

ONCOSEC MEDICAL Inc
Form 424B3
December 21, 2011
[Table of Contents](#)

PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 24, 2011)

FILED PURSUANT TO RULE 424(B)(3)

REGISTRATION STATEMENT NO. 333-175779

ONCOSEC MEDICAL INCORPORATED

PROSPECTUS

Up to 16,440,000 Shares of Common Stock

This Prospectus Supplement No. 1 supplements our Prospectus dated October 24, 2011 (which was contained in our Registration Statement on Form S-1 (File No. 333-175559)) with the following attached documents:

A Quarterly Report on Form 10-Q dated December 15, 2011.

The attached information amends and supplements certain information contained in the Prospectus. This Prospectus Supplement No. 1 should be read in conjunction with the Prospectus, which is required to be delivered with this Prospectus Supplement.

Our common stock is quoted on the OTC Bulletin Board under the symbol ONCS. On December 20, 2011 the last reported sale price of our common stock on the OTC Bulletin Board was \$0.23 per share.

Investing in our common stock involves risks. You should carefully consider the risk factors for our common stock, which are listed in the prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is

a criminal offense.

The date of this Prospectus Supplement No. 1 is December 21, 2011

Table of Contents

INDEX TO FILINGS

Annex

Quarterly Report on Form 10-Q dated December 15, 2011

A

Table of Contents

Annex A

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 31, 2011

OR

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
(State or other jurisdiction of
incorporation or organization)

98-0573252
(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 No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer
(Do not check if a smaller reporting company)

Smaller reporting company

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

56,856,000 shares of the registrant's common stock were issued and outstanding as of December 14, 2011.

A-1

Table of Contents

OncoSec Medical Incorporated

Form 10-Q

for the Quarterly Period Ended October 31, 2011

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION

Item 1.	Consolidated Financial Statements: <u>Consolidated Balance Sheets as of October 31, 2011 (unaudited) and July 31, 2011 and 2010 (unaudited)</u>	A-3
	<u>Consolidated Statements of Operations for the three months ended October 31, 2011 and 2010 (unaudited)</u>	A-4
	<u>Consolidated Statement of Stockholders' Equity (Deficit) (unaudited)</u>	A-5
	<u>Consolidated Statements of Cash Flows for the three months ended October 31, 2011 and 2010 (unaudited)</u>	A-6
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	A-7
<u>Item 2.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	A-17
<u>Item 3.</u>	<u>Quantitative and Qualitative Disclosure about Market Risk</u>	A-23
<u>Item 4.</u>	<u>Controls and Procedures</u>	A-23
<u>PART II OTHER INFORMATION</u>		
<u>Item 1.</u>	<u>Legal Proceedings</u>	A-25
<u>Item 1A.</u>	<u>Risk Factors</u>	A-25
<u>Item 2.</u>	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	A-37
<u>Item 4.</u>	<u>(Removed and Reserved)</u>	A-37
<u>Item 5.</u>	<u>Other Information</u>	A-37
<u>Item 6.</u>	<u>Exhibits</u>	A-37

Table of Contents**OncoSec Medical Incorporated****(A Development Stage Company)****Consolidated Balance Sheets****As of October 31, 2011 and July 31, 2011**

	(unaudited)		July 31,
	October 31,		2011
	2011		2011
Assets			
Current assets			
Cash and cash equivalents	\$ 1,409,116	\$	2,457,693
Prepaid expenses	277,240		427,961
Other current assets	8,524		15,939
Total Current Assets	1,694,880		2,901,593
Property and equipment, net	66,812		57,298
Intangible assets, net	2,381,549		2,715,167
Total Assets	\$ 4,143,241	\$	5,674,058
Liabilities and Stockholders Equity (Deficit)			
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	\$ 340,297	\$	369,175
Accrued compensation	29,180		67,774
Accrued income taxes	3,200		1,600
Derivative liabilities	872,967		4,850,385
Acquisition obligation, current	1,379,612		1,250,000
Total Current Liabilities	2,625,256		6,538,934
Acquisition obligation, net of current portion	937,167		1,500,000
Total Liabilities	3,562,423		8,038,934
Stockholders Equity (Deficit)			
Common stock authorized 3,200,000,000 common shares with a par value of \$0.0001			
Common stock issued and outstanding 56,856,000 and 56,856,000 common shares as of			
October 31, 2011 and July 31, 2011, respectively	5,686		5,686
Additional paid-in capital	1,038,472		1,033,333
Warrants issued and outstanding 14,696,000 and 13,696,000 units as of October 31, 2011			
and July 31, 2011, respectively	660,490		431,981
Deficit accumulated during the development stage	(1,123,830)		(3,835,876)
Total Stockholders Equity (Deficit)	580,818		(2,364,876)
Total Liabilities and Stockholders Equity (Deficit)	\$ 4,143,241	\$	5,674,058

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, 2011	Three Months Ended October 31, 2010	Period from Inception (February 8, 2008) to October 31, 2011
Revenue	\$	\$	\$
Expenses:			
Research and development	515,587		1,200,258
General and administrative	678,651	2,450	1,757,514
Loss from operations	(1,194,238)	(2,450)	(2,957,772)
Other income (expense):			
Fair value of derivative liabilities in excess of proceeds			(808,590)
Adjustments to fair value of derivative liabilities	3,977,418		2,935,623
Financing transaction costs			(210,000)
Non-cash interest expense	(69,134)		(69,134)
Interest expense			(1,357)
Impairment charges			(9,000)
Net income (loss) before income taxes	2,714,046	(2,450)	(1,120,230)
Provision for income taxes	2,000		3,600
Net income (loss)	\$ 2,712,046	\$ (2,450)	\$ (1,123,830)
Basic net income (loss) per common share	\$ 0.05	\$ (0.00)	
Diluted net income (loss) per common share	\$ 0.05	\$ (0.00)	
Weighted average shares used in computing basic net income (loss) per common share	56,856,000	68,480,000	
Weighted average shares used in computing diluted net income (loss) per common share	56,905,457	68,480,000	

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

Table of Contents**OncoSec Medical Incorporated****(A Development Stage Company)****Consolidated Statement of Stockholders Equity (Deficit) (unaudited)****For the period from Inception (February 8, 2008) to October 31, 2011**

	Common Stock (1)		Additional	Warrants		Deficit	Total
	Shares	Amount	Paid In Capital (1)	Shares	Amount	Accumulated during the Development Stage	Stockholders Equity (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				1,000,000	228,509		228,509
Share-based compensation expense			5,139				5,139
Net income						2,712,046	2,712,046
Balance, October 31, 2011	56,856,000	\$ 5,686	\$ 1,038,472	6,456,000	\$ 660,490	\$ (1,123,830)	\$ 580,818

(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, 2011	Three Months Ended October 31, 2010	Period from Inception (February 8, 2008) to October 31, 2011
<i>Operating activities</i>			
Net income (loss)	\$ 2,712,046	\$ (2,450)	\$ (1,123,830)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	167,596		418,417
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
Gain on adjustment to fair value of derivative liabilities	(3,977,418)		(2,935,623)
Non-cash interest expense	69,134		69,134
Share-based compensation	5,139		5,139
Amortization of common stock issued for services	83,000		166,000
Changes in operating assets and liabilities:			
(Increase) decrease in prepaid expenses	67,721		(111,240)
(Increase) decrease in other current assets	7,416		(8,523)
(Decrease) increase in accounts payable and accrued liabilities	(28,878)	(2,050)	340,297
(Decrease) increase in accrued compensation	(38,594)		29,180
Increase in accrued income taxes	1,600		3,200
Net cash used in operating activities	(931,238)	(4,500)	(2,292,259)
<i>Investing activities</i>			
Purchases of property and equipment	(17,339)		(87,625)
Investment in intangible assets			(250,000)
Net cash used in investing activities	(17,339)		(337,625)
<i>Financing activities</i>			
Proceeds from issuance of common stock and warrants			4,139,000
Payment of amounts due under acquisition obligation	(100,000)		(100,000)
Proceeds from amounts due to stockholder		4,500	153,867
Repayment of amounts due to stockholder			(153,867)
Net cash provided from financing activities	(100,000)	4,500	4,039,000
Net increase (decrease) in cash	(1,048,577)		1,409,116
Cash, at beginning of period	2,457,693	237	
Cash, at end of period	\$ 1,409,116	\$ 237	\$ 1,409,116
Supplemental disclosure for cash flow information:			
Cash paid during the period for:			
Interest	\$	\$	\$ 1,357
Income taxes	\$ 400	\$	\$ 400

Noncash investing and financing transaction:

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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

A-6

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, as a result, 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 different cancers. With this acquisition, the Company is now focusing its efforts in the biomedical industry and abandoning 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. The Company acquired all of the outstanding common stock as of the acquisition date 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.

Certain reclassifications have been made to the prior interim period consolidated financial statements, including the aggregation of certain operating expenses into the classification of general and administrative expenses to conform to the presentation used for the interim period ended October 31, 2011. The reclassifications had no effect on previously reported net losses.

Note 2 Significant Accounting Policies

Financial Instruments

The carrying amounts for cash, 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 our 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.

Use of Estimates

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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.

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, 2011 and 2010 was approximately \$7,800 and \$0, respectively.

Table of Contents

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 all stock options issued and outstanding during the period ended October 31, 2011 were dilutive. The Company did not include shares underlying warrants outstanding of 14,696,000 in the computation of net income (loss) per share for the three months ended October 31, 2011, as the effect would have been anti-dilutive.

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 income (loss) from operations for the three months ended October 31, 2011 and 2010, or for the period from inception through October 31, 2011.

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 our consolidated balance sheet and no further adjustments to their valuation are made. During the year ended July 31, 2011, some of the Company's warrants that were issued in conjunction with the June Private Placement (see Note 7) were determined to be ineligible for equity classification because of anti-dilution provisions that may result in an adjustment to their exercise price. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on the Company's consolidated balance sheet 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.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB), issued authoritative guidance regarding common fair value measurements and disclosure requirements. This newly issued accounting standard clarifies the application of certain existing fair value measurement guidance and expands the disclosures for fair value measurements that are estimated using significant unobservable inputs. This guidance is effective on a prospective basis for annual and interim reporting periods beginning after December 15, 2011. The Company does not expect that adoption of this standard will have a material impact on its financial position or results of operations.

In June 2011, the FASB issued authoritative guidance regarding comprehensive income. This newly issued accounting standard (1) eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity; (2) requires the consecutive presentation of the statement of net income and other comprehensive income; and (3) requires an entity to present reclassification adjustments on the face of the financial statements from other comprehensive income to net income. The amendments do not change the items that must be reported in other comprehensive income or when an item of other comprehensive income must be reclassified to net income nor do the amendments affect how earnings per share is calculated or presented. This guidance is required to be applied retrospectively and is effective for fiscal years and interim periods beginning after December 15, 2011. The adoption of this standard is not expected to have an impact on the Company's financial position or results of operations.

Table of Contents

Note 3 Cash and Liquidity

The Company considers all liquid investments with maturities of ninety days or less when purchased to be cash equivalents.

The Company's activities to date have been supported by equity and debt financing. It has sustained losses in all previous reporting periods with an inception to date loss of \$1,123,830 as of October 31, 2011.

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 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.

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

- 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.

As of October 31, 2011 and 2010, cash and cash equivalents were comprised of cash in checking accounts.

In conjunction with the June Private Placement, the Company issued warrants with derivative features. These instruments are 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.

Table of Contents

At October 31, 2011 and July 31, 2011, the estimated fair values of the liabilities measured on a recurring basis are as follows:

Fair Value Measurements at October 31, 2011

	Balance at October, 31, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Warrant derivative liability Series A and Series C Warrants	\$ 872,967			\$ 872,967

Fair Value Measurements at July 31, 2011

	Balance at July, 31, 2011	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Warrant derivative liability Series A and Series C Warrants	\$ 4,850,385			\$ 4,850,385

The following table presents the activity for liabilities measured at estimated fair value using unobservable inputs for the three months ended October 31, 2011:

Fair Value Measurements Using Significant Unobservable Inputs (Level 3)

	Warrant Derivative Liability	
Beginning balance at July 31, 2011	\$	4,850,385
Issuances		
Adjustments to estimated fair value		(3,977,418)
Ending balance at October 31, 2011	\$	872,967

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

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

Table of Contents

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 \$407,000 as of October 31, 2011. 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 period ended October 31, 2011 was approximately \$160,000.

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, 2011, no impairment was recorded.

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 Amendment). The Amendment amended and modified certain payment terms of the Asset Purchase Agreement dated March 14, 2011. Prior to the Amendment, the Asset Purchase Agreement required the Company to make a payment of \$750,000 to Inovio by September 24, 2011. Under the Amendment, the Company was required 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. In consideration for the Amendment, the Company issued to Inovio a warrant to purchase 1,000,000 shares of the Company's common stock.

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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 Amendment to arrive at a revised imputed interest discount on the obligation of approximately \$132,000 as of September 28, 2011. Non-cash interest expense recognized during the period ended October 31, 2011, was approximately \$52,000. As of October 31, 2011, the outstanding acquisition obligation was reduced by short-term and long-term imputed interest discounts of approximately \$96,000 and \$26,000, respectively.

The Company evaluated the amendment in accordance with ASC 470-50, and determined the modification of the terms upon entry into the Amendment were not considered substantial. In accordance with the guidance, the fair value of the warrants issued to Inovio as consideration for the Amendment will be recorded as a discount to the acquisition obligation and amortized to interest expense over the remaining term of the modified obligation payable. During the three month period ended October 31, 2011, approximately \$17,000 was recognized as non-cash interest expense for amortization of the discount. As of October 31, 2011, the outstanding acquisition obligation was reduced by short-term and long-term discounts of approximately \$174,000 and \$37,000, respectively.

Table of Contents

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
- \$ 650,000 - Earlier of: i) 30 days following the receipt by the Company of aggregate net proceeds of more than \$5,000,000 from one of more financings occurring on or after September 30, 2011, or
ii) March 31, 2012
- \$ 500,000 - March 24, 2012
- \$ 500,000 - September 24, 2012
- \$1,000,000 - March 24, 2013

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

Note 7 Private Placements

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 sheet.

June 2011 Private Placement

On June 24, 2011 (the Closing Date), the Company closed a private placement whereby it issued an aggregate 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, (collectively, the 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 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 have a term of exercise between eight and nineteen months, as further described therein. 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.

On June 24, 2011, in connection with the closing of the June Private Placement, the Company and the Purchasers entered into a Registration Rights Agreement (the "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 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 Private Placement. As of October 31, 2011 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 our lead placement agent for certain expenses in the amount of \$30,000. The total cash fees of \$210,000 paid to the placement

Table of Contents

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 equal to 6% of the aggregate common stock issued in the June Private Placement, or 240,000 warrants.

Allocation of Proceeds

At the Closing Date, the estimated fair value of the Series A and Series C Warrants exceeded the proceeds from the June 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.

Common Stock

At the Closing Date, 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. As of October 31, 2011, the common stock is registered pursuant to an effective registration statement on Form S-1.

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 are 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. The estimated fair values of the derivative liabilities at October 31, 2011 are \$872,967.

On the Closing Date, 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 has revalued the derivative liability as of October 31, 2011, and will continue to do so on each subsequent balance sheet date until the securities to which the derivative liabilities relate are exercised or expire, with any changes in the fair value between reporting periods recorded as other income or expense. On October 31, 2011, the total value of the derivative liabilities was \$872,967. The decrease in the estimated fair value of the derivative liabilities for the three months ended October 31, 2011 resulted in other income of \$3,977,418. Such decrease in the estimated fair value was primarily due to the decrease in the Company's common stock price and updates to the assumptions used in the option pricing models.

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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

	October 31, 2011	July 31, 2011
Closing price per share of common stock	0.31	0.93
Exercise price per share	1.20	1.20
Expected volatility	94.5%	91.6%
Risk-free interest rate	0.99%	1.35%
Dividend yield		
Floor price	0.50	0.50
Remaining expected term of underlying securities (years)	4.65	4.90

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

Table of Contents

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 period ended October 31, 2011, \$83,000 of consulting expense was recorded for these shares.

On September 28, 2011, in consideration for the 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 is \$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 warrants will be recorded as a discount to the acquisition obligation and amortized to interest expense over the remaining term of the modified obligation payable.

At October 31, 2011 the Company had outstanding warrants to purchase 14,696,000 shares of common stock, with exercise prices ranging from \$0.75 to \$1.20. These warrants expire at various times between February 2012 and September 2016. At October 31, 2011, 6,456,000 of these warrants were classified as equity instruments. The remaining warrants in the amount of 8,240,000 were recorded as derivative liabilities.

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.

On September 27, 2011, the Company granted options to purchase 355,000 shares of the Company's common stock to employees and options to purchase 100,000 shares of the Company's common stock to one non-employee director under the 2011 Plan. The options issued to employees have a ten year term, vest annually in equal increments over three years and have an exercise price of \$0.40. The option issued to the director has a ten year term, vests quarterly in equal increments over one year and has an exercise price of \$0.40. The option grants were made subject to stockholder approval of the 2011 Plan and are not exercisable unless and until such approval has been obtained.

We recognize 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, 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 for the three months ended October 31, 2011; Expected volatility, 85.96%, Risk-free interest rate, 0.96%, Expected forfeiture rate, 0.00%, Expected dividend yield, 0.00%, Expected term, 5.00 - 6.00 years.

Table of Contents

Expected price volatility is the measure by which our 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.

Our 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. We have never paid any dividends on our common stock and do not anticipate paying dividends on our 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 statements of operations for the three months ended October 31, 2011 resulting from share-based compensation awarded to the Company's employees and directors was approximately \$5,100. Of this balance, \$2,500 and \$2,600 was recorded to Research and Development and General and Administrative, respectively, in the Company's consolidated statement of operations.

A summary of the stock option activity is as follows:

	Weighted-Average Exercise Price	Weighted-Average Exercise Price	Aggregate Intrinsic Value (\$000 s)
Balance at July 31, 2011			\$
Granted	455,000	\$	0.40
Exercised			
Forfeited / Cancelled			

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

Balance at October 31, 2011	455,000	\$	0.40	\$
-----------------------------	---------	----	------	----

A-15

Table of Contents

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 Average Exercise Price
\$ 0.40	455,000	9.92	0.40	143,333	9.92	\$ 0.40

The weighted-average grant date fair value of stock options granted during the three months ended October 31, 2011 was \$0.28. As of October 31, 2011, there was approximately \$124,000 of unrecognized non-cash compensation cost related to unvested options, which will be recognized over a weighted average period of 2.47 years.

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, 2011 and July 31, 2010, the Company recorded a full valuation allowance on its deferred tax assets.

Note 11 Commitments and Contingencies

On May 12, 2011, the Company entered into a one year lease agreement for office space. The lease runs through May 30, 2012, with a base annual rent of \$42,000.

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.

Note 12 Related Party Transactions

On February 11, 2011, the Company entered into a promissory note arrangement with a stockholder in the amount of \$120,000. The note bore interest at a rate of 10% annually. Full payment on this note was made on March 18, 2011 with proceeds received from the March 2011 private placement (see Note 7). Total interest expense recorded during the year ended July 31, 2011 was approximately \$1,400.

On March 18, 2011, the Company made full payment on a stockholder loan in the amount of \$33,867 with proceeds received from the March 2011 private placement (see Note 7). The note was non-interest bearing.

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.

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, 2011 and 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 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

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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.

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 Private Placement described below. On September 28, 2011, we entered into an amendment to the Asset Purchase Agreement with Inovio, which amended and modified the payment terms of the Asset Purchase Agreement. Prior to the amendment, the Asset Purchase Agreement required us to make a payment of \$750,000 to Inovio by September 24, 2011. Under the amendment, we were required to make, and made, 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

Table of Contents

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. Payment of the remaining amounts owed to Inovio continue to be due on the following schedule: \$500,000 on the first anniversary of the closing date; \$500,000 eighteen months from the closing date; and \$1,000,000 on the second anniversary of the closing date. In consideration for the amendment, we issued to Inovio a warrant to purchase 1,000,000 shares of our common stock. 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 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 warrant issued to Inovio and determined the warrant 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 (OMS ElectroChemotherapy), or a DNA plasmid construct that encodes for a cytokine (OMS ElectroImmunotherapy) to treat solid tumors. OMS ElectroChemotherapy and OMS ElectroImmunotherapy 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. In May 2011, we announced the planned initiation of three Phase II clinical trials for the use of our therapies to treat metastatic melanoma, Merkel cell carcinoma and cutaneous T-cell lymphoma.

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 interim and annual prior periods presented have been retroactively adjusted to reflect the effects of the forward stock split.

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 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 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 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, for proceeds to us of \$3.0 million (the June 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 Private Placement were approximately \$2.79 million.

Pursuant to the terms of the Securities Purchase Agreement that we entered into with the purchasers in the June Private Placement, each purchaser has been 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 have an exercise price of \$1.20 per share, are exercisable immediately upon issuance and have a term of five years. The Series B Warrants have an exercise price of \$0.75 per share, are exercisable immediately upon issuance and have a term of exercise equal to the earlier of (a) the later of (i) eight months following the closing of the June Private Placement and (ii) four months following the earliest date that the shares underlying such warrants have been sold or may be freely sold, whether pursuant to a registration statement, Rule 144 or an exemption from registration under Section 4(1) of the Securities Act, and (b) sixteen months from the closing of the June Private

Table of Contents

Placement (unless extended three additional months upon the occurrence of a single issuance by us of our common stock or warrants to purchase our common stock that meets certain criteria specified in the warrants). The Series C Warrants have an exercise price of \$1.20 per share, vest and are exercisable ratably in proportion to each holder's exercise of the Series B Warrants held by such holder and have a term of five years. The warrants issued to the co-placement agents have substantially similar terms to the Series A Warrants.

On June 24, 2011, in connection with the closing of the June Private Placement, we entered into a Registration Rights Agreement with the purchasers in the June Private Placement. The Registration Rights Agreement requires that we file a registration statement within thirty days following such closing to register the resale of the shares of common stock and the shares underlying the warrants issued in the June Private Placement. Our failure to meet the filing deadlines and other requirements set forth in the Registration Rights Agreement may subject us to payment of substantial penalties, up to a maximum of 9% of the aggregate proceeds of the June Private Placement.

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

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

In conjunction with the June 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.

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.

Table of Contents**Results of Operations for the Three Months Ended October 31, 2011 Compared to the Three Months Ended October 31, 2010**

The unaudited consolidated financial data for the three months ended October 31, 2011 and October 31, 2010 is presented in the following table and the results of these two periods are used in the discussion thereafter.

	October 31, 2011 (\$)	October 31, 2010 (\$)	Increase/ (Decrease) (\$)	Increase/ (Decrease) %
Revenue				
Operating expenses				
Research and development	515,587		515,587	100
General and administrative	678,651	2,450	676,201	**
Loss from operations	(1,194,238)	(2,450)	1,191,788	**
Other income (expense)				
Interest expense non-cash	(69,134)		69,134	100
Adjustments to fair value of derivative liabilities	3,977,418		3,977,418	100
Net income (loss) before income taxes	2,714,046	(2,450)	2,716,496	**
Income tax provision	2,000		2,000	100
Net income (loss)	2,712,046	(2,450)	2,714,496	**

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

Research and Development Expenses

Prior to our acquisition of certain assets of Inovio in March 2011, we did not engage in any research and development activities. The \$516,000 increase in research and development expenses for the three month period ended October 31, 2011 as compared to the three month period ended October 31, 2010 was mainly the result of salary and associated costs of \$184,000, patent amortization of \$160,000, contract labor and professional services of \$136,000 and travel and related costs of \$13,000. We expect research and development to account for a significant portion of our total expenses in the future as we continue to focus on designing and developing our therapies.

General and Administrative

The \$676,000 increase in general and administrative expenses for the three month period ended October 31, 2011 as compared to the three month period ended October 31, 2010 was primarily the result of legal costs of \$72,000 for fees associated with the preparation and filing of our Registration Statement on Form S-1 and other periodic filings during that period, as well as other general corporate matters and patent maintenance fees and increased salary and associated costs of \$206,000 resulting from the hiring of a new management team and staff beginning in March 2011. In addition, during the three month period ended October 31, 2011 we incurred corporate communications costs of \$120,000 consisting primarily of investor relation services, board and committee fees of \$60,000, and travel and related costs of \$37,000.

Other Income (Expense)

The \$3,908,000 net increase in other income for the three month period ended October 31, 2011 as compared to the same period ended October 31, 2010 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, the Series A and Series C Warrants issued in connection with the June Private Placement, as well as the warrants issued to the co-placement agents, 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. We will continue to revalue the derivative liabilities on each subsequent balance sheet date until the securities to which the derivative liabilities relate are exercised or expire.

Table of Contents**Liquidity and Capital Resources***Working Capital*

Our working capital as of October 31, 2011 and 2010 is summarized as follows:

	At October 31, 2011 (\$)	At July 31, 2011 (\$)
Current assets	1,694,880	2,901,593
Current liabilities	2,625,256	6,538,934
Working capital deficiency	(930,376)	(3,637,341)

Current Assets

The decrease in our current assets was primarily due to a decrease in cash from \$2,458,000 as of July 31, 2011, to \$1,409,000 as of October 31, 2011, as a result of cash used in operations during the period ended October 31, 2011. As of October 31, 2011, our current assets included cash and cash equivalents of \$1,409,116.

Current Liabilities

Current liabilities at October 31, 2011 decreased to \$2,625,000 from \$6,539,000 as of July 31, 2011. This decrease was primarily due to the decrease in fair value of the derivative liability of \$3,977,000 recorded for the series A and Series C Warrants issued in connection with the June Private Placement, as more fully described in Note 7 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, 2011 was \$931,000, as compared to \$4,500 for period ended October 31, 2010. This increase was related to costs of operations such as salary expense and associated costs, legal fees and professional fees, offset by a gain recorded for the fair value revaluation of the Company's derivative liabilities, as more fully described above.

Cash Used in Investing Activities

Cash used in investing activities was \$17,000 for the period ended October 31, 2011, and related to the purchase of property and equipment. There was no investing activity during the three month periods ended October 31, 2010.

Cash Provided by Financing Activities

Cash used in financing activities was \$100,000 for the period ended October 31, 2011, and related to the scheduled payment to Inovio in connection with the Asset Purchase Agreement. There was no financing activity during the three month periods ended October 31, 2010.

Recent Financings

As described above, on March 18, 2011, in the March Private Placement, 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. We have used and will continue to use the remaining funds for general working capital purposes.

As described above, on June 24, 2011, in the June 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, 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

Table of Contents

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 Private Placement were approximately \$2,790,000. 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 have a term of exercise equal to the earlier of (a) the later of (i) eight months following the closing of the June Private Placement and (ii) four months following the earliest date that the shares underlying such warrants have been sold or may be freely sold, whether pursuant to a registration statement, Rule 144 or an exemption from registration under Section 4(1) of the Securities Act of 1933, and (b) sixteen months from the closing of the June Private Placement (unless extended three additional months upon the occurrence of a single issuance by us of our common stock or warrants to purchase our common stock that meets certain criteria specified in the warrants). The Series C Warrants have an exercise price of \$1.20 per share, vest and are exercisable ratably in proportion to each holder's exercise of the Series B Warrants held by such holder and have a term of exercise equal to five years.

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 have hired and continue to search for industry experts to expand our management team and better position our company. In addition, we continue 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, 2012 to be as follows:

Expense	Amount
Product development	\$ 2,000,000
Employee compensation	1,700,000
General and administration	600,000
Professional services fees	500,000
Total	\$ 4,800,000

As of October 31, 2011, we had cash and cash equivalents of \$1,409,116. We do not expect these funds to be sufficient to operate our business through July 31, 2012. In addition to the funds raised in the March Private Placement and the June Private Placement, we will require additional financing to fund our planned operations, including 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 obligations to Inovio under the Asset Purchase Agreement, which requires that we make the following payments: (i) \$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; (ii) an additional payment of \$500,000 on March 24, 2012, the first anniversary of the closing date; (iii) \$500,000 September 24, 2012, eighteen months from the closing date; and (iv) \$1,000,000 on March 24, 2013, the second anniversary of the closing date.

If the investors and placement agents in the June Private Placement choose to exercise their warrants in full on a cash basis, we would receive approximately \$12.9 million. 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 circumstances, or may choose to exercise only a portion of the warrants issued in the June Private Placement. 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. In addition, if we were to issue shares of our common stock at an effective price of less than \$1.20 per share, then the exercise price of the Series A and C Warrants, as well as

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

the warrants issued to the co-placement agents in the June Private Placement, would be reduced to equal the lower effective price per share, provided that the exercise price would not be reduced to less than \$0.50 per share.

We currently do not have committed sources of additional financing and may not be able to obtain additional 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.

A-22

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 July 31, 2011, we had incurred a net loss of \$3,835,876 since our inception. In their report on the annual consolidated financial statements for the fiscal year ended July 31, 2011, 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, 2011, 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.

As further described elsewhere in this filing, in fiscal year 2011 we completed the acquisition of certain technology and related assets from Inovio. With this acquisition, we are now focusing our efforts in the biomedical industry and abandoning our efforts in the online inventory services industry. We expect our cash requirements over the annual fiscal period ending July 31, 2012 to be approximately \$4,800,000, and will be mainly for payroll and related expenses, and product development expenditures. As of October 31, 2011, we had cash and cash equivalents of \$1,409,116. During the three month period ended October 31, 2011, our cash outflow was approximately \$1,048,000. We will be required to make payments of \$1,150,000 to Inovio by March 31, 2012. In addition to these payments to Inovio, cash outflows for the period from October 31, 2011 through July 31, 2012 are expected to range between approximately \$200,000 and \$350,000 per month. We will owe Inovio additional payments during subsequent periods, as further described in Note 6 of our financial statements for the period ended October 31, 2011.

In order to fund our anticipated budget for the remainder of the fiscal year ending July 31, 2012, including acquisition costs, we believe that we will need to raise approximately \$2.3 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.

There is substantial doubt about our ability to continue as a going concern as the continuation of our business is dependent upon the continued support of our stockholders to aid in financing our operations. The issuance of additional equity securities by us could result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, will increase our liabilities and future cash commitments.

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

Disclosure Controls and Procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 (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 controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management to allow timely decisions regarding required disclosure.

A-23

Table of Contents

As required by paragraph (b) of Rules 13a-15 or 15d-15 under the Exchange Act, our management, with the participation of our Chief Executive Officer (being our principal executive officer) and our VP Finance and Controller (being our principal financial officer) evaluated the effectiveness of our disclosure controls and procedures as of October 31, 2011, the end of the period covered by this report.

Based on this evaluation, our Chief Executive Officer and our VP Finance and Controller concluded that, as of October 31, 2011, these disclosure controls and procedures were not effective to ensure that the information required to be disclosed by our company in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. The conclusion that our disclosure controls and procedures were not effective was due to the presence of material weaknesses in internal control over financial reporting, as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, as previously disclosed in Item 9A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2011. In light of the material weaknesses identified by management, we performed additional analyses and procedures in order to conclude that our consolidated financial statements for the interim period ended October 31, 2011 are fairly presented, in all material respects, in accordance with U.S. GAAP.

Description of Material Weaknesses and Management's Remediation Initiatives

Starting March 2011, we began the process of planning and working towards implementation of remediation measures in response to the material weaknesses originally identified in prior annual and interim periods. As of the date of this report, our remediation efforts continue related to each of the material weaknesses and additional time and resources will be required in order to fully address these material weaknesses. In some cases we have not been able to complete all actions necessary and test the remediated controls in a manner that would enable us to conclude that such controls are effective. We are committed to implementing the necessary controls to remediate the material weaknesses described below. These material weaknesses will not be considered remediated until (1) the new processes are designed, appropriately controlled and implemented for a sufficient period of time and (2) we have sufficient evidence that the new processes and related controls are operating effectively. The following is a list of the material weaknesses as of October 31, 2011:

1. Ineffective controls over period end financial disclosures and reporting processes.

To address the need to improve controls over period end financial disclosures and reporting processes, we plan to:

- Formally design and continue to implement a monthly and quarterly close process to ensure all necessary entries are recorded and all material account reconciliations are performed.
- Formally design and continue to implement a monthly and quarterly budget to actual analysis and review process. Budget to actual results will be reviewed monthly by senior management. Results will also be reviewed quarterly by the Board of Directors or the Audit Committee of the Board of Directors.
- Implement a disclosure committee and related controls. The disclosure committee will be responsible for the review of our periodic financial statement filings to ensure completeness and accuracy.

2. Inadequate segregation of duties.

- Formally document and strengthen segregation of duties surrounding the preparation, review and posting of the monthly close process and journal entries
- Formally document and strengthen the segregation of duties surrounding the approval of payments to vendors and employees.

Because of the inherent limitations, internal controls over financial reporting can provide only reasonable assurance of achieving the desired control objectives. As a result, any controls and procedures, no matter how well designed and operated, may not prevent or detect misstatements. Internal controls over financial reporting can be circumvented by collusion or improper management override of controls. Projections of any evaluation of control effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that degree of compliance with the policies or procedures may deteriorate.

Table of Contents

Changes in Internal Control Over Financial Reporting

As of October 31, 2011, we have made progress in remediating some of the material weaknesses originally identified in prior annual and interim periods. Below is a description of one material weakness identified in our most recent Annual Report on Form 10-K for the fiscal year ended July 31, 2011 that was remediated as of October 31, 2011.

1. *Lack of a functioning audit committee due to a lack of a majority of independent members and a lack of a majority of outside directors on our board of directors, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures.*

As of October 31, 2011, we have completed our evaluation of the actions taken to remediate the material weaknesses related to inadequate segregation of duties. In connection with the remediation process we performed the following:

- In March 2011, we appointed a majority of independent directors to our Board of Directors (pursuant to the definition of independent provided in Rule 803B of the NYSE Amex LLC Company Guide).
- On June 30, 2011, our Board of Directors established an Audit Committee, a Compensation Committee, and a Nominating Committee and Corporate Governance Committee, and appointed only independent directors to each such committee.
- On June 21, 2011, we appointed Dr. Anthony Maida as an independent member of our Board and, following establishment of our Audit Committee, as Chair of our Audit Committee. Dr. Maida was also designated as the Audit Committee's financial expert, as that term is defined in the rules of the Securities and Exchange Commission, and is financially sophisticated within the meaning of Rule 803B of the NYSE Amex LLC Company Guide.
- On August 5, 2011, we implemented our business code of conduct and established corporate governance policies.
- Initiated periodic communications from our CEO to all employees of the importance of proper business conduct and ethics.

Except for the remediation of the material weakness described above, there have been no changes in our internal control over financial reporting during the quarter ended October 31, 2011 that have materially affected, or are reasonable likely to materially affect, our internal control 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.

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, 2012 to be approximately \$4,800,000. As of October 31, 2011, we had cash and cash equivalents of \$1,409,116. During the three month period ended October 31, 2011, our cash outflow was approximately \$1,048,000. We will be required to make payments of \$1,150,000 to Inovio by March 31, 2012. In addition to these payments to Inovio, cash outflows for the period from October 31, 2011 through July 31, 2012 are expected to range between approximately \$200,000 and \$350,000 per month. If we are not able to obtain 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.

Since inception we have funded our operations primarily through equity and debt financings and we expect to continue to do so in the future. As further described elsewhere in this report, on June 24, 2011, we issued 4 million shares of common stock and three series of warrants to purchase an aggregate of 12 million shares of our common stock to two institutional investors for proceeds of \$3.0 million (the June Private Placement). However, 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

Table of Contents

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. In addition, if we were to issue shares of our common stock at an effective price of less than \$1.20 per share, then the exercise price of the Series A and C Warrants, as well as the warrants issued to the co-placement agents in the June Private Placement, would be reduced to equal the lower effective price per share, provided that the exercise price would not be reduced to less than \$0.50 per share. 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.

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 incorporation. During the period ended October 31, 2011, our net income of \$2,712,046 was due to a \$3,977,418 adjustment to the fair value of certain derivative liabilities related to the June Private Placement. During the annual period ended July 31, 2011, we incurred a net loss of \$3,758,817. From inception through October 31, 2011, we incurred an aggregate loss of \$1,123,830. We expect that our operating expenses will increase substantially over the current fiscal annual period as we ramp-up our business. During the quarter ended October 31, 2011, our cash outflow was approximately \$1,048,000. We estimate our average monthly expenses from October 31, 2011 through the end of our fiscal year ending July 31, 2012 to range from approximately \$200,000 to \$350,000, including general and administrative expenses but excluding future acquisition costs and the cost of any future development activities. In addition, under the terms of the Asset Purchase Agreement, as amended, we are required to make payments of \$1,150,000 to Inovio by March 31, 2012. As of October 31, 2011, we had cash and cash equivalents of \$1,409,116.

In order to fund our anticipated budget for the remainder of the fiscal year ending July 31, 2012, including acquisition costs, we believe that we will need to raise approximately \$2.3 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.

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, 2011, which are included in our annual report on Form 10-K for the fiscal year ended July 31, 2011, filed with the Securities and Exchange Commission (the "SEC") on October 19, 2011. 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 disclosure 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.

Table of Contents

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.

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.

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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.

Table of Contents

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 United States Food and Drug Administration (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 interpretations 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 recently announced the planned initiation of three Phase II clinical trials to assess our ElectroImmunotherapy 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.

We acquired our OMS technology from Inovio in March 2011. In 2007, Inovio had been enrolling patients in two Phase III clinical studies designed to evaluate the use of the OMS technology as a treatment for resectable recurrent and second primary squamous cell carcinomas of the head and neck. The studies were accruing North American and European patients with tumors in the anterior and posterior areas of the oral cavity. The primary endpoint of these two Phase III trials was preservation of function status at four and eight months as measured by the Performance Status Scale (which assesses the ability of a patient to eat normal foods, speak understandably and eat in public). On June 5, 2007, Inovio announced that it had stopped enrollment of these studies based on a recommendation from the trial's independent data safety monitoring board (DSMB). The DSMB expressed concern about the efficacy and serious adverse events, including higher mortality rates on the OMS technology arm of the study than on the surgery arm. In the DSMB's opinion, although no single parameter was sufficient to warrant recommending a review of the trial, the totality of data for this recurrent head and neck cancer study suggested an unfavorable benefit-to-risk profile for the OMS arm relative to the surgery arm. The DSMB also noted that slow enrollment presented a possible challenge in meeting the patient enrollment goals of each of these two trials, but that, if timely enrollment could allow reaching the target of 400 patients in the combined trials, this would provide enhanced insights regarding the benefit-to-risk profile of the OMS treatment. Without conducting further analysis, Inovio stopped enrollment and conducted its own interim analysis of the unaudited and unblended data on the 212 patients enrolled to date. These clinical trials were never reinitiated. If we are unable to initiate or complete new Phase III or pivotal clinical studies, we will be unable to commercialize the OMS 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

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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 planned Phase II clinical trials will be initiated or 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 regulatory authorization to commence a clinical trial;

A-28

Table of Contents

- 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 good clinical practices, or GCPs. The FDA enforces these GCP regulations through periodic inspections of trial sponsors, principal investigators and trial sites. 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.

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.

Currently, our three Phase 2 clinical trials, for metastatic melanoma, merkel cell carcinoma and cutaneous T-cell lymphoma, are being 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 drug. 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, since the IND applications under which each of our three clinical trials will be conducted is held by the

Table of Contents

investigators, 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, for 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 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.

Table of Contents

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.

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

Table of Contents

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.

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,

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

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.

Table of Contents

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 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 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 pharmaceutical 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.

Table of Contents

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.

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.

Table of Contents

We may invest or spend our cash in ways with which you may not agree or in ways which may not yield a significant return.

Our management has considerable discretion in the use of our cash. Our cash may be used for purposes that do not increase our operating results or market value. Until the cash is used, it may be placed in investments that do not produce significant income or that may lose value. The failure of our management to invest or spend our cash effectively could result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of our common stock to decline.

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.

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 substantial amounts of our shares could adversely affect the market price of our common stock.

Sales of substantial amounts of our common stock in the public market, or the perception that these sales could occur, could cause the market price of our common stock to decline. These sales could also make it more difficult for us to raise additional capital through the sale of equity securities on commercially reasonable terms.

As of October 14, 2011, we have 56,856,000 outstanding shares of common stock. If the warrants issued in the June Private Placement are exercised, based on the number of shares outstanding on December 14, 2011, we would have 69,096,000 outstanding shares of common stock. These warrant holders may exercise their warrants at their own discretion and at any time in accordance with the terms of such warrants until their expiration. The holders of shares of our common stock that are freely transferable have the right to sell their shares at their own discretion and at any time, and such sales are outside of our control. If such stockholders choose to sell substantial amounts of our common stock within a short period of time, the market price of our common stock could be adversely affected.

We have identified material weaknesses in our internal control over financial reporting. If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.

As described in Item 4 of Part I of this Quarterly Report and our Annual Report on Form 10-K for the fiscal year ended July 31, 2011, we have identified material weaknesses in our internal controls and procedures. As a result, we have concluded that our disclosure controls and procedures were not effective as of the end of the period covered by these reports. We have implemented, and continue to implement, actions to address these weaknesses and to enhance the reliability and effectiveness of our internal controls and operations; however, the measures we have taken to date and any future measures may not remediate the material weaknesses discussed in our periodic reports.

In addition, we may not be able to maintain adequate controls over our financial processes and reporting in the future. We may discover additional material weaknesses, which we may not successfully remediate on a timely basis or at all. Any failure to remediate any material weaknesses identified by us or to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations or result in material misstatements in our financial statements. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative impact on the trading price of our stock. Moreover, we will be required to expend significant resources to design, implement and maintain a system of internal controls that is adequate to satisfy our reporting obligations as a public company. The costs associated with external consultants, as well as internal resources are significant and difficult to predict. As a result of these matters, our business, results of operations, financial condition and cash flows could be adversely affected.

Table of Contents

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 began 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;

- 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;

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

- 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.

Table of Contents

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

None

Item 3. DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. [REMOVED AND RESERVED]

Item 5. OTHER INFORMATION

None.

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	Bylaws (incorporated by reference to our Registration Statement on Form S-1, filed on September 3, 2008)
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)
4.1	Form of Series A Warrant (incorporated by reference to our Current Report on Form 8-K, filed on June 27, 2011)
4.2	Form of Series B Warrant (incorporated by reference to our Current Report on Form 8-K, filed on June 27, 2011)
4.3	Form of Series C Warrant (incorporated by reference to our Current Report on Form 8-K, filed on June 27, 2011)

Edgar Filing: ONCOSEC MEDICAL Inc - Form 424B3

4.4	Common Stock Purchase Warrant (incorporated by reference to our Current Report on Form 8-K, filed on October 3, 2011)
10.1	Amendment to Asset Purchase Agreement, dated September 28, 2011, by and between OncoSec Medical Incorporated and Inovio Pharmaceuticals, Inc. (incorporated by reference to our Current Report on Form 8-K, filed on October 3, 2011)
10.2	2011 Stock Incentive Plan of OncoSec Medical Incorporated (incorporated by reference to our Registration Statement on Form S-8, File No. 333-176537)
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 15, 2011

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

Dated: December 15, 2011