in Jerusalem, Israel. A small group of healthy human volunteers will orally ingest our orally ingestible insulin pill capsules in order to evaluate safety studies. The United States of America Food and Drug Administration recognizes clinical trials in Israeli hospitals.

On May 2, 2007 we filed two additional provisional patents for a suppository application to our technology portfolio. The first patent focuses on a rectal application for insulin. The second patent focuses on the usage of this rectal application to other polypeptides that at present are required to be injected.

On June 19, 2007, we approved a proposal with the Encorium Group Inc., a contract research organization, which provides comprehensive clinical and drug development solutions, to assist us in the design, implementation, advancement, and oversight of a scientific and regulatory strategic plan for the filing and approval of our orally ingestible insulin pill capsule. Under the terms of the Proposal, Encorium Group Inc. will be paid an hourly fee ranging from US \$283 to US \$450 depending on level of expertise of the medical personnel. A copy of the agreement with Encorium Group Inc. can be found as exhibit attached to our current report on Form 8-K filed on June 19, 2007.

On August 14, 2007, we announced that we have successfully completed our exploratory Phase 1A clinical trial with our oral insulin capsule. The study was intended to assess both the safety/tolerability and absorption properties of our proprietary oral insulin delivery technology. Based on the pharmacokinetic and pharmacologic outcomes of this early stage trial, we have decided to continue the development of our oral insulin product. Additional Phase 1 bioavailability/pharmacokinetic trials to optimize and finalize the formulation are anticipated to begin later this year.

On November 15, 2007, we announced that we have successfully completed animal studies for Phase 1B trials of our oral insulin capsule. The Phase 1B study was intended to assess the optimization of dosage for the formulation of our proprietary oral insulin delivery technology.

For the next twelve months, we plan to conduct further research and development on the technology covered by the patent application *Methods and Composition for Oral Administration of Proteins*, which we acquired from Hadasit as well as the other patents we have filed since. Through our research and development efforts, we intend to develop a pill that will not break down in the stomach or intestines and will be effective in delivering insulin to the bloodstream for the treatment of diabetes. The enzymes and compounds that are added to the insulin to make the pill must not change the composition of the insulin once it is absorbed into the bloodstream and the pill must be safe to ingest. We also plan to conduct research and development of other innovative pharmaceutical solutions, including rectal application of insulin, flu vaccines, use of oral ingestible pills for delivery other polypeptides and use of rectal

application for delivery of other polypeptides.

Governmental Approval and Effect of Regulations

Our business is subject to extensive regulation by the Food and Drug Administration, other governmental authorities in the United States and governmental authorities in other countries.

The duration of the governmental approval process for marketing new pharmaceutical substances, from the commencement of preclinical testing to the receipt of governmental approval for marketing a new product, varies with the nature of the product and with the country in which such approval is sought. For new chemical entities, the approval process could take eight to ten years or more. For reformulations of existing drugs, as management believes our potential product should be considered, typically the process is shorter. In either case, the procedures required to obtain governmental approval to market new drug products will be costly and time-consuming for us, requiring rigorous testing of the new drug product. Even after such time and effort, regulatory approval may not be obtained for our products.

Before we can market or even transport a new human pharmaceutical product commercially in the United States, regulations require that we file an Investigational New Drug Application, conduct clinical trials and file an Investigational New Drug Application with the Federal Drug Administration.

In order to conduct the clinical investigations necessary to obtain regulatory approval in the U.S., we must file an Investigational New Drug Application with the Federal Drug Administration to permit the shipment and use of the drug for investigational purposes. The Investigational New Drug Application will state, in part, the results of preclinical (laboratory and animal) toxicology testing that we have conducted and our initial Phase I plans for clinical (human) testing. Unless notified that testing may not begin, the clinical testing may commence 30 days after filing an Investigational New Drug Application.

Under Federal Drug Administration regulations, the clinical testing program required for marketing approval of a new drug typically involves three clinical phases. In Phase I, safety studies are generally conducted on normal, healthy human volunteers to determine the maximum dosages and side effects associated with increasing doses of the substance being tested. In Phase II, studies are conducted on small groups of patients, in our case those who have diabetes or blood sugar problems, to gain preliminary evidence of efficacy and to determine the common short-term side effects and risks associated with the new product. Phase III involves large-scale trials conducted on disease-afflicted patients to provide statistical evidence of efficacy and safety and to provide an adequate basis for product labeling. Frequent reports are required in each phase and, if unwarranted hazards to patients are found, the Federal Drug Administration may request modification or discontinuance of clinical testing until further studies have been conducted. Phase IV testing is sometimes conducted, either to meet Federal Drug Administration requirements for additional information as a condition of approval, or to gain post-approval market acceptance of the pharmaceutical product. Our orally ingestible insulin pill capsule will be subjected to each step of this lengthy process from conception to market.

Once the above phases of clinical testing have been completed, we will be required to file an Investigational New Drug Application with the Federal Drug Administration seeking approval for marketing the drug product. The Federal Drug Administration will review the Investigational New Drug Application to determine whether the drug is safe and effective, and adequately labeled, and whether the applicant can demonstrate proper and consistent manufacture of the drug. The time required for Federal Drug Administration action on an Investigational New Drug Application varies considerably, depending on the characteristics of the drug, whether the Federal Drug Administration needs more information than is originally provided in the Investigational New Drug Application and whether the Federal Drug Administration has concerns with the evidence submitted.

The facilities of each company involved in the commercial manufacturing, processing, testing, control and labeling of pharmaceutical products must be registered with and approved by the Federal Drug Administration. Continued registration requires compliance with Good Manufacturing Practices regulations and the Federal Drug Administration conducts periodic establishment inspections to confirm continued compliance with its regulations.

We are subject to various federal, state and local laws, regulations and recommendations relating to such matters as laboratory and manufacturing practices and the use, handling and disposal of hazardous or potentially hazardous substances used in connection with our research and development work. We do not produce any drugs at this time

and are not subject to these commercial manufacturing regulations at this time. However, it is important for the company to be aware of these standards in case a need for compliance develops in the future.

Research and Development

We have spent approximately \$2,412,000 during the last 2 fiscal years on the research and development of our orally ingestible insulin pill capsules. We plan to conduct research and development on innovative pharmaceutical solutions, including an orally ingestible insulin pill to be used for the treatment of individuals with diabetes, rectal application of insulin, flu vaccines, use of oral ingestible pills for delivery other polypeptides and use of rectal application for delivery of other polypeptides

Marketing, Advertising and Promotion

We will not conduct any marketing, advertising or promotion activities for our potential products in the next twelve months as the potential products are still only in research and development stage.

Employees

Currently we have four employees: Nadav Kidron our President, Chief Executive Officer and a director; Miriam Kirdon, our Chief Medical and Technology Officer and a director; Alex Werber, our Chief Financial Officer and Treasurer; and Tara Horn, who serves as our office manager in Israel. Both Mr. Nadav Kidron and Dr. Miriam Kidron provide services to our company pursuant to employment agreements we entered into with KNRY Ltd., an Israel company, dated August 1, 2007. We also intend to periodically hire independent contractors to execute our research and development activities. We may hire employees when circumstances warrant. At present, however, we do not anticipate hiring employees in the near future.

Competition

Our direct competitors are those companies that are also developing methods for administration of insulin through ingestible pills or capsules. To our knowledge, such companies include Biocon Ltd. in India and Bidel, Inc. in the United States. Many other companies indirectly compete with us by developing methods that allow for the administration of insulin through other means such as inhalers, into the lungs and then into the bloodstream. However, studies show that inhaled insulin is less effective than injected insulin in terms of delivery of the insulin into the bloodstream. Eli Lilly & Co., Alkermes and Mannkind Corp. are developing dry powder insulin products. Novo Nordisk and Aradigm Corp. are developing inhalable liquid insulin.

Intellectual Property

We have filed the following patent applications and provisional patent applications:

| Title | Jurisdiction | Patent Application # |
|--|--|-----------------------------|
| Methods and Compositions For Oral Administration of Proteins | Patent Cooperation Treaty, All countries were designated and the United States Patent and Trademark Office was designated as the Search and Examination Authority. | PCT/IL2006/001019 |

| | | |
|--|---|------------|
| Provisional patent application for methods and compositions for rectal application for insulin | The United States Patent and Trademark Office | 60/924.004 |
|--|---|------------|

| | | |
|--|---|------------|
| Provisional patent application for methods and compositions for rectal application of proteins | The United States Patent and Trademark Office | 60/024.005 |
| Provisional patent application for method and compositions for oral administration of proteins | The United States Patent and Trademark Office | 11/513.343 |

Plan of Operations

For the next twelve months, we plan to conduct further research and development on the technology covered by the patent application *Methods and Composition for Oral Administration of Proteins*, which we acquired from Hadasit. Through our research and development efforts, we intend to develop a pill that will not break down in the stomach or intestines and will be effective in delivering insulin to the bloodstream for the treatment of diabetes. The enzymes and compounds that are added to the insulin to make the pill must not change the composition of the insulin once it is absorbed into the bloodstream and the pill must be safe to ingest. We also plan to conduct research and development of other innovative pharmaceutical solutions, including rectal application of insulin, flu vaccines, use of oral ingestible pills for delivery other polypeptides and use of rectal application for delivery of other polypeptides.

Capital Resource Requirements

For the next 12 months ending November 30, 2008, we will be required to cover a total of approximately \$2.75 million for our proposed research and development and business activities. This budget includes the salaries of the research team, office costs, cost of trials and materials, among others, all of them necessary to execute our plan of operations. The following table provides a cost-breakdown of the first year of operations.

Estimated Funding Required During the Next 12 Months

| | | |
|--|-----------|------------------|
| Salaries | \$ | 300,000 |
| <u>Operations</u> | | |
| Legal Fees | \$ | 200,000 |
| Office Expenses | \$ | 300,000 |
| <u>Research and Development</u> | | |
| Investigation New Drug Application Component | | |
| Bio-analytical | \$ | 200,000 |
| Animal Pharmacokinetics | \$ | 150,000 |
| Animal Toxicology | \$ | 300,000 |
| CMC Studies | \$ | 100,000 |
| Clinical and Regulatory | \$ | 300,000 |
| Pharmacology, Histology, etc. | \$ | 100,000 |
| Clinical Study | | |
| Clinical costs | \$ | 450,000 |
| Bio-analytical Assays | \$ | 100,000 |
| Supplies | \$ | 50,000 |
| Analysis/Stats/ | \$ | 100,000 |
| Report | \$ | 50,000 |
| Miscellaneous | \$ | 50,000 |
| Total | \$ | 2,750,000 |

Financial Condition, Liquidity and Capital Resources

At November 30, 2007, we had a working capital of \$657,000.

At November 30, 2007, our company had \$1,479,000 in cash and cash equivalents.

We did not generate any revenue in the three months period ended November 30, 2007 and we have not generated any revenue since inception to November 30, 2007. We have incurred a loss of \$350,000 in the three months ended November 30, 2007. We do not expect to purchase or sell any significant equipment. We do not expect any significant changes in the number of our employees.

There are no assurances that we will be able to obtain the amount required for our continued operations. In such event that we do not raise sufficient additional funds by secondary offering or private placement, we will consider alternative financing options, if any, or be forced to scale down or perhaps even cease our operations.

Going Concern

The continuation of our business is dependent upon us raising additional financial support. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial or other loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

We have historically incurred losses, and through November 30, 2007 have incurred losses of \$4,829,000 from our inception. Because of these historical losses, we will require additional working capital to develop our business operations.

There are no assurances that we will be able to either (1) achieve a level of revenues adequate to generate sufficient cash flow for operations; or (2) obtain additional financing through either private placements, public offerings and/or bank financing necessary to support our working capital requirements. To the extent that funds generated from operations are insufficient to meet our ongoing capital requirements, we will have to raise additional working capital by means of private placements, public offerings and/or bank financing. No assurance can be given that additional financing will be available, or if available, will be on terms acceptable to us. If adequate working capital is not available we may not increase our operations and if we are unable to raise additional funds we may cease operations.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our unaudited financial statements and accompanying notes have been prepared in conformity with generally accepted accounting principles in the United States of America for interim financial statements. Preparing financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, and expenses. These estimates and assumptions are affected by management's application of accounting policies. We believe that understanding the basis and nature of the estimates and assumptions involved with the following aspects of our financial statements is critical to an understanding of our financials.

RISK FACTORS

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the

direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Risks Relating to Our Business

We are dependent on the clinical success of our orally ingestible insulin pill. Failure to develop, receive regulatory approval and market our orally ingestible insulin pill will have a significant and negative effect on our ability to continue operations.

If we fail to develop our orally ingestible insulin pill to completion or obtain regulatory approval for it, either on our own or in collaboration with other pharmaceutical companies, our ability to fund future operations from either revenue or the issuance of additional equity is likely to be adversely affected. We are dependent on the successful culmination of clinical trials and regulatory approval of our orally ingestible insulin pill. The failure to develop, receive regulatory approval and market our orally ingestible insulin pill will have a significant and negative effect on our ability to continue operations.

Our potential oral insulin product is still in the development stage and we cannot be certain that it will be suitable for commercial purposes.

To be profitable, we must successfully research, develop, obtain regulatory approval for, manufacture, introduce, market and distribute our oral insulin product that is currently in the development stage. The time necessary to achieve these goals for any individual product is long and uncertain. Before we can sell any of our potential oral insulin products, we will be required to demonstrate through clinical trials that such product is safe and effective for human use in the treatment of people with diabetes. We have never successfully commercialized a drug product and we cannot be certain that we will be able to begin, or continue, planned clinical trials for our potential product, or if we are able, that the potential product will prove to be safe and will produce the intended effects.

Even if safe and effective, the size of the solid dosage form, taste and frequency of dosage may impede the acceptance of our product by patients.

A number of companies in the drug delivery, biotechnology and pharmaceutical industries have suffered significant setbacks in clinical trials, even after showing promising results in earlier studies or trials. We cannot assure you that favorable results in any clinical trial will mean that favorable results will ultimately be obtained in future clinical trials. Nor can we assure you that results of limited animal and human studies are indicative of results that would be achieved in future animal studies or human clinical studies, all or some of which will be required in order to have our potential product obtain regulatory approval. Similarly, we cannot assure you that our potential product will be approved by the FDA.

Our future business success depends heavily upon regulatory approvals, which can be difficult to obtain for a variety of reasons, including cost.

Our clinical trials, as well as the manufacturing and marketing of our potential product, are subject to extensive, costly and rigorous regulation by various governmental authorities in the United States and other countries. The process of obtaining required approvals from the FDA and other regulatory authorities often takes many years, is expensive and can vary significantly based on the type, complexity and novelty of the potential product. We cannot assure you that we will meet the applicable regulatory criteria in order to receive the required approvals for manufacturing and

marketing. Delays in obtaining United States or foreign approvals for our potential product could result in substantial additional costs to us, and, therefore, could adversely affect our ability to continue operations. Even if regulatory approval of our potential product is obtained, that approval may place limitations on the intended uses of the product, and may restrict the way in which we are allowed to market the product.

The regulatory approval process presents several risks to us:

- In general, clinical trials can take more than a year, and require the expenditure of substantial resources, and the data obtained from these tests and trials can be susceptible to varying interpretation that could delay, limit or prevent regulatory approval.
- Delays or rejections may be encountered during any stage of the regulatory process based upon the failure of the clinical or other data to demonstrate compliance with, or upon the failure of the product to meet, a regulatory agency's requirements for safety, efficacy and quality or, in the case of a product seeking an orphan drug indication, because another designee received approval first.
- Requirements for approval may become more stringent due to changes in regulatory agency policy, or the adoption of new regulations or legislation.
- The scope of any regulatory approval, when obtained, may significantly limit the indicated uses for which a product may be marketed and may impose significant limitations in the nature of warnings, precautions and contraindications that could materially affect the profitability of the drug.
- Approved drugs, as well as their manufacturers, are subject to continuing and on-going review, and discovery of previously unknown problems with these products or the failure to adhere to manufacturing or quality control requirements may result in restrictions on their manufacture, sale or use or in their withdrawal from the market.
- Regulatory authorities and agencies may promulgate additional regulations restricting the sale of our existing and proposed products.
- Once a product receives marketing approval, the FDA may not permit us to market that product for broader or different applications, or may not grant us clearance with respect to separate product applications that represent extensions of our basic technology. In addition, the FDA may withdraw or modify existing clearances in a significant manner or promulgate additional regulations restricting the sale of our present or proposed products.

Additionally, we face the risk that our competitors may gain FDA approval for a product before us. Having a competitor reach the market before us would impede the future commercial success for our competing product because we believe that the FDA uses heightened standards of approval for products once approval has been granted to a competing product in a particular product area. We believe that this standard generally limits new approvals to only those products that meet or exceed the standards set by the previously approved product.

Our business will suffer if we cannot adequately protect our patent and proprietary rights.

Although we have submitted a patent application covering the intellectual property for our potential oral insulin product, we cannot assure you that our patent will be granted and, if it is granted, whether it will be held to be valid and enforceable and provide us with meaningful protection from competition. Furthermore, we may not possess the financial resources necessary to enforce our patent even if our patent application is successful. Also, we cannot be certain that any products that we or a prospective licensee develop will not infringe upon any patent or other intellectual property right of a third party.

We will also rely upon trade secrets, know-how and continuing technological advances to develop and maintain our competitive position. We plan to maintain a policy of requiring employees, scientific advisors, consultants and collaborators to execute confidentiality and invention assignment agreements upon commencement of a relationship with us. We cannot assure you that these agreements will provide meaningful protection for our trade secrets in the event of unauthorized use or disclosure of such information.

We may be at risk of having to obtain a license from third parties making proprietary improvements to our technology.

There is a possibility that third parties may make improvements or innovations to our potential oral insulin product in a more expeditious manner than we do. Although we are not aware of any such circumstance related to our product portfolio, should such circumstances arise, we may need to obtain a license from such third party to obtain the benefit of the improvement or innovation. Royalties payable under such a license would reduce our share of total revenue. Such a license may not be available to us at all or on commercially reasonable terms. Although we currently do not know of any circumstances related to potential oral insulin product that would lead us to believe that a third party has developed any improvements or innovation with respect to it, we cannot assure you that such circumstances will not arise in the future. We cannot reasonably determine the cost to us of the effect of being unable to obtain any such license.

We are dependent on third parties to manufacture and, in some cases, test our products.

We have no manufacturing facilities for production of our potential oral insulin product. We have no facilities for clinical testing. The success of our program will be dependent upon securing manufacturing capabilities and contracting with clinical service providers.

The availability of manufacturers is limited by both the capacity of such manufacturers and their regulatory compliance. Among the conditions for New Drug Application approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures continually conform with the FDA's current Good Manufacturing Practice. For the balance of this quarterly report on Form 10-QSB, we will refer to Good Manufacturing Practices as GMP's to be concise. GMP's are regulations established by the FDA that govern the manufacture, processing, packing, storage and testing of drugs intended for human use. In complying with GMP's, manufacturers must devote extensive time, money and effort in the area of production and quality control and quality assurance to maintain full technical compliance.

Manufacturing facilities and company records are subject to periodic inspections by the FDA to ensure compliance. If a manufacturing facility is not in substantial compliance with these requirements, regulatory enforcement action may be taken by the FDA, which may include seeking an injunction against shipment of products from the facility and recall of products previously shipped from the facility. Such actions could severely delay our ability to obtain product from that particular source.

The success of our clinical trials is dependent on our future partner's capacity and ability to adequately manufacture drug products to meet the proposed demand of each respective market. Any significant delay in obtaining a supply source could harm our potential for success. Additionally, if a future manufacturer were to lose its ability to meet our supply demands during a clinical trial, the trial may be delayed or may even need to be abandoned.

We may face product liability claims related to participation in clinical trials or future products.

The testing, manufacture and marketing of products for humans utilizing our potential oral insulin product may expose us to product liability and other claims. These may be claims directly by consumers or by pharmaceutical companies or others selling our product in the future. We seek to structure development programs with pharmaceutical companies that would complete the development, manufacturing and marketing of the finished product in a manner that would protect us from such liability, but the indemnity undertakings for product liability claims that we secure from the pharmaceutical companies may prove to be insufficient. We do not yet have product liability insurance.

We face rapid technological change and intense competition.

Our success depends, in part, upon maintaining a competitive position in the development of our potential product. Developments in insulin products are expected to continue at a rapid pace because many pharmaceutical companies are in the process of developing new insulin products. If we are able to develop our potential oral insulin product to the point where we can sell it on the market, we will compete with other drug delivery, biotechnology and

pharmaceutical companies, research organizations, individual scientists and non-profit organizations engaged in the development of insulin products, especially those who are developing insulin products that can be taken orally. Many of our competitors will have greater research and development capabilities, experience, and marketing, financial and managerial resources than we have, and, therefore, will represent significant competition.

Our products, when developed and marketed, may compete with existing insulin products, some of which are well established in the marketplace and manufactured by our competitors. Our potential oral insulin product, if successful, would compete with insulin that is taken by injection and other potential orally ingestible insulin pills or capsules developed by other companies such as Biocon, Ltd. or Bionin, Inc. These products are marketed throughout the world by leading pharmaceutical companies such as Eli Lilly and Company and Pfizer, Inc.

Our competitors may succeed in developing competing technologies or obtaining government approval for products before we do. Developments by others may render our potential products non-competitive or obsolete. We cannot assure you that, if our products are marketed, they will be preferred to existing drugs or that they will be preferred to or available before other products in development.

Risks Related to our Company

We have incurred substantial losses since inception and as we expect to continue to incur research and development costs to further develop our potential oral insulin product, we are likely going to require additional capital and if additional capital is not raised, we may have to cease business operations and investors will lose their entire investment.

Since our inception in April 12, 2002, we have generated significant losses from operations. Now that we have abandoned our former business acquiring and exploring mineral properties and have become engaged in the pharmaceutical research and development business, we anticipate that we will continue to generate significant losses from operations for the foreseeable future. As at November 30, 2007, our accumulated deficit was approximately \$4,829,000. Our net loss was approximately \$350,000 for the three months ended November 30, 2007. As at November 30, 2007, we had cash or cash equivalents of approximately \$1,479,000. We have limited capital resources and no revenue from operations to date have been funded with the proceeds from equity financings. These conditions raise substantial doubt about our ability to continue as a going concern. The audit report prepared by our independent registered public accounting firm relating to our consolidated financial statements for the year ended August 31, 2007 includes an explanatory paragraph expressing the substantial doubt about our ability to continue as a going concern.

Our existing capital resources will not enable us to continue operations without implementing cost reductions or raising additional capital. These circumstances may adversely affect our ability to raise additional capital. If we fail to raise additional capital, we will be forced to cease operations. If additional capital is raised through the sale of equity or convertible debt securities, the issuance of such securities would result in dilution to our existing stockholders.

We are dependent on our key personnel and if we cannot recruit and retain qualified individuals to perform our research, development, manufacturing and commercial functions, our business will likely not be successful.

We are highly dependent on our executive officers, especially on the consulting services to be provided by one of our directors, Dr. Miriam Kidron. Dr. Kidron is a pharmacist with a Ph. D. in biochemistry and is the inventor of the method and composition of insulin that can be administered orally, which was covered by the provisional patent application No. 60/718716. From 1990 to the present time, she has been an investigator in the Diabetes Unit at Hadassah University Hospital in Jerusalem, Israel. We would be significantly disadvantaged if Dr. Kidron were to leave our company. The loss of other officers could have an adverse effect as well, given their specific knowledge related to our proprietary technology. If we are not able to retain our executive officers, our business may suffer. None

of our key officers have announced any intention to leave us. We do not have any employment contracts with our executive officers but we do have a consulting agreement for the services of Dr. Kidron. We do not maintain key-person life insurance policies for any of our executive officers.

There is intense competition in the biotechnology industry for qualified scientists and managerial personnel in the development, manufacture, and commercialization of drugs. We may not be able to attract and retain the qualified personnel necessary for developing our business. Additionally, because of the knowledge and experience of our scientific personnel and their specific knowledge with respect to our potential oral insulin product, the continued development of our potential product could be adversely affected by the loss of any one of our executive officers or qualified personnel that we may engage.

All of our assets and all of our directors and officers are outside the United States, as a result it may be difficult for investors to enforce within the United States any judgments obtained against us or any of our directors or executive officers.

All of our assets are located outside the United States and we do not currently maintain a permanent place of business within the United States. In addition, all of our directors and executive officers are nationals and or residents of countries other than the United States, and all or a substantial portion of such persons' assets are located outside the United States. As a result, it may be difficult for investors to enforce within the United States any judgments obtained against us or our directors or executive officers, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state thereof. Consequently, you may be effectively prevented from pursuing remedies under U.S. federal securities laws against them.

Our principal research and development facilities will be located in Israel and the unstable military and political conditions in Israel may cause interruption or suspension of our business operations without warning.

Our principal research and development facilities will initially be located in Israel. As a result, we are directly influenced by the political, economic and military conditions affecting Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors and, since September 2000, involving the Palestinian population, and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel and companies based in Israel. Acts of random terrorism periodically occur which could affect our operations or personnel.

In addition, Israeli-based companies and companies doing business with Israel have been the subject of an economic boycott by members of the Arab League and certain other predominantly Muslim countries since Israel's establishment. Although Israel has entered into various agreements with certain Arab countries and the Palestinian Authority, and various declarations have been signed in connection with efforts to resolve some of the economic and political problems in the Middle East, we cannot predict whether or in what manner these problems will be resolved. Also, since the end of September 2000, there has been a marked increase in the level of terrorism in Israel, which has significantly damaged both the Israeli economy and levels of foreign and local investment.

Furthermore, certain of our officers and employees may be obligated to perform annual reserve duty in the Israel Defense Forces and are subject to being called up for active military duty at any time. All Israeli male citizens who have served in the army are subject to an obligation to perform reserve duty until they are between 45 and 54 years old, depending upon the nature of their military service.

Risks Related to Our Common Stock

Our stock price will likely be volatile.

The trading price for our common stock is likely to be highly volatile. The market prices for securities of drug delivery, biotechnology and pharmaceutical companies have historically been highly volatile. Factors that could adversely affect our stock price include:

- fluctuations in our operating results; announcements of partnerships or technological collaborations,
 - innovations or new products by us or our competitors;
 - changes in government regulations;
-

- developments in patent or other proprietary rights;
- public concern as to the safety of drugs developed by us or others;
- the results of clinical studies or trials by us, any partners we may have or our competitors;
- litigation;
- general stock market and economic conditions;
- number of shares available for trading (float);
- inclusion in or dropping from stock indexes.

Future sales of common stock or warrants, or the prospect of future sales, may depress our stock price.

Sales of a substantial number of shares of our common stock or warrants, or the perception that sales could occur, could adversely affect the market price of our common stock.

We do not intend to pay dividends and there will be less ways in which you can make a gain on any investment in our company.

We have never paid any cash dividends and currently do not intend to pay any dividends for the foreseeable future. Because we do not intend to declare dividends, any gain on an investment in our company will need to come through appreciation of the price of our common stock. There can be no assurance that the price of our common stock will increase.

Trading of our stock may be restricted by the SEC's penny stock regulations, which may limit a stockholder's ability to buy and sell our stock.

The Securities and Exchange Commission has adopted regulations which generally define penny stock to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on brokers or dealers who sell to persons other than established customers and accredited investors. The term accredited investor refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker or dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC, which provides information about penny stocks and the nature and level of risks in the penny stock market. The broker or dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker or dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker or dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker or dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of brokers or dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock. This may limit your ability to buy and sell our stock and cause the price of the shares to decline

FINRA sales practice requirements may also limit a stockholder's ability to buy and sell our stock.

In addition to the penny stock rules described above, the Financial Industry Regulatory Authority (FINRA) has adopted rules that require that in recommending an investment to a customer, a broker or 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, brokers or 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, the FINRA believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for brokers or dealers to recommend that their customers buy our common stock, which may prevent you from reselling your shares and may cause the price of the shares to decline.

Item 3. Controls and Procedures.

As required by Rule 13a-15 under the Exchange Act, as of the end of the period covered by this report, being November 30, 2007, we have carried out an evaluation of the effectiveness of the design and operation of our company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our management, including our chief executive officer, Nadav Kidron, and our chief financial officer, Alex Werber. Based upon that evaluation, they concluded that our disclosure controls and procedures are effective as of the end of the period covered by this report. There have been no significant changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to management, including our president and chief executive officer as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

Other than disclosed below, we know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation:

On June 21, 2006, we commenced a legal action in the Supreme Court of the State of New York against John Choi, Bernard Perini and Epifanio Almodovar to enjoin them from selling, assigning, transferring, pledging, encumbering or otherwise disposing their shares of our common stock. Collectively Messrs. Choi, Perini and Almodovar obtained 2,897,342 shares of our common stock pursuant to an aborted merger between our company and Integrated Security Technologies, Inc., a privately held New Jersey Corporation, in 2004. It is our position that Messrs. Choi, Perini and Almodovar are possessed of stock that either should never have been issued to them at all or which should have been returned to our company when our merger with Integrated Security Technologies, Inc., the privately held New Jersey Corporation, was unwound. The court subsequently granted us a temporary injunction to restrain Messrs. Choi, Perini and Almodovar from selling their shares of our common stock.

On August 10, 2006, we reached a settlement with Bernard Perini and Epifanio Almodovar for the legal action in the Supreme Court of the State of New York initiated by our company against them. As a result, the temporary injunction to restrain Messrs. Perini and Almodovar from selling their shares of our common stock has been lifted. Furthermore, pursuant to the settlement, all claims by and between our company and Bernard Perini and Epifanio Almodovar have been mutually released and discontinued with prejudice. Messrs. Perini and Almodovar agreed to ask their legal counsel to hold their shares of our common stock as an escrow agent, subject to a scheduled release. As of the date of this quarterly report on Form 10-QSB, all of Messrs. Perini and Almodovar's shares have been released according to the release schedule.

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

On October 30, 2007, we issued warrants to an advisor of our company, to purchase an aggregate of 100,000 shares of our common stock at an exercise price of \$0.76 per share. These warrants will vest 1/12 every month with the first 1/12 vesting on November 30, 2007.

On September 7, 2007, we issued 283,025 shares of our common stock to Swiss Caps AG pursuant to an agreement whereby Swiss Caps AG has agreed to manufacture oral gel capsules for clinical testing of our oral insulin project. We issued the shares of our common stock in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On September 4, 2007, we granted 300,000 warrants exercisable for two years at an exercise price of \$0.45 per share to executives of The Investor Relations Group Inc. pursuant to the terms of an investor relations agreement

On August 2, 2007, we completed a private placement consisting of 510,000 units of our securities at a price of US \$0.50 per unit for aggregate proceeds of \$255,000. Each unit consists of one common share and one share purchase warrant, with each one warrant exercisable into one additional common share at a price of \$0.75 per share until August 2, 2010. We issued these units to six non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933. We also issued 10,000 shares to one non-US individual on August 2, 2007 as a finder's fee pursuant to an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

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On August 2, 2007, we issued stock options to two directors and executives of our company, to purchase an aggregate of 1,700,000 shares of our common stock at an exercise price of \$0.45 per share. The options vested upon grant.

On June 15, 2007, we issued 3,600,000 units of our securities at a price of \$0.50 per unit for aggregate proceeds of \$1,800,000. Each unit consists of one common share and one share purchase warrant, one share purchase warrant

shall be exercisable into one common share at a price of \$0.75 per common share until June 15, 2010. We issued the units to seven non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On March 18, 2007, we issued stock options to an advisor of our company, to purchase an aggregate of 100,000 shares of our common stock at an exercise price of \$0.76 per share. These options will vest 1/12 every month with the first 1/12 vesting on April 18, 2007.

Effective February 12, 2007, we issued a \$125,000 unsecured convertible debenture to Epsom Investment Services. All of any portion of the amounts due under the debenture may be converted at any time, at the option of the holder, into common shares of our company at a conversion price of \$0.50 per share. The convertible debenture does not accrue any interest. The issuance of the convertible debenture and the securities issuable upon conversion of the convertible debenture were made pursuant to the exemption from registration requirements of the United States *Securities Act of 1933*, as amended (the *Securities Act*) provided by Regulation S promulgated thereunder. The subscriber was not a U.S. person (as that term is defined in Regulation S).

On December 31, 2006, we issued stock options to an advisor of our company, to purchase an aggregate of 100,000 shares of our common stock at an exercise price of \$0.76 per share. These options will vest 1/12 every month with the first 1/12 vesting on January 31, 2007.

On December 27, 2006, we issued 125,000 shares of our common stock to Swiss Caps AG pursuant to an agreement whereby Swiss Caps AG has agreed to manufacture oral gel capsules for clinical testing of our oral insulin project. We issued the shares of our common stock in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

On November 23, 2006, we entered issued stock options to one consultant and one director of our company, granting options to purchase an aggregate of 750,000 shares of our common stock at an exercise price of \$0.76 per share. These options will vest 1/12 every month with the first 1/12 vesting on December 23, 2006.

On February 6, 2006, we closed a private placement consisting of 22,981,228 shares at a price of \$0.001 per share for gross proceeds of \$22,981.23. We received promissory notes for the full amount and subsequently full payments for the promissory notes were made to our company. We issued the securities to 7 non-U.S. persons (as that term is defined in Regulation S of the Securities Act of 1933) in an offshore transaction relying on Regulation S and/or Section 4(2) of the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

N/A.

Item 6. Exhibits*Exhibits required by Item 601 of Regulation S-B*

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|-------------|--|
| (3) | Articles of Incorporation and By-laws |
| 3.1 | Articles of Incorporation (incorporated by reference from our Registration Statement on Form SB-2, filed on November 29, 2002). |
| 3.2 | Bylaws (incorporated by reference from our Current Report on Form 8-K filed on April 10, 2006). |
| 3.3 | Articles of Merger filed with the Nevada Secretary of State on March 29, 2006 (incorporated by reference to our Current Report on Form 8-K filed on April 10, 2006). |
| (4) | Instruments defining rights of security holders, including indentures |
| 4.1 | Specimen Stock Certificate (incorporated by reference from our Registration Statement on Form SB-2, filed on November 29, 2002). |
| (10) | Material Contracts |
| 10.1 | Form of Securities Purchase Agreement for February 6, 2006 private placement (incorporated by reference from our current report on Form 8-K filed February 6, 2006) |
| 10.2 | Agreement between our company and Hadasit Medical Services and Development Ltd. dated February 17, 2006 concerning the acquisition of U.S. patent application 60/718716 (incorporated by reference from our current report on Form 8-K filed February 17, 2006). |
| 10.3 | Consulting Agreement between our company and Dr. Miriam Kidron (incorporated by reference from our current report on Form 8-K filed February 17, 2006). |
| 10.4 | Agreement between our company and Swiss Caps Ag dated October 30, 2006 (incorporated by reference from our current report on Form 8-K filed October 26, 2006). |
| 10.5 | Stock Option Plan dated October 15, 2006 (incorporated by reference from our current report on Form 8-K filed on November 23, 2006). |
| 10.6 | Stock Option Agreement dated November 23, 2006 (incorporated by reference from our current report on Form 8-K filed on November 23, 2006). |
| 10.7 | Form of subscription agreement and warrant certificate (incorporated by reference from our current report on Form 8-K filed on June 18, 2007) |
| 10.8 | Encorium Proposal dated April 27, 2007 (incorporated by reference from our current report on Form 8-K filed on June 19, 2007) |
| (31) | Section 302 Certification |
| 31.1* | <u>Certification Statement of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |
| 31.2* | <u>Certification Statement of the Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u> |

| | |
|--------------|---|
| (32) | Section 906 Certification |
| <u>32.1*</u> | <u>Certification Statement of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002</u> |
| <u>32.2*</u> | <u>Certification Statement of the Principal Accounting Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act Of 2002</u> |

*Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Oramed Pharmaceuticals Inc.

By: /s/ Nadav Kidron

Nadav Kidron, President, CEO and Director
(Principal Executive Officer)

Date: January 14, 2008

By: /s/ Alex Werber

(Principal Financial Officer and Principal Accounting Officer)

Date: January 14, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Nadav Kidron

Nadav Kidron, President, CEO and Director

Date: January 14, 2008

By: /s/ Alex Werber

Alex Werber, CFO and Treasurer

Date: January 14, 2008
