ONCOSEC MEDICAL Inc
Form 424B3
June 15, 2012

PROSPECTUS SUPPLEMENT
(To Prospectus Dated October 21, 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. 2 supplements our Prospectus dated October 21, 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 June 14, 2012.

The attached information amends and supplements certain information contained in the Prospectus. This Prospectus Supplement No. 2 should be read in conjunction with the Prospectus, as previously supplemented, 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 June 13, 2012 the last reported sale price of our common stock on the OTC Bulletin Board was $0.19 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, as supplemented.

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. 2 is June 15, 2012

INDEX TO FILINGS

	Annex
Quarterly Report on Form 10-Q dated June 14, 2012	A

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2012

OR

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

For the transition period from to

Commission file number 000-54318

ONCOSEC MEDICAL INCORPORATED

(Exact name of registrant as specified in its charter)

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

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

(Address of principal executive offices) (zip code)

855.662.6732

(Registrant s telephone number, including area code)

Not Applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files) Yes x No o

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

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

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

87,856,000 shares of the registrant s common stock were issued and outstanding as of June 14, 2012.

Table of Contents

OncoSec Medical Incorporated

Form 10-Q

for the Quarterly Period Ended April 30, 2012

TABLE OF CONTENTS

PART I FINANCIAL INFORMATION		
Item 1.	Consolidated Financial Statements:	
	Consolidated Balance Sheets as of April 30, 2012 (unaudited) and July 31, 2011	3
	Consolidated Statements of Operations for the three and nine months ended April 30, 2012 and 2011 (unaudited)	4
	Consolidated Statement of Stockholders Equity (Deficit) (unaudited)	5
	Consolidated Statements of Cash Flows for the nine months ended April 30, 2012 and 2011 (unaudited)	6
	Notes to Consolidated Financial Statements (unaudited)	7
Item 2.	Management s Discussion and Analysis of Financial Condition and Results of Operations	17
Item 3.	Quantitative and Qualitative Disclosure about Market Risk	24
Item 4.	Controls and Procedures	24
PART II OTHER INFORMATION		
Item 1.	Legal Proceedings	25
Item 1A.	Risk Factors	25
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	36
Item 3.	Defaults Upon Senior Securities	36
Item 4.	Mine Safety Disclosures	36
Item 5.	Other Information	36
Item 6.	Exhibits	37

Table of Contents

OncoSec Medical Incorporated

(A Development Stage Company)

Consolidated Balance Sheets

As of April 30, 2012 and July 31, 2011

	(unaudited) April 30, 2012	July 31, 2011
Assets		
Current assets		
Cash and cash equivalents	$ 6,569,626	$ 2,457,693
Prepaid expenses	128,732	427,961
Other current assets	18,789	15,939
Total Current Assets	6,717,147	2,901,593
Property and equipment, net	56,102	57,298
Intangible assets, net	2,033,029	2,715,167
Total Assets	$ 8,806,278	$ 5,674,058
Liabilities and Stockholders Equity (Deficit)		
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	$ 370,023	$ 369,175
Accrued compensation	258,416	67,774
Accrued income taxes	3,200	1,600
Derivative liabilities		4,850,385
Acquisition obligation, current	1,399,223	1,250,000
Total Current Liabilities	2,030,862	6,538,934
Acquisition obligation, net of current portion	967,176	1,500,000
Total Liabilities	2,998,038	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 87,856,000 and 56,856,000 common shares as of April 30, 2012 and July 31, 2011, respectively	8,786	5,686
Additional paid-in capital	5,382,081	1,033,333
Warrants issued and outstanding 42,246,000 and 13,696,000 units as of April 30, 2012 and July 31, 2011, respectively	5,024,640	431,981
Deficit accumulated during the development stage	(4,607,267)	(3,835,876)
Total Stockholders Equity (Deficit)	5,808,240	(2,364,876)
Total Liabilities and Stockholders Equity (Deficit)	$ 8,806,278	$ 5,674,058

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

3

Table of Contents

OncoSec Medical Incorporated

(A Development Stage Company)

Consolidated Statements of Operations (unaudited)

	Three Months Ended April 30, 2012	Three Months Ended April 30, 2011	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011	Period from Inception (February 8, 2008) to April 30, 2012
Revenue	$	$	$	$	$
Expenses:					
Research and development	701,201	216,658	1,725,194	216,658	2,409,865
General and administrative	887,648	279,751	2,238,222	286,547	3,317,084
Loss from operations	(1,588,849)	(496,409)	(3,963,416)	(503,205)	(5,726,949)
Other income (expense):					
Fair value of derivative liabilities in excess of proceeds					(808,590)
Adjustments to fair value of derivative liabilities	1,613,329		4,192,781		3,150,985
Loss on extinguishment of debt	(761,492)		(761,492)		(761,492)
Financing transaction costs					(210,000)
Non-cash interest expense	(74,562)		(236,864)		(236,864)
Interest expense		(1,400)		(1,400)	(1,357)
Impairment charges					(9,000)
Net income (loss) before income taxes	(811,574)	(497,809)	(768,991)	(504,605)	(4,603,267)
Provision for income taxes		1,600	2,400	1,600	4,000
Net income (loss)	$ (811,574)	(499,409)	$ (771,391)	$ (506,205)	$ (4,607,267)
Basic net income (loss) per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	
Diluted net income (loss) per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	
Weighted average shares used in computing basic net income (loss) per common share	68,222,667	61,611,326	60,589,577	66,240,762	
Weighted average shares used in computing diluted net income (loss) per common share	68,222,667	61,611,326	60,589,577	66,240,762	

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

Table of Contents

OncoSec Medical Incorporated

(A Development Stage Company)

Consolidated Statements of Stockholders Equity (Deficit) (unaudited)

For the period from Inception (February 8, 2008) to April 30, 2012

	Common Stock (1)		Additional Paid In Capital (1)	Warrants		Deficit Accumulated during the Development Stage	Total Stockholders Equity (Deficit)
	Shares	Amount		Shares	Amount		
Balance, February 8, 2008		$	$		$	$	$
Shares issued to founder on Feb 8, 2008	48,000,000	4,800	10,200				15,000
Private placement on June 30, 2008	20,480,000	2,048	29,952				32,000
Net loss						(7,187)	(7,187)
Balance, July 31, 2008	68,480,000	6,848	40,152			(7,187)	39,813
Net loss						(33,714)	(33,714)
Balance, July 31, 2009	68,480,000	6,848	40,152			(40,901)	6,099
Net loss						(36,158)	(36,158)
Balance, July 31, 2010	68,480,000	6,848	40,152			(77,059)	(30,059)
Common stock cancelled	(17,280,000)	(1,728)	1,728				
Private placement on March 18, 2011	1,456,000	146	659,873	1,456,000	431,981		1,092,000
Common stock issued for services	200,000	20	331,980				332,000
Private placement on June 24, 2011	4,000,000	400	(400)	4,000,000			
Net loss						(3,758,817)	(3,758,817)
Balance, July 31, 2011	56,856,000	5,686	1,033,333	5,456,000	431,981	(3,835,876)	(2,364,876)
Issuance of warrants - Inovio				4,000,000	958,111		958,111
Expiration of Series B Warrants				(4,000,000)			
Re-classification of Series A Warrants				4,240,000	657,604		657,604
Public offering on March 28, 2012, net of issuance costs of $542,500	31,000,000	3,100	4,227,456	32,550,000	2,976,944		7,207,500
Share-based compensation expense			121,292				121,292
Net loss						(771,391)	(771,391)
Balance, April 30, 2012	87,856,000	$ 8,786	$ 5,382,081	42,246,000	$ 5,024,640	$ (4,607,267)	$ 5,808,240

(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)

	Nine Months Ended April 30, 2012	Nine Months Ended April 30, 2011	Period from Inception (February 8, 2008) to April 30, 2012
Operating activities			
Net income (loss)	$ (771,391)	$ (506,205)	$ (4,607,267)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	532,828	62,642	783,650
Write-down of supplies inventory		38,000	38,000
Write-down of web development costs			9,000
Fair value of derivative liabilities in excess of proceeds			808,590
Loss on extinguishment of debt	761,492		761,492
(Gain) loss on adjustment to fair value of derivative liabilities	(4,192,781)		(3,150,985)
Non-cash interest expense	236,864		236,864
Share-based compensation	121,292		121,292
Amortization of common stock issued for services	249,000		332,000
Changes in operating assets and liabilities:			
(Increase) decrease in prepaid expenses	50,229	(83,816)	(128,732)
(Increase) decrease in other current assets	(2,849)	(9,444)	(18,792)
(Decrease) increase in accounts payable and accrued liabilities	848	144,836	370,024
(Decrease) increase in accrued compensation	190,642	85,149	258,416
(Decrease) increase in accrued income taxes	1,600	1,600	3,200
Net cash (used in) provided by operating activities	(2,822,226)	(267,238)	(4,183,248)
Investing activities			
Purchases of property and equipment	(23,341)	(17,736)	(93,626)
Investment in intangible assets		(250,000)	(250,000)
Net cash (used) provided by in investing activities	(23,341)	(267,736)	(343,626)
Financing activities			
Proceeds from issuance of common stock and warrants	7,750,000	1,092,000	11,889,000
Payment of financing and offering costs	(542,500)		(542,500)
Payment of amounts due under acquisition obligation	(250,000)		(250,000)
Proceeds from amounts due to stockholder		139,500	153,867
Repayment of amounts due to stockholder		(153,867)	(153,867)
Net cash (used in) provided by financing activities	6,957,500	1,077,633	11,096,500
Net increase (decrease) in cash and cash equivalents	4,111,933	542,659	6,569,626
Cash and cash equivalents, at beginning of period	2,457,693	237	
Cash and cash equivalents, at end of period	$ 6,569,626	$ 542,896	$ 6,569,626
Supplemental disclosure for cash flow information:			
Cash paid during the period for:			
Interest	$	$ 1,400	$ 1,357
Income taxes	$ 800	$	$ 800

Noncash investing and financing transaction:						
Fair value of placement agent warrants issued in conjunction with financing	$	276,980			$	276,980
Acquisition obligation of asset purchase agreement	$		$	2,750,000	$	2,750,000
Acquisition obligation discounts - imputed interest and fair value of warrants	$	483,139	$		$	483,139

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 Nature of Operations and Basis of Presentation

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

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

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 periods ended April 30, 2012. 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.

Derivative Liabilities

The Company accounts for its warrants and other derivative financial instruments as either equity or liabilities based upon the characteristics and provisions of each instrument. Warrants classified as equity are recorded at fair value as of the date of issuance on the Company s consolidated balance sheets and no further adjustments to their valuation are made. Warrants classified as derivative liabilities and other derivative financial instruments that require separate accounting as liabilities are recorded on the Company s consolidated balance sheets at their fair value on the date of issuance and will be revalued on each subsequent balance sheet date until such instruments are exercised or expire, with any changes in the fair value between reporting periods recorded as other income or expense. Management estimates the fair value of these liabilities using option pricing models and assumptions that are based on the individual characteristics of the warrants or instruments on the valuation date, as well as assumptions for future financings, expected volatility, expected life, yield, and risk-free interest rate.

Use of Estimates

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

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 and nine months ended April 30, 2012 was approximately $8,400 and $24,500, respectively. Total depreciation expense for the three and nine months ended April 30, 2011 was approximately $1,000.

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 did not include shares underlying stock options and warrants outstanding of 2,035,000 and 42,246,000, respectively, in the computation of net income (loss) per share for the three and nine months ended April 30, 2012, as the effect would have been anti-dilutive.

Stock Options to Non-Employees

Expense for stock options granted to non-employees have been determined using the estimated fair value of the stock options issued, based on the Black-Scholes Option Pricing Model. Such options are revalued quarterly until fully vested, with any change in fair value expensed. During the three and nine months ended April 30, 2012, the Company recorded approximately $8,000 in research and development expense and $25,000 in general and administrative expense for stock options granted to non-employees.

Comprehensive Income

Comprehensive income or loss includes all changes in equity except those resulting from investments by owners and distributions to owners. The Company did not have any items of comprehensive income or loss other than net income (loss) from operations for the three and nine months ended April 30, 2012 and 2011, or for the period from inception through April 30, 2012.

New Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-04. 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 adoption of this standard did not have a material impact on the Company s financial position or results of operations.

In June 2011, the FASB issued ASU 2011-05. 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 did not have a material impact on the Company s financial position or results of operations.

In December 2011, the FASB issued ASU 2011-12. This accounting standard amends certain pending paragraphs in ASU 2011-05. The amendments are being made to allow a company s board of directors time to re-deliberate whether to present on the face of the financial statements the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. This guidance is effective on a prospective basis for annual and interim reporting periods beginning after December 15, 2011. The adoption of this standard did not have a material 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. As of April 30, 2012 and July 31, 2011, cash and cash equivalents were comprised of cash in checking accounts.

The Company s activities to date have been supported by equity and debt financing. It has sustained losses in previous reporting periods with an inception to date loss of $4,607,267 as of April 30, 2012.

The Company will require additional financing to fund its planned operations, including research and development, its ongoing 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 financings. 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, would increase the Company s liabilities and future cash commitments. The Company also expects to pursue non-dilutive financing sources. However, obtaining such financing would require significant efforts by the Company s management team, and such financing may not be available, and if available, could take a long period of time to obtain.

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 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