

ORAMED PHARMACEUTICALS INC.
Form 10-Q
July 14, 2014

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

FORM 10-Q

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

For the quarterly period ended May 31, 2014

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

Commission file number: 000-50298

ORAMED PHARMACEUTICALS INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation or
Organization)

98-0376008
(I.R.S. Employer Identification No.)

Hi-Tech Park 2/4 Givat Ram
PO Box 39098
Jerusalem, Israel
(Address of Principal Executive Offices)

91390
(Zip Code)

+ 972-2-566-0001
(Registrant's Telephone Number, Including Area Code)

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 (§232.405 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,

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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

As of July 11, 2014, there were 9,955,991 shares of the issuer’s common stock, \$0.012 par value per share, outstanding.

ORAMED PHARMACEUTICALS INC.
FORM 10-Q
TABLE OF CONTENTS

<u>PART I – FINANCIAL INFORMATION</u>	2
<u>ITEM 1 - FINANCIAL STATEMENTS</u>	2
<u>ITEM 2 - MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	3
<u>ITEM 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	9
<u>ITEM 4 - CONTROLS AND PROCEDURES</u>	9
<u>PART II - OTHER INFORMATION</u>	9
<u>ITEM 2 - UNREGISTERED SALES OF SECURITIES AND USE OF PROCEEDS</u>	9
<u>ITEM 6 - EXHIBITS</u>	10

As used in this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our” and the “Company” mean Oramed Pharmaceuticals Inc. and our wholly-owned Israeli subsidiary, Oramed Ltd., unless otherwise indicated. All dollar amounts refer to U.S. Dollars unless otherwise indicated.

On May 31, 2014, the exchange rate between the NIS and the dollar, as quoted by the Bank of Israel, was NIS 3.475 to \$1.00. Unless indicated otherwise by the context, statements in this Quarterly Report on Form 10-Q that provide the dollar equivalent of NIS amounts or provide the NIS equivalent of dollar amounts are based on such exchange rate.

PART I – FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MAY 31, 2014

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AS OF MAY 31, 2014

TABLE OF CONTENTS

	Page
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS:	
<u>Balance sheets</u>	F - 2
<u>Statements of comprehensive loss</u>	F - 3
<u>Statements of changes in stockholders' equity</u>	F - 4
<u>Statements of cash flows</u>	F - 5
<u>Notes to financial statements</u>	F - 6 - F - 13

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
U.S. dollars

	May 31, 2014	August 31, 2013
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	\$2,474,839	\$2,272,228
Short term deposits	12,005,172	5,246,627
Marketable securities	1,063,409	956,376
Restricted cash	61,000	16,000
Prepaid expenses and other current assets	97,525	90,103
Related parties	523	4,530
Grants receivable from the chief scientist	267,131	58,412
T o t a l c u r r e n t a s s e t s	15,969,599	8,644,276
LONG TERM DEPOSITS AND INVESTMENT	6,508,269	4,593
AMOUNTS FUNDED IN RESPECT OF EMPLOYEE RIGHTS UPON RETIREMENT	6,688	5,545
PROPERTY AND EQUIPMENT, NET	13,547	5,768
T o t a l a s s e t s	\$22,498,103	\$8,660,182
Liabilities and stockholders' equity		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$447,792	\$450,941
Account payable with former shareholder	47,252	47,252
T o t a l c u r r e n t l i a b i l i t i e s	495,044	498,193
LONG TERM LIABILITIES:		
Employee rights upon retirement	8,732	8,004
Provision for uncertain tax position	23,210	23,210
	31,942	31,214
COMMITMENTS (note 2)		
STOCKHOLDERS' EQUITY:		
Common stock, \$ 0.012 par value (16,666,667 authorized shares; 9,955,991 and 7,937,872 shares issued and outstanding as of May 31, 2014 and August 31, 2013, respectively)	119,456	95,238
Additional paid-in capital	47,574,340	29,855,723
Accumulated other comprehensive income	467,974	303,403
Accumulated deficit	(26,190,653)	(22,123,589)
T o t a l s t o c k h o l d e r s ' e q u i t y	21,971,117	8,130,775
T o t a l l i a b i l i t i e s a n d s t o c k h o l d e r s ' e q u i t y	\$22,498,103	\$8,660,182

The accompanying notes are an integral part of the condensed consolidated financial statements.

F - 2

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

U.S. dollars

	Nine months ended		Three months ended	
	May 31, 2014	May 31, 2013	May 31, 2014	May 31, 2013
RESEARCH AND DEVELOPMENT EXPENSES, net	\$2,513,142	\$1,977,258	\$1,089,298	\$835,636
GENERAL AND ADMINISTRATIVE EXPENSES	1,743,902	1,349,081	813,923	499,034
OPERATING LOSS	4,257,044	3,326,339	1,903,221	1,334,670
FINANCIAL INCOME	(199,566)	(223,638)	(79,486)	(84,594)
FINANCIAL EXPENSES	9,586	338,267	4,167	6,265
NET LOSS FOR THE PERIOD	\$4,067,064	\$3,440,968	\$1,827,902	\$1,256,341
SUBSEQUENT (INCREASE) DECREASE IN THE FAIR VALUE OF AVAILABLE FOR SALE SECURITIES PREVIOUSLY WRITTEN DOWN AS IMPAIRED	(34,156)	(84,010)	19,664	38,967
RECLASSIFICATION ADJUSTMENT TO FINANCIAL INCOME OF GAINS ON AVAILABLE-FOR-SALE SECURITIES	80,017	69,178	35,626	18,491
UNREALIZED (GAIN) LOSS ON AVAILABLE FOR SALE SECURITIES	(210,432)	(117,092)	323,721	55,126
TOTAL OTHER COMPREHENSIVE (INCOME) LOSS	(164,571)	(131,924)	379,011	112,584
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$3,902,493	\$3,309,044	\$2,206,913	\$1,368,925
LOSS PER COMMON SHARE:				
BASIC AND DILUTED LOSS PER COMMON SHARE	\$0.45	\$0.49	\$0.18	\$0.17
WEIGHTED AVERAGE NUMBER OF COMMON STOCK USED IN COMPUTING BASIC AND DILUTED LOSS PER COMMON STOCK	8,988,446	7,087,831	9,888,126	7,223,377

The accompanying notes are an integral part of the condensed consolidated financial statements.

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(UNAUDITED)
U.S. dollars

	Common Stock		Additional	Accumulated	Accumulated	Total
	Shares	\$	paid-in	other	deficit	stockholders'
			capital	comprehensive		equity
				income		
BALANCE AS OF AUGUST 31, 2013	7,937,872	\$95,238	\$29,855,723	\$ 303,403	\$(22,123,589)	\$ 8,130,775
SHARES ISSUED FOR CASH, NET *	1,580,000	18,960	14,868,125	-	-	14,887,085
SHARES ISSUED FOR SERVICES **	10,000	120	64,280	-	-	64,400
SHARES ISSUED ***	2,252	27	(27)	-	-	-
EXERCISE OF WARRANTS AND OPTIONS	425,867	5,111	1,746,077	-	-	1,751,188
STOCK BASED COMPENSATION RELATED TO OPTIONS GRANTED TO EMPLOYEES AND DIRECTORS	-	-	1,003,735	-	-	1,003,735
STOCK BASED COMPENSATION RELATED TO OPTIONS GRANTED TO CONSULTANTS	-	-	36,427	-	-	36,427
NET LOSS	-	-	-	-	(4,067,064)	(4,067,064)
OTHER COMPREHENSIVE INCOME	-	-	-	164,571	-	164,571
BALANCE AS OF MAY 31, 2014	9,955,991	\$119,456	\$47,574,340	\$ 467,974	\$(26,190,653)	\$ 21,971,117

* See note 5b.

** See note 5a.

*** See note 5e.

The accompanying notes are an integral part of the condensed consolidated financial statements.

ORAMED PHARMACEUTICALS INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
U.S. dollars

	Nine months ended	
	May 31, 2014	May 31, 2013
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$(4,067,064)	\$(3,440,968)
Adjustments required to reconcile net loss to net cash used in operating activities:		
Depreciation	4,079	3,697
Exchange differences and interest on deposits	(13,140)	10,880
Stock based compensation	1,040,162	627,511
Shares issued for services rendered	64,400	93,713
Gain on sale of investment	(80,017)	(69,178)
Exchange of warrants	-	296,982
Changes in fair value of warrant liabilities	-	(44,699)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(212,134)	(400,523)
Accounts payable and accrued expenses	(3,149)	(198,401)
Liability of employee rights upon retirement	728	5,821
Total net cash used in operating activities	(3,266,135)	(3,115,165)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(11,858)	(4,659)
Acquisition of short term investments and short term deposits	(41,745,000)	(2,317,198)
Acquisition of long term deposits	(6,500,000)	-
Funds related to employee rights upon retirement	(884)	(3,023)
Proceeds from sale of investment and marketable securities	137,555	226,671
Proceeds from sale of short term deposits	34,940,776	454,381
Total net cash used in investing activities	(13,179,411)	(1,643,828)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from sales of common stock and warrants - net of issuance expenses	14,887,085	1,450,936
Proceeds from exercise of warrants and options	1,751,188	-
Net cash derived from financing activities	16,638,273	1,450,936
EFFECT OF EXCHANGE RATE CHANGES ON CASH	9,884	(17,786)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	202,611	(3,325,843)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD		