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## Oramed Pharmaceuticals Inc.

אורמד פארמסוטיקלס אינק.

("החברה")

### מסמך רישום

רישום למסחר בבורסה לניירות ערך בתל אביב בע"מ ("הבורסה") של: (א) 13,320,962 מניות רגילות, בנות 0.012 דולר ארה"ב ע. נ. כל אחת, מונפקות ונפרעות במלואן ("מניות רגילות"); (ב) רישום למסחר של עד 2,034,147 מניות רגילות אשר תנבענה ממניית אופציות לא סחירות (Options) אותן החברה רשאית להקצות במסגרת תוכנית אופציות, מתוכן הוקצו בפועל 1,535,526 אופציות ומניות מוגבלות, לפי הפירוט: (1) 1,244,034<sup>1</sup> אופציות לא סחירות; (2) 291,492<sup>2</sup> מניות רגילות אשר תנבענה ממניות מוגבלות (RSUs) קיימות בלתי סחירות ו- (ג) עד 415,527 מניות רגילות אשר תנבענה ממניית אופציות (Warrants) שהוקצו.

ניירות הערך של החברה רשומים למסחר בבורסה בארה"ב: NASDAQ Capital Market.

סימון ניירות הערך של החברה בבורסה בחו"ל הינו: ORMP.

סימון ניירות הערך של החברה בבורסה לניירות ערך בתל אביב: ארמד

ניירות הערך של החברה יירשמו למסחר לפי הוראות פרק ה' 3 לחוק ניירות ערך, התשכ"ח-1968, ולפיכך דיווחי החברה יהיו בשפה האנגלית ותוכנם יהא בהתאם למתכונת הדיווח שלה בחו"ל.

תאריך: 05/07/2017

<sup>1</sup> המספר המצוין משקף את כמות האופציות שהוקצו על ידי החברה נכון למועד מסמך רישום זה וטרם פקעו.  
<sup>2</sup> ראה הערת שוליים 1 בשינויים המחייבים.

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### חלק שני – נספחים

1. דו"ח תקופתי של החברה לשנת הכספים שהסתיימה ביום 31 באוגוסט, 2016 (FORM 10-K), כפי שהוגש ל- Securities and Exchange Commission ("SEC") ביום 25 בנובמבר, 2016.
2. תשקיף בהתאם להוראות כלל 424 כפי שהוגש ל- SEC ביום 5 באפריל, 2017.
3. דיווח מיידי בהתאם ל- Form 8-K כפי שהוגש ל- SEC ביום 10 באפריל, 2017.
4. דיווח מיידי בהתאם ל- Form 8-K כפי שהוגש ל- SEC ביום 8 ביוני, 2017.

## חלק ראשון

1. שם החברה : אורמד פארמסוטיקלס אינק. באנגלית : Oramed Pharmaceuticals Inc.
- החברה התאגדה כחברה פרטית, במדינת ניוואדה ביום 12 באפריל 2002, והתאגדה מחדש במדינת דלאוור ביום 11 במרץ 2011, תחת השם Oramed Pharmaceuticals Inc.
2. מקום התאגדות החברה : מדינת דלאוור, ארה"ב.
3. תאריך התאגדות החברה : 12 באפריל 2002.
4. סוג ניירות הערך שהונפקו : מניות רגילות בנות 0.012 דולר ארה"ב ע.נ. כל אחת, יחידות מניות מוגבלות (RSU), כתבי אופציה לא סחירים (Options) וכתבי אופציה (Warrants).
5. מקום רישום ניירות הערך למסחר : NASDAQ Capital Market.
- כמות ניירות הערך הרשומה למסחר : 13,320,962 מניות רגילות, בנות 0.012 דולר ארה"ב ע.נ. כל אחת, מונפקות ונפרעות במלואן ("מניות רגילות") (לא כולל 1,244,034 אופציות לא סחירות ו- 291,492 RSUs ו- 415,527 Warrants).
6. תאריך רישום ניירות הערך לראשונה למסחר ב NASDAQ Capital Market : 11 בפברואר 2013.
7. פרטים אודות החברה :
  - 7.1. מען רשום : בחו"ל : אין.  
בישראל : פארק היי טק גבעת רם 2/4, ירושלים, 91390.
  - 7.2. מספר טלפון ופקס :  
מס' טלפון בחו"ל : אין  
מס' פקס בחו"ל : אין  
מספר הטלפון בישראל : 02-566-0001.  
מספר הפקס בישראל : 02-5660004.
8. סימון ניירות הערך :
  - 8.1. בבורסה בחו"ל : ORMP.
  - 8.2. בבורסה בישראל (סימן מבוקש) : ארמד
9. אנשי קשר של החברה :
  - 9.1. איש קשר עם גופי הפיקוח והאכיפה של הדין הזר :  
שם : יפעת זומר  
מען : פארק הייטק 2/4, גבעת רם, ירושלים, 91390.  
טלפון : 02-5660001  
פקס : 02-5660004
  - 9.2. איש קשר עם הבורסה והרשות לניירות ערך :

שם : עו"ד רעות אלפיה

מען : שד' רוטשילד 41-45, תל אביב

טלפון : 03-7955555

פקס : 03-7955550

9.3. שם מורשה להעברת מניות (Transfer Agent): Continental Stock Transfer & Trust Company

## 10. סוג וכמות ניירות ערך הרשומים למסחר ב- NASDAQ Capital Market :

### 10.1. הרכב ההון המונפק :

10.1.1. 10,927,736 מניות רגילות, בנות 0.012 דולר ארה"ב ע.ג. כ"א, רשומות על שם, חופשיות וסחירות, מתוקף מסמכי רישום שונים שהוגשו על ידי החברה על Form S-1 ו- Form S-3, וכן מתוקף הסרת חובה לרישום מניות וכן הסרת מגבלת המסחר על פי כלל 144.

10.1.2. 2,393,226 מניות רגילות, מוגבלות למסחר, בהתאם לדיני ניירות הערך בארה"ב שתעודות המניה בגין נושאות Legend, ואשר ניתן להסיר את ה- Legend שנושאות תעודות המניה שלהן, כאשר הסרת החסימה ניתנת בהתאם לתנאים לפי כלל 144.

10.1.3. 13,320,962 המניות רשומות על שם בעלי המניות ואינן מניות למוכ"ז.

### 10.2. מניות נשוא ניירות ערך המיירים :

10.2.1. עד 1,535,526 מניות רגילות שינבעו ממימוש אופציות (Options) ויחידות של מניות מוגבלות (RSUs) קיימות בלתי סחירות, אותן החברה הקצתה במסגרת תוכנית האופציות<sup>3</sup>. עד עתה הקצתה החברה על פי תוכנית האופציות סה"כ 2,376,671 אופציות לקבלת מניות רגילות ויחידות של מניות מוגבלות לעובדים, נושאי משרה ונותני שירותים, מתוכן פקעו 509,749 ואינן ניתנות למימוש ומתוכן 331,396 מומשו. כמות המניות והאופציות והיחידות של מניות מוגבלות הנוספת אותה החברה רשאית להקצות במסגרת תוכנית האופציות הינה 498,621. המניות הרגילות שתנבענה ממימוש אופציות ומיחידות של מניות הינן חופשיות וסחירות בהתאם למסמך רישום על S-8 Form. נכון למועד מסמך רישום זה לא קיימות יחידות של מניות מוגבלות אשר אינן חופשיות ונושאות Legend.

10.2.2. עד 415,527 מניות רגילות שינבעו ממימוש כתבי אופציה (warrants) מתוכן 409,896 מניות רגילות שאם היו מוקצות, ניתן היה להסיר את ה- Legend שנושאות תעודות המניה שלהן מתוקף מסמך רישום שהוגש על ידי החברה על Form S-3 ו- 5,631 מניות רגילות, שאילו היו מוקצות היו מוגבלות למסחר בהתאם לדיני ניירות הערך בארה"ב.

## 11. הון רשום

<sup>3</sup> על פי תוכנית האופציות של החברה משנת 2008, אשר עודכנה מעת לעת, החברה רשאית להקצות מניות וניירות ערך שונים כמפורט בתוכנית, בכמות מקסימלית של 2,400,000 מניות רגילות.

הון המניות הרשום של החברה מסתכם לסך של \$360,000. הון המניות הרשום של החברה מורכב מ- 30,000,000 מניות רגילות בנות 0.012 דולר ארה"ב ע.ג. כ"א.

## 12. סוג מניות אחד

החברה מתחייבת בזאת, כי כל עוד מניותיה רשומות למסחר בבורסה, היא לא תוציא, לא תקצה ולא תנפיק מניות מסוג שונה מזה הרשום למסחר בבורסה, למעט בהקצאה המקיימת את הוראות סעיף 46ב(א)(1) לחוק ניירות ערך, התשכ"ח – 1968 (להלן: "**חוק ניירות ערך**"). כמו כן, החברה מתחייבת כי כל עוד מניותיה רשומות למסחר בבורסה, כל מניותיה המונפקות (outstanding) תהיינה נפרעות במלואן.

## 13. עיקרי הזכויות הנלוות למניות:

החברה מאוגדת על פי חוקי מדינת דלאוור, ארה"ב וכפופה ל-Delaware General Corporation Law (להלן: "**חוק לדאוור**"). הוראות חוק החברות, תשנ"ט-1999 (להלן: "**חוק החברות**"), לא יחולו על החברה.

להלן סקירת עיקרי הזכויות הנלוות למניות הרגילות של החברה, על פי דיני מדינת דלאוור ועל-פי מסמכי ההתאגדות של החברה ה-Certificate of Incorporation (להלן: "**מסמכי ההתאגדות של החברה**") וה-Amended and Restated By-Laws (להלן: "**Bylaws**" או "**התקנון**") של החברה.

המפורט במסמך רישום זה להלן מהווה סקירה כללית אשר אין בכוונתה להוות סקירה ממצה או פרשנות מוסמכת של הדין ואינו מהווה תחליף לעיון במסמכי ההתאגדות של החברה וב-Bylaws של החברה. כמו כן, תקציר זה אינו מתיימר להיות סיכום של דיני מדינת דלאוור, לתאר כל חוק פדראלי של ארה"ב העוסק בניירות ערך, את תקנות או כללי ה-Securities and Exchange Commission (SEC), החלים אף הם על החברה ובעלי מניותיה.

מובהר בזאת כי הואיל והחברה מאוגדת לפי חוקי דלאוור, דיני החברות של ישראל אינם חלים עליה. לפיכך, אזכור של הוראות הדין בישראל בפירוט להלן, הינו לצורכי השוואה בלבד.

### 13.1. זכויות ההצבעה:

לבעלי מניות החברה תוענק זכות הצבעה באסיפה הכללית. בהתאם למסמכי ההתאגדות של החברה, לכל בעל מניה רגילה יהיה קול אחד עבור מניה אחת. ההצבעה תהייה במניין קולות.

### 13.2. חלוקת דיבידנדים:

על פי חוק דלאוור, החברה רשאית לחלק דיבידנד לבעלי מניותיה מתוך יתרת העודפים בחברה או בהינתן ואין יתרת עודפים כאמור מתוך הרווח הנקי של השנה בה הוחלט על חלוקת הדיבידנד או השנה שקדמה לה.

ככל שהחברה תחלק דיבידנד, מועדי חלוקת הדיבידנד יהיו בהתאם לחוקי העזר של מסלוקת הבורסה כפי שיהיו במועד ההודעה על חלוקת הדיבידנד.

### 13.3. שינויים בהון המניות- עקרונות החוק במדינת דלאוור:

13.3.1. בהתאם לחוק דלאוור, ניתן להגדיל או להקטין את מספר המניות הרשומות מכל סוג או סדרה, ליצור סדרה חדשה של

מניות בעלות זכויות חזקות או חלשות יותר מן סוגי המניות הקיימים בחברה, לשנות את הזכויות הנלוות לסוגי המניות הקיימים בחברה וכן לשנות את הערך הנקוב של המניות בהון הרשום ו/או המונפק ע"י שינוי מסמכי ההתאגדות של החברה.

13.3.2. דירקטוריון החברה רשאי לאשר הפחתת הון המניות של החברה, בהתאם להוראות חוק דלאוור.

#### 13.4. מועד קובע לבעלות:

לצורך קביעת זכאות לאחד מאלה: תשלום דיבידנד כלשהו; חלוקה; הקצאה נוספת; זכות אחרת לה זכאים בעלי המניות בקשר לכל שינוי, המרה או החלפה של מניות; כל מטרה חוקית אחרת (להלן: "**הפעולה**"), יקבע הדירקטוריון מועד קובע. המועד הקובע כאמור לא יקדם ליום בו הדירקטוריון אימץ ההחלטה הקובעת את המועד הקובע, ולא יקדם מ-60 יום לפני מועד ביצוע הפעולה. אם לא נקבע מועד קובע על ידי הדירקטוריון, הוא יהיה סוף יום העסקים בו נתקבלה החלטת הדירקטוריון על ביצוע הפעולה.

#### 13.5. אסיפות כלליות:

13.5.1. אסיפה כללית של בעלי המניות בחברה תתכנס במשרדה הרשום של החברה במדינת דלאוור או במיקום אחר כפי שיקבע מעת לעת על ידי הדירקטוריון.

#### 13.5.2. מועד קובע

המועד הקובע לצורך האסיפה ייקבע על ידי דירקטוריון חברה. המועד הקובע יהיה לא פחות מעשרה ימים לפני האסיפה ולא יותר משישים יום לפני האסיפה. אם דירקטוריון החברה לא קבע מועד קובע, המועד הקובע יהיה סוף יום עסקים אחד לאחר החלטת הדירקטוריון על כינוס האסיפה הכללית. המועד הקובע יהיה גם המועד הקובע לצורך האסיפה הנדחית, אלא אם הדירקטוריון קבע מועד קובע אחר.

#### 13.5.3. אסיפות שנתיות

אסיפה שנתית לצורך בחירת דירקטורים שיכנהו בחברה עד למועד האסיפה השנתית הבאה וכן קבלת החלטות אחרות, תערך מידי שנה, במועד ובמיקום כפי שיקבע מעת לעת על ידי הדירקטוריון.

#### 13.5.4. אסיפות מיוחדות

ניתן לזמן אסיפות מיוחדות בכל עת על פי בקשה של רוב חברי הדירקטוריון המכהנים. בקשה כאמור צריכה לציין את המטרה או המטרות שלשמן מבקשים לזמן את האסיפה המיוחדת.

#### 13.5.5. מניין חוקי והצבעה באסיפה

המניין החוקי באסיפות (שנתית ומיוחדת) הינו מספר בעלי מניות המחזיקים בשליש (1/3) מהון המניות המונפק והנפרע של החברה, הזכאים להצביע במועד הקובע, הנוכחים בעצמם או באמצעות מיופה כוח, אלא אם כן נקבע אחרת בחוק דלאוור, ב- Bylaws או במסמכי ההתאגדות של החברה. נכון למועד מסמך רישום זה לא נקבע אחרת. בהעדר מניין חוקי, האסיפה

תדחה מעת לעת בהתאם להחלטת בעלי המניות הנוכחים באסיפה (בין באמצעותם או באמצעות מיופה כוחם) ומבלי צורך לתת הודעה בדבר הדחיה, עד שיתהווה מניין חוקי.

כאשר מתקיים מניין חוקי, החלטת בעלי המניות בנושא שעל סדר היום, מלבד מינוי חברי דירקטוריון, תתקבל בהצבעה בפועל של מרבית המניות הנוכחות בישיבה או המיוצגות על ידי ייפוי כוח באסיפה והזכאים להצביע, אלא אם נקבע אחרת בחוק דלאוור, ב- Bylaws או במסמכי ההתאגדות של החברה.

כל בעל מניות המחזיק במניות החברה במועד הקבוע, יהיה זכאי להצביע באסיפות בעלי מניות באמצעות נוכחות פיזית, על ידי תקשורת מרוחקת (רק בהחלטת דירקטוריון), או באמצעות ייפוי כוח, באופן שמניה אחת תהיה שווה לקול אחד.

#### 13.5.6. ייפוי כוח

כל בעל מניות מורשה להסמיך אדם אחד או יותר להצביע עבורו באמצעות ייפוי כוח. כל ייפוי כוח יבוצע בכתב באמצעות העברת ייפוי הכוח המאושר על ידי עורך דין, או שיימסר באמצעי טכנולוגי אחר, באופן המקובל ידי חוקי דלאוור. ייפוי הכוח יהיה בתוקף למשך 3 שנים, אלא אם יציין אחרת, וכן יהיה ייפוי כוח חוזר עד לאחר ההצבעה, בכפוף לחוקי דלאוור.

#### 13.5.7. הודעות

הודעה בכתב אודות כינוס אסיפה תינתן לבעלי המניות לא פחות מעשרה ימים ולא יותר חמישים ימים לפני מועד האסיפה לכל בעל מניה הזכאי להשתתף באסיפה. הודעה כאמור תפרט את מקום האסיפה, מועד האסיפה ובמקרה של אסיפה מיוחדת, מטרת האסיפה. הודעה על אסיפה יכול שתינתן באמצעות פקס, דואר אלקטרוני או באמצעות שימוש במערכת אלקטרונית. כאשר ההודעה נשלחת באמצעות מערכת אלקטרונית, יש למסור הודעה אודות מסירת ההודעה באמצעות מערכת האלקטרונית כאמור באמצעי נוסף אחר.

מזכיר החברה, לפחות 10 ימים לפני מועד האסיפה, יכין רשימה של כלל בעלי המניות שעתידים להשתתף באסיפה, בה יפורטו שמות בעלי המניות ומס' המניות בהן מחזיקים בעלי המניות. רשימה כאמור תהיה פתוחה לעיון לכל בעל מניה באמצעות אחת מהחלופות הבאות: (1) במערכת אלקטרונית שהגישה אליה תצורף להודעה על כינוס אסיפה שניתנת לבעלי המניות; (2) במשרדה הרשום של החברה.

#### 13.6. דירקטוריון החברה:

##### 13.6.1. סמכות הדירקטוריון

עסקי החברה ינוהלו על ידי הדירקטוריון, בכפוף לחוק דלאוור, ל- Bylaws ולמסמכי ההתאגדות של החברה, שיוסמך לפעול עבור ובשם החברה.

##### 13.6.2. בחירת הדירקטורים

מספר חברי הדירקטוריון יקבע מעת לעת בהחלטה של רוב חברי הדירקטוריון. הדירקטורים יבחרו, ברוב קולות, בכל אסיפה שנתית עד לאסיפה השנתית הבאה.

הדירקטוריון רשאי למנות דירקטור, גם העדר מניין חוקי לקיום ישיבת הדירקטוריון, אם התפנתה משרה לאחר פיטורין, התפטרות, פטירה עד לאסיפה השנתית הבאה.

### 13.6.3. התפטרות ופיטורי דירקטור

דירקטור רשאי בכל עת להודיע על התפטרותו באמצעות מתן הודעה בכתב לדירקטוריון ובשליחת העתק למזכיר החברה. ההתפטרות תיכנס לתוקף החל מהמועד קבלת ההודעה או במועד מאוחר יותר, כפי שיצוין בהודעת ההתפטרות.

על פי חוק דלאוור, כל דירקטור או הדירקטוריון כולו יכולים להיות מפוטרים, עם או בלי סיבה, על ידי רוב מבעלי המניות המשתתפים באסיפה.

### 13.6.4. יו"ר הדירקטוריון

דירקטוריון החברה ימנה היו"ר דירקטוריון. יו"ר הדירקטוריון יהא אחראי על סדר יומן של ישיבות הדירקטוריון, והכל בהתאם ל- Bylaws ולמסמכי ההתאגדות של החברה.

13.6.5. **ישיבות דירקטוריון** - ישיבות הדירקטוריון יתקיימו במדינת דלאוור או בכל מקום אחר שיוחלט עליו מעת לעת על ידי הדירקטוריון. כל דירקטור רשאי להשתתף בישיבת דירקטוריון או בוועדות הדירקטוריון באמצעות שיחת ועידה או כל מדיה אחרת שמאפשר לדירקטור לשמוע את יתר חברי הדירקטוריון.

ישיבת דירקטוריון שאינה ישיבה מיוחדת יכולה להתקיים ללא שניתנה הודעה, במדינת דלאוור או מחוצה לה, במקום ובמועד כפי שיקבע בהחלטת הדירקטוריון.

נשיא החברה ו/או רוב חברי הדירקטוריון יהיו רשאים לכנס בכל עת ישיבת דירקטוריון מיוחדת באמצעות הודעה מראש של 24 שעות, בה יפורטו המקום והמועד שבו תתקיים הישיבה, אך לא נדרש לפרט מהן מטרות הישיבה המיוחדת.

### 13.6.6. מניין חוקי לקיום ישיבות הדירקטוריון

אלא אם כן נקבע אחרת ב- Bylaws ו/או במסמכי ההתאגדות, מניין חוקי ייווצר בשעה שנוכחים בישיבת הדירקטוריון רוב חברי הדירקטוריון המכהנים באותה עת, והחלטה על פי מניין חוקי תהווה החלטה של דירקטוריון החברה. נכון למועד מסמך רישום זה לא נקבע אחרת ב- Bylaws ו/או במסמכי התאגדות.

### 13.6.7. הרוב הנדרש לקבלת החלטות

למעט במקרה בו נקבע אחרת ב- Bylaws ו/או במסמכי ההתאגדות, הרוב הנדרש לקבלת החלטות הינו רוב חברי הדירקטוריון. נכון למועד מסמך רישום זה, לא נקבע אחרת ב- Bylaws או מסמכי ההתאגדות של החברה.

### 13.6.8. החלטה ללא התכנסות בפועל

הדירקטוריון רשאי לקבל החלטות אף ללא התכנסות בפועל, ובלבד שכל הדירקטורים הזכאים להשתתף בדיון ולהצביע בעניין שהובא להחלטה, הסכימו בישיבת דירקטוריון לקבלת ההחלטה האמורה בכתב וכן הסכימו בכתב את אימוץ ההחלטה המאשרת את הפעולה ללא התכנסות.



### 13.6.9. ועדות הדירקטוריון

הדירקטוריון רשאי, להקים ועדות דירקטוריון ולהאציל להן את כל סמכויותיו, למעט סמכויות אשר לא ניתן להאציל על פי חוק דלאור או על פי הוראות ה- Bylaws. כל ועדה תמנה לפחות דירקטור אחד.

### 13.7. תיקון מסמכי ההתאגדות של החברה :

#### 13.7.1. Certificate of Incorporation

13.7.1.1. לחברה הזכות לתקן, לשנות או למחוק כל הוראה במסמכי ההתאגדות של החברה של החברה, על פי חוק מדינת דלאור כפי שייקבע מעת לעת.

13.7.1.2. על פי דיני החברות במדינת דלאור, תיקון או שינוי של מסמכי ההתאגדות של החברה של החברה מחייב את ההליך הבא :

13.7.1.3. על הדירקטוריון לאמץ החלטה לגבי התיקון המוצע ולאחר מכן להביא את התיקון המוצע בפני האסיפה הכללית של בעלי המניות הזכאים להשתתף ולהצביע באסיפה.

13.7.1.4. יש לזמן אסיפה כללית שעד סדר יומה שינוי למסמכי ההתאגדות של החברה. זימון האסיפה יכלול פרטים בנוגע לתיקון, למעט אם נקבע אחרת בחוק דלאור או בחוק הפדרלי של ארה"ב.

13.7.1.5. החלטה על תיקון הוראות מסמכי ההתאגדות של החברה ביחס להוראות הנוגעות לזכויות מחזיקי ניירות ערך מאותו הסוג או סדרה, שיש בו כדי לפגוע, לגרום לשינוי במספר המניות הרשומות או בערך הנקוב של המניות מאותו הסוג או סדרה, תתקבל רק בהחלטה של מחזיקי ניירות הערך מאותו הסוג או סדרה, באסיפת מחזיקי ניירות הערך מאותו הסוג או סדרה. מבלי לגרוע מהאמור, באם שינוי מסוים ישפיע רק על סוג מניה מסוים מתוך סדרה, אזי בעלי המניות שיושפעו מהשינוי המסוים ייחשבו לסדרה לצורך הפסקה הנ"ל.

13.7.1.6. דיני החברות במדינת דלאור מגדירים מספר נושאים לגביהם ניתן לשנות את הוראות מסמכי ההתאגדות של החברה באמצעות החלטת דירקטוריון בלבד: (1) שם החברה; (2) שינוי הוראות במסמכי ההתאגדות של החברה שהגדירו את המייסדים, חברי הדירקטוריון הראשונים ומחזיקי המניות הראשונים; (3) מחיקת תיקון קודם שנעשה למסמכי ההתאגדות של החברה כדי לתת תוקף לשינוי, החלפה, שינוי סדרות מניות, שילוב או ביטול של מניות, לא דורשת אישור של בעלי מניות.

#### 13.7.2. Bylaws

לפי חוקי מדינת דלאור, בחברה שמניותיה

הונפקו לציבור, בעלי המניות רשאים לשנות, לאמץ ו/או לבטל כל שינוי שנעשה ב- Bylaws של החברה.

מבלי לגרוע מהאמור, חברה רשאית לקבוע במסמכי ההתאגדות של החברה של החברה כי הכוח לשנות את ה- Bylaws נמצא אצל הדירקטוריון. העובדה שכוח זה ניתן לדירקטוריון או גוף אחר, כפי שיהיה בחברה, לא יימנע או יחסום בעל מניות מלממש את זכותו להצביע בעד שינוי ל- Bylaws.

### 13.8. שיפוי נושאי משרה, דירקטורים ואחרים:

בהתאם לתעודת ההתאגדות וה- Bylaws של החברה, החברה רשאית לשפות כל אדם בכפוף למגבלות חוק דלאוור. החברה תשפה כל אדם אשר היה, שהינו, או העלול להיות, צד להליכים כדלקמן: תביעה, תובענה או הליך משפטי, צפויים, תלויים ועומדים או שהסתיימו, אזרחיים, פליליים, מנהליים או חקירתיים (למעט תביעה מצד החברה או מכוח זכותה של החברה), וזאת לאור תפקידו של אותו אדם כדירקטור, נושא משרה, עובד, או שלוח של החברה, או בשל העובדה שאותו אדם כיהן או מכהן, לבקשת החברה, כדירקטור, נושא משרה, עובד או שלוח בחברה, בשותפות של החברה, במיזם משותף, נאמנות או מיזם אחרים.

השיפוי יינתן בגין הוצאות, פסקי דין, קנסות וסכומים ששולמו בפועל ובאופן סביר, על ידי אותו אדם, במסגרת הסדרי פשרה, בקשר לתביעה, תובענה או הליך משפטי כאמור לעיל, ובתנאי שאותו אדם פעל בתום לב ובאופן שאותו אדם האמין באופן סביר כי הוא לטובתה של החברה, או שאינו סותר את טובת החברה - ובכל מקרה שבו מדובר בתביעה או הליך פליליים - בתנאי שלאותו אדם לא היתה סיבה סבירה להאמין שהתנהגותו אינה חוקית. במידה שהגנתו של דירקטור, נושא משרה, עובד או שלוח של החברה זכתה בהליך, אזי אותו אדם ישופה בגין ההוצאות שנגרמו לו (לרבות שכר טרחת עורכי דין).

כמו כן, במקרים מסוימים (למעט בגין הליכים פליליים), החברה רשאית לפעול בעצמה על מנת להשיג החלטה שהינה לטובת החברה. במקרה כאמור, החברה רשאית לשפות את הגורמים המפורטים לעיל, אולם, החברה אינה רשאית לשפות במקרה בו אותו גורם נמצא כאחראי לחברה, אלא בהינתן כי ה- Court of Chancery of Delaware או בית משפט שבו הובאה אותו עניין, יחליט כי למרות אחריותו לחברה, לאור כל העובדות ונסיבות המקרה, החברה רשאית לשפות את אותו הגורם. במקרה כאמור בית המשפט יקבע את סכום ותנאי השיפוי.

### 13.9. סטנדרט התנהגות:

כל שיפוי יוענק על ידי החברה רק לאחר קביעה כי הגורם המשופה עמד בסטנדרט ההתנהגות הנדרש, כפי שמפורט כאמור בסעיפים לעיל. הקביעה כאמור תבוצע על ידי: (1) הצבעת רוב הדירקטוריון, אשר מורכב מדירקטורים אשר אינם צד להליך המשפטי (גם אם אין מניין חוקי); (2) על פי החלטה של ועדת דירקטורים שמונתה על ידי רוב מהדירקטורים שאינם צד להליך (גם אם אין מניין חוקי); (3) אם אין דירקטורים, או על פי הוראותיו של הדירקטורים, על פי חוות דעת בכתב של יועץ משפטי לא תלוי; או (4) לפי החלטת בעלי המניות.

**13.10. תשלום הוצאות:**

החברה יכולה לשלם את ההוצאות (לרבות שכר טרחת עורכי דין) שנושא משרה או דירקטור הוציאו כדי להתגונן בתביעה, תובענה או הליך משפטי, אזרחיים, פליליים, מנהליים או חקירתיים, לפני הכרעה סופית בתביעה, בתובענה או בהליכים המשפטיים, והכל בתנאי שאותו דירקטור או בעל תפקיד או אחד מטעמו התחייב להחזיר את הכספים לחברה אם ימצא כי אותו גורם אינו זכאי לשיפוי על ידי החברה בהתאם ל- Bylaws.

**13.11. השיפוי אינו בלעדי:**

השיפוי והתשלום של ההוצאות כפי שנקבע על פי הוראות תקנון החברה, אינם בלעדיים ואינם שוללים זכויות אחרות להם זכאים בעלי התפקיד בחברה.

**13.12. ביטוח נושאי משרה, דירקטורים ואחרים:**

החברה רשאית לרכוש פוליסת ביטוח, בכפוף לאישור הדירקטוריון, עבור דירקטור, נושא משרה, עובד או בשל העובדה שאותו אדם כיהן או מכהן, לבקשת החברה, כדירקטור, נושא משרה, עובד או שלוח בחברה, שותפות, מיזם משותף, נאמנות או מיזם אחרים בעבר ובהווה, כנגד תביעה שהוגשה נגדו בגין תפקידו בחברה כאמור ובהיקף המותר לפי החוק הדלווארי או כל חוק ישים אחר, בין אם הייתה החברה יכולה לשפות אותו אדם על פ הוראות ה- Bylaws ובין אם לאו.

**13.13. פטור דירקטורים מאחריות אישית:**

מסמכי ההתאגדות של החברה קובעים כי החברה רשאית לפטור כל דירקטור (בגין כהונתו כדירקטור) בכפוף למגבלות חוק דלאור מאחריות אישית כלפי החברה או כלפי בעלי מניותיה, עבור נזקים כלכליים שנבעו כתוצאה מהפרת חובות האמונים של אותו הדירקטור (בתפקידו כדירקטור).

**13.14. עסקאות בעלי עניין:**

**13.14.1.** מסמכי ההתאגדות ותקנון החברה אינם כוללים הוראות לגבי עסקאות בעלי עניין.

**13.14.2.** בהתאם לחוק בדלאור, עסקה של החברה עם אחד או יותר מהדירקטורים או נושאי המשרה של החברה, שהינם דירקטורים או נושאי משרה באותו גורם איתו מתבצעת העסקה, או שהינם בעלי עניין כלכלי בעסקה, לא תהיה בטלה או ניתנת לביטול רק בשל קיומו של אותו עניין אישי, או בשל השתתפותו של אותו דירקטור או נושא משרה בישיבה בה אושרה העסקה או בשל הצבעתו של דירקטור בנוגע לאותה עסקה, בהתקיים:

13.14.2.1. העובדות המהותיות בנוגע לקשר או לעניין האישי של הדירקטור או נושא משרה בנוגע להסכם או לעסקה ידועים לדירקטורים או לוועדה, והעסקה ו/או ההסכם אושרו על ידי רוב הדירקטורים שאינם בעלי עניין אישי בעסקה או בהסכם (גם במקרה בו אין מניין חוקי) ובתום לב; או

13.14.2.2. ניתן גילוי בדבר העובדות המהותיות בנוגע לקשר או לעניין האישי של הדירקטור או נושא המשרה בנוגע להסכם או לעסקה או שהן ידועות לבעלי המניות שזכאים להצביע בנוגע להסכם או לעסקה וההסכם או העסקה מאושרים בתום לב בהצבעה של בעלי המניות; או

13.14.2.3. ההסכם או העסקה הינם הוגנים לחברה בזמן אישורם או אשרורם על ידי חברי הדירקטוריון של החברה, חברי הוועדה או בעלי המניות.

13.14.3. חוק דלאוור קובע עוד כי ניתן להתחשב בנוכחותם של דירקטורים בעלי עניין לצורך קביעת קיומו של מניין חוקי בישיבת הדירקטוריון שמאשרת את ההסכם או העסקה.

#### 13.14.4. סעיף 203 לחוק דלאוור

החברה כפופה לסעיף 203 לחוק דלאוור המגביל את האפשרות של החברה לביצוע סוגים שונים של עסקאות עם מי שרכש חבילה משמעותית של מניות בחברה, בשלוש השנים הראשונות לאחר הרכישה המכונה **"בעל מניות בעל עניין"**, במצבים בהם העסקה אינה מאושרת על ידי החברה באופן הקבוע באותו סעיף 203. קיימים סייגים בסעיף 203, שעל פיהם, המגבלות של הסעיף אינן חלות על עסקה עם בעל מניות עניין.

העסקאות הנכללות בהגבלה הינן, בין היתר, מיזוגים (במקרים מסויימים), מכירות מניות או נכסים והלוואות, המוגדרות בחוק דלאוור כ – **"Business Combinations"**, "ולצורך מסמך זה יוגדרו כ **"עסקת קומבינציה"**.

**"בעל מניות בעל עניין"** (כהגדרתו בחוק דלאוור) הוא אדם או גוף אשר, ביחד עם גופים הקשורים אליו, מחזיק ב- 15% או יותר מהמניות המונפקות של החברה, או שהוא גוף קשור לחברה והיה בעל 15% או יותר מזכויות ההצבעה בחברה בעת כלשהי במשך שלוש השנים הקודמות, כאשר בהתאמה יש להגדרה זו חריגים. המגבלות חלות למשך תקופה בת שלוש שנים, מהמועד בו אותו בעל מניות הפך להיות בעל מניות בעל עניין.

על פי סעיף 203 לחוק דלאוור, החברה לא תבצע עסקת קומבינציה עם בעל מניות בעל עניין, במשך שלוש השנים מהפיכת אותו בעל מניות לבעל מניות בעל עניין, אלא אם:

א. בטרם הפך בעל המניות לבעל מניות בעל עניין, הדירקטוריון של החברה אישר את עסקת הקומבינציה או את העסקה שכתוצאה ממנה הפך בעל המניות לבעל מניות בעל עניין;

ב. עם השלמתה של העסקה שכתוצאה ממנה הפך בעל המניות להיות בעל מניות בעל עניין, אותו בעל המניות החזיק לפחות ב-85% מזכויות ההצבעה בחברה כפי שהיו בזמן בו החלה אותה עסקה, למעט, לצורך חישוב זכויות ההצבעה בחברה (אך לא לצורך חישוב זכויות ההצבעה המוחזקות על ידי בעל המניות בעל העניין), אותן זכויות הצבעה המוחזקות על ידי (I) דירקטורים ונושאי משרה בחברה או (II) מכח תוכניות תגמול לעובדים בהם אין לעובדים הזכות לקבוע באופן חסוי אם מניות המוחזקות בהתאם לתוכנית ימכרו בהצעת רכש או הצעה דומה; או

ג. באותה העת או לאחר מכן, העסקה קיבלה את אישורו של דירקטוריון החברה ושל בעלי המניות, באסיפה כללית שנתית או מיוחדת, ולא בהחלטה בכתב, אשר נדרש כי לפחות המחזיקים בשני שליש מהמניות המונפקות שאינן בבעלות בעל המניות בעל העניין יצביעו בעד העסקה.

#### 13.15. פירוק

על פי דיני מדינת דלאוור, החלטה על פירוק תתקבל באסיפת בעלי מניות ברוב בעלי המניות הזכאים להצביע באסיפה, לאחר שרוב חברי הדירקטוריון תמכו בפירוק החברה.

#### 14. סעיף 39א לחוק ניירות ערך

החברה מתחייבת בזאת, כי במקרה בו מניות החברה ימחקו ממסחר ב-NASDAQ, וכתוצאה מכך החברה תהיה רשומה למסחר בבורסה לניירות ערך בתל אביב בע"מ בלבד, יחולו על החברה הוראות מסוימות מחוק החברות, כאמור בסעיף 39א לחוק ניירות ערך.

#### 15. אישור הבורסה לניירות ערך בתל אביב בע"מ

הבורסה לניירות ערך בתל אביב נתנה את אישורה לרשום בה למסחר מניות רגילות, מניות מוגבלות (RSUs), וכן מניות רגילות שתנבענה ממימוש אופציות בלתי סחירות, וממימוש Warrants, כאמור בסעיף 10 לעיל.

**אין לראות באישור האמור של הבורסה אישור לפרטים המובאים במסמך רישום זה או למהימנותם או לשלמותם ואין בו משום הבעת דעה על החברה או על טיבם של ניירות הערך הנרשמים על פי מסמך רישום זה.**

\*\*\*\*\*

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

FORM 10-K

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

For the Fiscal Year Ended August 31, 2016

or

☐ 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)

<b>Delaware</b>	<b>98-0376008</b>
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
<b>Hi-Tech Park 2/4</b>	
<b>Givat-Ram</b>	
<b>P.O. Box 39098</b>	
<b>Jerusalem, Israel</b>	<b>91390</b>
(Address of Principal Executive Offices)	(Zip Code)

**+972-2-566-0001**

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, \$.001 par value per share

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive

proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

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 (Check one):

Large accelerated filer ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of the last business day of the registrant’s most recently completed second fiscal quarter was \$73,576,787, based on a price of \$7.09, being the last price at which the shares of the registrant’s common stock were sold on The Nasdaq Capital Market prior to the end of the most recently completed second fiscal quarter.

Indicate the number of shares outstanding of each of the registrant’s classes of common stock, as of the latest practicable date: 13,264,189 shares of common stock issued and outstanding as of November 22, 2016.

## ORAMED PHARMACEUTICALS INC.

### FORM 10-K (FOR THE FISCAL YEAR ENDED AUGUST 31, 2016)

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As used in this Annual Report on Form 10-K, the terms “we,” “us,” “our,” the “Company,” and “Oramed” 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 August 31, 2016, the exchange rate between the New Israeli Shekel, or NIS, and the dollar, as quoted by the Bank of Israel, was NIS 3.786 to \$1.00. Unless indicated otherwise by the context, statements in this Annual Report on Form 10-K that provide the dollar equivalent of NIS amounts or provide the NIS equivalent of dollar amounts are based on such exchange rate.

#### **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

The statements contained in this Annual Report on Form 10-K that are not historical facts are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. Words such as “expects,” “anticipates,” “intends,” “plans,” “planned expenditures,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this Annual Report on Form 10-K. Additionally, statements concerning future matters are forward-looking statements. We remind readers that forward-looking statements are merely predictions and therefore inherently subject to uncertainties and other factors and involve known and unknown risks that could cause the actual results, performance, levels of activity, or our achievements, or industry results, to be materially different from any future results, performance, levels of activity, or our achievements, or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements appear in Item 1 - “Business” and Item 7 - “Management's Discussion and Analysis of Financial Condition and Results of Operations,” as well as elsewhere in this Annual Report on Form 10-K and include, among other statements, statements regarding the following:

- the expected development and potential benefits from our products in treating diabetes;
- the prospects of entering into additional license agreements, or other partnerships or forms of cooperation with other companies or medical institutions;
- future milestones, conditions and royalties under the license agreement with Hefei Tianhui Incubation of Technologies Co. Ltd., or HTIT;
- our research and development plans, including pre-clinical and clinical trials plans and the timing of enrollment, obtaining results and conclusion of trials;
- our belief that our technology has the potential to deliver medications and vaccines orally that today can only be delivered via injection;
- the competitive ability of our technology based product efficacy, safety, patient convenience, reliability, value and patent position;
- the potential market demand for our products;



- our expectation that in the upcoming year our research and development expenses, net, will continue to be our major expenditure;
- our expectations regarding our short- and long-term capital requirements;
- our outlook for the coming months and future periods, including but not limited to our expectations regarding future revenue and expenses; and
- information with respect to any other plans and strategies for our business.

Although forward-looking statements in this Annual Report on Form 10-K reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those discussed herein, including those risks described in Item 1A. "Risk Factors", and expressed from time to time in our other filings with the Securities and Exchange Commission, or SEC. In addition, historic results of scientific research, clinical and preclinical trials do not guarantee that the conclusions of future research or trials would not suggest different conclusions. Also, historic results referred to in this Annual Report on Form 10-K could be interpreted differently in light of additional research, clinical and preclinical trials results. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this Annual Report on Form 10-K. Except as required by law, we undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this Annual Report on Form 10-K. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this Annual Report on Form 10-K which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

## PART I

### ITEM 1. BUSINESS.

#### DESCRIPTION OF BUSINESS

##### Research and Development

We are a pharmaceutical company currently engaged in the research and development of innovative pharmaceutical solutions, including an oral insulin capsule to be used for the treatment of individuals with diabetes, and the use of orally ingestible capsules or pills for delivery of other polypeptides.

**Oral insulin:** We are seeking to revolutionize the treatment of diabetes through our proprietary flagship product, an orally ingestible insulin capsule (ORMD-0801). We completed a Phase IIb clinical trial on 180 type 2 diabetic patients that was conducted in 33 sites in the United States. This double-blind, randomized, 28-day clinical trial was conducted under an Investigational New Drug application, or IND, with the U.S. Food and Drug Administration, or FDA. The clinical trial, designed to assess the safety and efficacy of ORMD-0801, investigated ORMD-0801 over a longer treatment period and had statistical power to give us greater insight into the drug's efficacy. The trial was initiated in June 2015, was completed during April 2016 and successfully met its primary, secondary and exploratory endpoints. Prior to that trial, we completed Phase IIa clinical trials in patients with both type 1 and type 2 diabetes. We also conducted a glucose clamp study of our oral insulin capsule on type 1 diabetic volunteers. The glucose clamp is a method for quantifying insulin absorption in order to measure a patient's insulin sensitivity and how well a patient metabolizes glucose. The in-life phase was completed in October 2016, and we anticipate receiving the results during the first quarter of

calendar year 2017. In October 2016, we initiated an additional Phase IIa dose finding clinical trial on approximately 30 adults type 2 diabetic patients. This trial is being conducted in order to define the optimal dosing of ORMD-0801 moving forward. Our technology allows insulin to travel from the gastrointestinal tract via the portal vein to the bloodstream, revolutionizing the manner in which insulin is delivered. It enables its passage in a more physiological manner than current delivery methods of insulin. Our technology is a platform that has the potential to deliver medications and vaccines orally that today can only be delivered via injection.

***Oral Glucagon-like peptide-1:*** Glucagon-like peptide-1, or GLP-1, is an incretin hormone, which is a type of gastrointestinal hormone that stimulates the secretion of insulin from the pancreas. The incretin concept was hypothesized when it was noted that glucose ingested by mouth (oral) stimulated two to three times more insulin release than the same amount of glucose administered intravenously. In addition to stimulating insulin release, GLP-1 was found to suppress glucagon release (hormone involved in regulation of glucose) from the pancreas, slow gastric emptying to reduce the rate of absorption of nutrients into the blood stream, and increase satiety. Other important beneficial attributes of GLP-1 are its effects of increasing the number of beta cells (cells that manufacture and release insulin) in the pancreas and, possibly, protection of the heart. In addition to our flagship product, the insulin capsule, we are using our technology for an orally ingestible GLP-1 capsule (ORMD-0901). In August 2015, we began a non-FDA approved clinical trial for our oral exenatide capsule on type 2 diabetic patients. All follow-up visits of this study were completed during the second quarter of calendar year 2016, and we anticipate the results analysis to be completed during the fourth quarter of calendar year 2016. In June 2016, we also began a pre-clinical toxicology study.

***Diabetes:*** Diabetes is a disease in which the body does not produce or properly use insulin. Insulin is a hormone that causes sugar to be absorbed into cells, where the sugar is converted into energy needed for daily life. The cause of diabetes is attributed both to genetics (type 1 diabetes) and, most often, to environmental factors such as obesity and lack of exercise (type 2 diabetes). According to the International Diabetes Federation, or IDF, an estimated 415 million adults worldwide suffered from diabetes in 2015 and the IDF projects this number will increase to 642 million by 2040. Also, according to the IDF, in 2015, an estimated 5.3 million people died from diabetes. According to the American Diabetes Association, or ADA, in the United States there were approximately 29.1 million people with diabetes, or 9.3% of the United States population in 2015. Diabetes is a leading cause of blindness, kidney failure, heart attack, stroke and amputation.

***Intellectual property:*** We own a portfolio of patents and patent applications covering our technologies, and we are aggressively protecting these technology developments on a worldwide basis.

***Management:*** We are led by a highly-experienced management team knowledgeable in the treatment of diabetes. Our Chief Medical and Technology Officer, Miriam Kidron, PhD, is a world-recognized pharmacologist and a biochemist and the innovator primarily responsible for our oral insulin technology development and know-how.

***Scientific Advisory Board:*** Our management team has access to our internationally recognized Scientific Advisory Board whose members are thought-leaders in their respective areas. The Scientific Advisory Board is comprised of Dr. Roy Eldor, Professor Ele Ferrannini, Professor Avram Herskho and Dr. Harold Jacob.

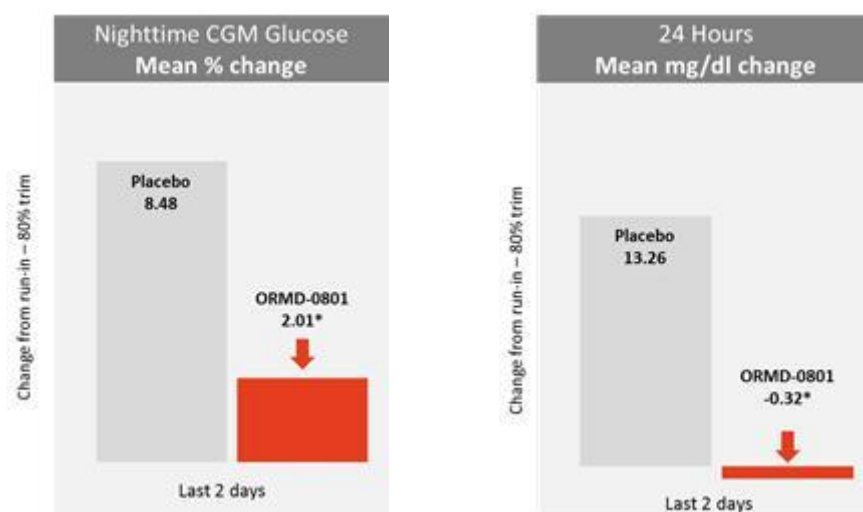
## **Strategy**

### ***Short Term Business Strategy***

We plan to conduct further research and development on the technology covered by the patent application “Methods and Composition for Oral Administration of Proteins,” which we acquired from Hadasit Medical Research Services and Development Ltd. in 2006, and which is pending in various foreign jurisdictions, as well as the other patents we have filed in various foreign jurisdictions since then, as discussed below under “—*Patents and Licenses*” and below under “*Item 1A. Risk Factors*”.

Through our research and development efforts, we are seeking to develop an oral dosage form that will withstand the harsh chemical environment of the stomach and intestines and will be effective in delivering active insulin or other proteins, such as exenatide, for the treatment of diabetes. The

enzymes and vehicles that are added to the proteins in the formulation process must not modify the proteins chemically or biologically, and the dosage form must be safe to ingest. We plan to continue to conduct clinical trials to show the effectiveness of our technology. We originally filed an IND with the FDA in December 2012 for clearance to begin a Phase II clinical trial of ORMD-0801, in order to evaluate the safety, tolerability and efficacy of our oral insulin capsule on type 2 diabetic volunteers. Because the identical formulation of ORMD-0801 had not yet been studied in humans at bedtime, in February 2013, the FDA noted concerns about mitigating potential risks of severe hypoglycemia and requested that we perform a sub-study in a controlled in-patient setting for a one-week period prior to beginning the larger multi-centered Phase II trial. As a result, we withdrew the original IND and, in April 2013, we submitted a new IND for the Phase IIa sub-study. Following the FDA's clearance to proceed in May 2013, we began the Phase IIa sub-study in July 2013. As we announced in January 2014, the Phase IIa sub-study met all primary and secondary endpoints. Specifically, the Phase IIa study evaluated the pharmacodynamic effects of ORMD-0801 on mean nighttime glucose (determined using a continuous glucose monitor). The results showed that ORMD-0801 exhibited a sound safety profile, led to reduced mean daytime and nighttime glucose readings and lowered fasting blood glucose concentrations, when compared to placebo. In addition, no serious adverse events occurred during this study, and the only adverse events that occurred were not drug related. In light of these results, in June 2015, we initiated the Phase IIb clinical trial on 180 type 2 diabetic patients which was completed in April 2016. This double-blind, randomized, 28-day study clinical trial was designed to assess the safety and efficacy of ORMD-0801, and was conducted in 33 sites in the United States. The trial indicated a statistically significant lowering of glucose relative to placebo across several endpoints. The trial's positive topline data showed that the study successfully met its primary efficacy and safety endpoints. The trial primarily evaluated the nighttime glucose lowering effect and safety of ORMD-0801 compared to a placebo. The results of the mean nighttime glucose showed a significant difference in mean change from run-in. ORMD-0801 oral insulin was safe and well-tolerated for the dosing regimen in this trial. The trial further evaluated the effect of ORMD-0801 on mean 24-hour glucose, fasting glucose, and daytime glucose and the results showed a statistically significant difference in mean change from run-in. Two examples of the data gleaned from this study are shown below:



\* Indicates Statistically Significant Difference from Placebo (p-Value<0.05)

No significant difference was shown in change in morning fasting serum insulin, C-Peptide, or triglycerides.

Following the significant results of the Phase IIb trial, we initiated in October 2016 an additional Phase IIa, dose finding clinical trial on approximately 30 adult type 2 diabetic patients. This randomized, double-blind trial is being conducted in order to define the optimal dosing of ORMD-0801 moving forward.




In February 2014, we submitted a protocol to the FDA to initiate a Phase IIa trial of our oral insulin capsule for type 1 diabetes volunteers. The protocol was submitted under our existing IND to include both type 1 and type 2 diabetes indications. Beginning in March 2014, the double-blind,

randomized, placebo controlled, seven-day study design was carried out at an inpatient setting on 25 type 1 diabetic patients. As we announced in October 2014, the results showed that ORMD-0801 oral insulin given before meals appeared to be safe and well-tolerated for the dosing regimen in this study. Although the study was not powered to show statistical significance, there were internally consistent trends observed. Consistent with the timing of administration, the data showed a decrease in rapid acting insulin, a decrease in post-prandial glucose, a decrease in daytime glucose by continual glucose monitoring and an increase in post-prandial hypoglycemia in the active group.

We also conducted a glucose clamp study of our oral insulin capsule on type 2 diabetic volunteers that was performed at The University of Texas Health Science Center at San Antonio. The glucose clamp is a method for quantifying insulin absorption in order to measure a patient's insulin sensitivity and how well a patient metabolizes glucose. We completed the in-life phase of the study in October 2016, and anticipate to receive the results during the first quarter of calendar year 2017.

Clinical trials are planned in order to substantiate our results as well as for purposes of making future filings for drug approval. We also plan to conduct further research and development by deploying our proprietary drug delivery technology for the delivery of other polypeptides in addition to insulin, and to develop other innovative pharmaceutical products.

The table below gives an overview of our product pipeline:

		Phase I	Phase II	Phase III	Timeline
<b>ORMD-0801 oral insulin</b>	Type 2 diabetes				Q1 '14: Phase <u>IIa</u> completed Q2 '16: Phase <u>IIb</u> multi-center study completed Q4 '16: Phase <u>IIa</u> - dose finding study initiated
	Type 1 diabetes				Q3 '14: Phase <u>IIa</u> completed
<b>ORMD-0901 oral GLP-1</b>	Type 2 diabetes				Q2 '16: Toxicology study initiated Q2 '16: Phase <u>Ib</u> ex-US completed (results analysis is expected to be completed in Q4 '16) Q3 '17: Phase II multi-center study projected initiation

Another component of our business strategy is to partner with other companies or medical institutions in order to further develop our technology and commence pre-commercialization activities. On November 30, 2015, we, our Israeli subsidiary and HTIT entered into a Technology License Agreement, which was further amended, according to which we granted HTIT an exclusive commercialization license in the territory of the People's Republic of China, Macau and Hong Kong, or the Territory, related to our oral insulin capsule, ORMD-0801. Pursuant to this license agreement, HTIT will conduct, at its own expense, certain pre-commercialization and regulatory activities with respect to our technology related to the ORMD-0801 capsule, and will pay certain royalties and an aggregate of approximately \$37.5 million (see "Out-Licensed Technology" below). We plan to seek additional partnerships or forms of cooperation with other companies or medical institutions. While our strategy is to partner with an appropriate party, no assurance can be given that any third party would be interested in partnering with us. Under certain circumstances, we may determine to develop one or more of our oral dosage form on our own, either world-wide or in select territories.

### ***Long Term Business Strategy***

If our oral insulin capsule or other drug delivery solutions show significant promise in clinical trials, we plan to ultimately seek a strategic commercial partner, or partners, with extensive experience in the development, commercialization, and marketing of insulin applications and/or other orally digestible drugs. We anticipate such partner or partners would be responsible for, or substantially support, late stage clinical trials (Phase III) to increase the likelihood of obtaining regulatory approvals and registrations in the appropriate markets in a timely manner. We further anticipate that such partner, or partners, would also be responsible for sales and marketing of our oral insulin capsule in these

markets. Such planned strategic partnership, or partnerships, may provide a marketing and sales infrastructure for our products as well as financial and operational support for global clinical trials, post marketing studies, label expansions and other regulatory requirements concerning future clinical development in the United States and elsewhere. Any future strategic partner, or partners, may also provide capital and expertise that would enable the partnership to develop new oral dosage form for other polypeptides. While our strategy is to partner with an appropriate party, no assurance can be given that any third party would be interested in partnering with us. Under certain circumstances, we may determine to develop one or more of our oral dosage form on our own, either world-wide or in select territories.

### ***Other Planned Strategic Activities***

In addition to developing our own oral dosage form drug portfolio, we are, on an on-going basis, considering in-licensing and other means of obtaining additional technologies to complement and/or expand our current product portfolio. Our goal is to create a well-balanced product portfolio that will enhance and complement our existing drug portfolio.

## **Product Development**

### ***Research and Development Summary***

We devote the majority of our efforts to research and development, including clinical studies for our lead clinical product candidates, as described below.

### ***Orally Ingestible Insulin***

During fiscal 2007, we conducted several clinical studies of our orally ingestible insulin that were intended to assess both the safety/tolerability and absorption properties of our proprietary oral insulin. Based on the pharmacokinetic and pharmacologic outcomes of these trials, we decided to continue the development of our oral insulin product.

During fiscal 2008, we successfully completed animal studies and non-FDA approved clinical trials using our oral insulin capsule, including a Phase Ib clinical trial in healthy human volunteers with the intent of dose optimization; a Phase IIa study to evaluate the safety and efficacy of our oral insulin capsule in type 2 diabetic volunteers at Hadassah Medical Center in Jerusalem; and a Phase IIa study to evaluate the safety and efficacy of our oral insulin capsule on type 1 diabetic volunteers.

Our successful non-FDA clinical trials continued in fiscal 2009, with a Phase IIb study in South Africa to evaluate the safety, tolerability and efficacy of our oral insulin capsule on type 2 diabetic volunteers.

In September 2010, we reported the successful results of an exploratory clinical trial testing the effectiveness of our oral insulin capsule in type 1 diabetes patients suffering from uncontrolled diabetes. Unstable or labile diabetes is characterized by recurrent, unpredictable and dramatic blood glucose swings often linked with irregular hyperglycemia and sometimes serious hypoglycemia affecting type 1 diabetes patients. This completed exploratory study was a proof of concept study for defining a novel indication for ORMD-0801. We believe the encouraging results justify further clinical development of ORMD-0801 capsule application toward management of uncontrolled diabetes.

In March 2011, we reported that we successfully completed a comprehensive toxicity study for our oral insulin capsule. The study was completed under conditions prescribed by the FDA Good Laboratory Practices regulations.

As described above, we began FDA-approved clinical trials of ORMD-0801 in July 2013, with the Phase IIa sub-study, which evaluated the pharmacodynamic effects of ORMD-0801 on mean nighttime glucose (determined using a continuous glucose monitor) in volunteers with type 2 diabetes. As we announced in January 2014, the results showed that ORMD-0801 exhibited a sound safety profile, led to reduced mean daytime and nighttime glucose readings and lowered fasting blood glucose concentrations, when compared to placebo.

In March 2014, we began an FDA-approved Phase IIa trial of ORMD-0801 in volunteers with type 1 diabetes. As we announced in October 2014, the results showed that ORMD-0801 oral insulin given before meals appeared to be safe and well-tolerated for the dosing regimen in this study. Although the study was not powered to show statistical significance, there were internally consistent trends observed. Consistent with the timing of administration, the data showed a decrease in rapid acting insulin, a decrease in post-prandial glucose, a decrease in daytime glucose by continual glucose monitoring and an increase in post-prandial hypoglycemia in the active group.

In April 2015, we began a glucose clamp study of our oral insulin capsule on type 2 diabetic volunteers that was performed at The University of Texas Health Science Center at San Antonio and University Health System's Texas Diabetes Institute. The glucose clamp is a method for quantifying insulin absorption in order to measure a patient's insulin sensitivity and how well a patient metabolizes glucose. We completed the in-life phase of the study in October 2016, and anticipate receiving the results during the first quarter of calendar year 2017.

In June 2015, we initiated a Phase IIb clinical trial on 180 type 2 diabetic patients, which was completed in April 2016. This double-blind, randomized, 28-day study was designed to assess the safety and efficacy of ORMD-0801 and was conducted in 33 sites in the United States. The trial indicated a statistically significant lowering of glucose relative to placebo across several endpoints. The trial successfully met its primary efficacy and safety endpoints and its secondary and exploratory endpoints.

In October 2016, we initiated an additional Phase IIa dose finding clinical trial on approximately 30 adult type 2 diabetic patients. This randomized, double-blind trial is being conducted in order to define the optimal dosing of ORMD-0801 moving forward.

We utilize Clinical Research Organizations, or CROs, to conduct our clinical studies. We currently have an agreement with Integrium LLC to act as CRO for the Phase IIa dose finding clinical trial of ORMD-0801 in volunteers having type 2 diabetes, described above.

### ***GLP-1 Analog***

During fiscal 2009, we completed pre-clinical trials of ORMD-0901, an analog for GLP-1, which included animal studies that suggested that the GLP-1 analog (exenatide-4), when combined with Oramed's absorption promoters, is absorbed through the gastrointestinal tract and retains its biological activity.

In December 2009, we completed non-FDA approved clinical trials of an oral GLP-1 analog in healthy, male volunteers conducted at Hadassah University Medical Center in Jerusalem. This study tested the safety and efficacy of ORMD-0901, an encapsulated oral GLP-1 analog formulation. The results of the study indicated that ORMD-0901 was well tolerated by all subjects and demonstrated physiological activity, as extrapolated from ensuing subject insulin levels when compared to those observed after treatment with placebo.

In January 2013, we began a clinical trial for our oral exenatide capsule on healthy volunteers and type 2 diabetic patients. Based on this study, we decided to make slight adjustments in the manufacturing of these capsules and have begun pre-toxicology studies on the new capsules.

In September 2013, we submitted a pre-IND package to the FDA for ORMD-0901, our oral exenatide capsule, for a Phase II clinical trial on healthy volunteers and type 2 diabetic patients. We began a toxicology study in June 2016 and expect to file an IND and move directly into a large Phase II multi-center trial in the United States.

In August 2015, we began a non-FDA approved clinical trial for our oral exenatide capsule on type 2 diabetic patients. All follow-up visits of this study were completed during the second quarter of calendar year 2016, and we anticipate the results analysis to be completed during the fourth quarter of calendar year 2016.

### ***Combination Therapy***

In June 2012, we presented an abstract, which reported the impact of our oral insulin capsule ORMD-0801 delivered in combination with our oral exenatide capsule ORMD-0901. The work that was presented assessed the safety and effectiveness of a combination of oral insulin and oral exenatide treatments delivered to pigs prior to food intake. The drug combination resulted in significantly improved blood glucose regulation when compared to administration of each drug separately.

In February 2013, we commenced a first human clinical trial on type 2 diabetic volunteers with our oral insulin capsule delivered in combination with our oral exenatide capsule. In the near term, we are focusing our efforts on the development of the Company's flagship products, oral insulin and oral exenatide. Once these two products have progressed further in clinical trials, we intend to conduct additional studies with the oral combination therapy.

### ***Feasibility study***

In August 2015, we entered into an agreement with a large international pharmaceutical company, or the Pharma Company, pursuant to which we conducted a feasibility study, using one of the Pharma Company's proprietary injectable compounds. The study used our proprietary technology in order to deliver the compound orally. Following the successful completion of the first step of the study in July 2016, we continued to the second step of the study. The study will provide data required for decision making on whether to enter into a license agreement between the parties.

### ***Raw Materials***

Our oral insulin capsule is currently manufactured by Swiss Caps AG.

One of our oral capsule ingredients is being developed and produced by an Indian company.

In July 2010, Oramed Ltd. entered into the Manufacturing and Supply Agreement, or MSA, with Sanofi-Aventis Deutschland GmbH, or Sanofi-Aventis. According to the MSA, Sanofi-Aventis will supply Oramed Ltd. with specified quantities of recombinant human insulin to be used for clinical trials in the United States.

We purchase, pursuant to separate agreements with third parties, the raw materials required for the manufacturing of our oral capsule. We generally depend upon a limited number of suppliers for the raw materials. Although alternative sources of supply for these materials are generally available, we could incur significant costs and disruptions if we would need to change suppliers. The termination of our relationships with our suppliers or the failure of these suppliers to meet our requirements for raw materials on a timely and cost-effective basis could have a material adverse effect on our business, prospects, financial condition and results of operations.

### **Patents and Licenses**

We maintain a proactive intellectual property strategy, which includes patent filings in multiple jurisdictions, including the United States and other commercially significant markets. We hold 29 patent applications currently pending, with respect to various compositions, methods of production and oral administration of proteins and exenatide. Expiration dates for pending patents, if granted, will fall between 2026 and 2034.

We hold 30 patents, three of which were issued in fiscal 2016, including patents issued by the United States, Swiss, German, French, U.K., Italian, Netherlands, Spanish, Australian, Israeli, Japanese, Russian, Canadian, Hong Kong, Chinese, European and Indian patent offices that cover a part of our technology, which allows for the oral delivery of proteins and patents issued by the Australian, Israeli, New Zealand, South African and Russian patent offices that cover part of our technology for the oral delivery of exenatide.

Consistent with our strategy to seek protection in key markets worldwide, we have been and will continue to pursue the patent applications and corresponding foreign counterparts of such applications. We believe that our success will depend on our ability to obtain patent protection for our intellectual property.

Our patent strategy is as follows:

Aggressively protect all current and future technological developments to assure strong and broad protection by filing patents and/or continuations in part as appropriate,

Protect technological developments at various levels, in a complementary manner, including the base technology, as well as specific applications of the technology, and

Establish comprehensive coverage in the United States and in all relevant foreign markets in anticipation of future commercialization opportunities.

We also rely on trade secrets and unpatentable know-how that we seek to protect, in part, by confidentiality agreements. Our policy is to require our employees, consultants, contractors, manufacturers, outside scientific collaborators and sponsored researchers, our board of directors, or our Board, technical review board and other advisors, to execute confidentiality agreements upon the commencement of employment or consulting relationships with us. These agreements provide that all confidential information developed or made known to the individual during the course of the individual's relationship with us is to be kept confidential and not disclosed to third parties except in specific limited circumstances. We also require signed confidentiality or material transfer agreements from any company that is to receive our confidential information. In the case of employees, consultants and contractors, the agreements provide that all inventions conceived by the individual while rendering services to us shall be assigned to us as the exclusive property of our Company. There can be no assurance, however, that all persons who we desire to sign such agreements will sign, or if they do, that these agreements will not be breached, that we would have adequate remedies for any breach, or that our trade secrets or unpatentable know-how will not otherwise become known or be independently developed by competitors.

### **Out-Licensed Technology**

In June 2010, Oramed Ltd. entered into a joint venture agreement with D.N.A Biomedical Solutions Ltd., or D.N.A, for the establishment of Entera Bio LTD, or Entera.

Under the terms of a license agreement that was entered into between Oramed Ltd. and Entera in August 2010, we out-licensed technology to Entera, on an exclusive basis, for the development of oral delivery drugs for certain indications to be agreed upon between the parties. The out-licensed technology differs from our main delivery technology that is used for oral insulin and GLP-1 analog and is subject to different patent applications. Entera's initial development effort is for an oral formulation for the treatment of osteoporosis. In March 2011, we entered into a patent transfer agreement to replace the original license agreement upon closing pursuant to which Oramed Ltd. assigned to Entera all of its right, title and interest in and to the patent application that it had licensed to Entera in August 2010. Under this agreement, Oramed Ltd. is entitled to receive from Entera royalties of 3% of Entera's net revenues (as defined in the agreement) and a license back of that patent application for use in respect of diabetes and influenza.

In March 2011, we also consummated a transaction with D.N.A, whereby we sold to D.N.A 47% of Entera's outstanding share capital on an undiluted basis. As consideration for the Entera shares, we received consideration of cash and ordinary shares of D.N.A, having an aggregate value of approximately \$1,032,000 as of March 31, 2011. The promissory note was secured by a personal guarantee of the D.N.A majority shareholders and its term was extended in August 2011. D.N.A paid off the promissory note in November 2011. The market price for D.N.A's ordinary shares is subject to market fluctuations and may, at times, have a price below the value on the date we acquired such shares. The closing price for D.N.A's ordinary shares was \$0.068 per share on November 22, 2016. In addition, the ordinary shares of D.N.A have historically experienced low trading volume; as a result there is no guarantee that we will be able to resell the ordinary shares of D.N.A at the prevailing market prices. In addition, D.N.A invested \$250,000 in our private placement investment round, which closed in March 2011, for which it received 65,105 shares of our common stock and five-year warrants to purchase 22,787 shares of our common stock at an exercise price of \$6.00 per share.



D.N.A consummated a reverse stock split at a ratio of one-for-two, effective October 4, 2015, and unless otherwise indicated, share amounts of D.N.A included in this Form 10-K have been adjusted to reflect the effects of the reverse stock split.

In October 2012, as part of a securities purchase agreement with D.N.A, we received the option to purchase up to 10,818,806 ordinary shares of D.N.A, valued at approximately \$629,000 at the day of the transaction, and we exercised the option in February 2013.

Through August 31, 2016, we sold a total of 4,812,995 shares for total consideration of \$364,000, and as of August 31, 2016, we held 10,208,144 shares.

In June 2016, Entera announced that it had obtained orphan status from the European Medicines Agency, or EMA, for its oral treatment for hypoparathyroidism. EMA approval is in addition to the orphan status it obtained from the FDA for the same oral treatment in April 2014.

In July 2015, Entera announced it had completed a phase 2a study to assess the safety and efficacy of its oral treatment for hypoparathyroidism and that the goals of the study were achieved.

On November 30, 2015, we, our Israeli subsidiary and HTIT entered into a Technology License Agreement, and on December 21, 2015 these parties entered into an Amended and Restated Technology License Agreement that was further amended by the parties on June 3, 2016 and July 24, 2016, or the License Agreement. According to the License Agreement, we granted HTIT an exclusive commercialization license in the Territory, related to our oral insulin capsule, ORMD-0801. Pursuant to the License Agreement, HTIT will conduct, at its own expense, certain pre-commercialization and regulatory activities with respect to our technology and ORMD-0801 capsule, and will pay (i) royalties of 10% on net sales of the related commercialized products to be sold by HTIT in the Territory, or Royalties, and (ii) an aggregate of approximately \$37.5 million, of which \$3 million is payable immediately, \$8 million will be paid in near term installments subject to our entry into certain agreements with certain third parties, and \$26.5 million will be payable upon achievement of certain milestones and conditions. In the event that we will not meet certain conditions, the Royalties rate may be reduced to a minimum of 8%. Following the expiration of our patents covering the technology in the Territory, the Royalties rate may be reduced, under certain circumstances, to 5%. The initial payment of \$3 million was received in January 2016. Following achievement of certain milestones, the second and third milestone payments of \$6.5 million and \$4 million, respectively, were received in July 2016 and the fourth milestone payment of \$4 million was received in October 2016.

We also entered into a separate securities purchase agreement with HTIT, or the SPA, pursuant to which HTIT invested \$12 million in us in December 2015 (see – “Liquidity and capital resources” below). In connection with the License Agreement and the SPA, we received a non-refundable payment of \$500,000 as a no-shop fee.

## **Government Regulation**

### ***The Drug Development Process***

Regulatory requirements for the approval of new drugs vary from one country to another. In order to obtain approval to market our drug portfolio, we need to go through a different regulatory process in each country in which we apply for such approval. In some cases information gathered during the approval process in one country can be used as supporting information for the approval process in another country. As a strategic decision, we decided to first explore the FDA regulatory pathway. The following is a summary of the FDA’s requirements.

The FDA requires that pharmaceutical and certain other therapeutic products undergo significant clinical experimentation and clinical testing prior to their marketing or introduction to the general public. Clinical testing, known as clinical trials or clinical studies, is either conducted internally by life science, pharmaceutical, or biotechnology companies or is conducted on behalf of these companies by CROs.

The process of conducting clinical studies is highly regulated by the FDA, as well as by other governmental and professional bodies. Below we describe the principal framework in which clinical studies are conducted, as well as describe a number of the parties involved in these studies.

**Protocols.** Before commencing human clinical studies, the sponsor of a new drug or therapeutic product must submit an IND application to the FDA. The application contains, among other documents, what is known in the industry as a protocol. A protocol is the blueprint for each drug study. The protocol sets forth, among other things, the following:

- Who must be recruited as qualified participants,
- How often to administer the drug or product,
- What tests to perform on the participants, and
- What dosage of the drug or amount of the product to give to the participants.

**Institutional Review Board.** An institutional review board is an independent committee of professionals and lay persons which reviews clinical research studies involving human beings and is required to adhere to guidelines issued by the FDA. The institutional review board does not report to the FDA, but its records are audited by the FDA. Its members are not appointed by the FDA. All clinical studies must be approved by an institutional review board. The institutional review board's role is to protect the rights of the participants in the clinical studies. It approves the protocols to be used, the advertisements which the company or CRO conducting the study proposes to use to recruit participants, and the form of consent which the participants will be required to sign prior to their participation in the clinical studies.

**Clinical Trials.** Human clinical studies or testing of a potential product are generally done in three stages known as Phase I through Phase III testing. The names of the phases are derived from the regulations of the FDA. Generally, there are multiple studies conducted in each phase.

**Phase I.** Phase I studies involve testing a drug or product on a limited number of healthy or patients participants, typically 24 to 100 people at a time. Phase I studies determine a product's basic safety and how the product is absorbed by, and eliminated from, the body. This phase lasts an average of six months to a year.

**Phase II.** Phase II trials involve testing of no more than 300 participants at a time who may suffer from the targeted disease or condition. Phase II testing typically lasts an average of one to two years. In Phase II, the drug is tested to determine its safety and effectiveness for treating a specific illness or condition. Phase II testing also involves determining acceptable dosage levels of the drug. Phase II studies may be split into Phase IIa and Phase IIb sub-studies. Phase IIa studies may be conducted with patient volunteers and are exploratory (non-pivotal) studies, typically designed to evaluate clinical efficacy or biological activity. Phase IIb studies are conducted with patients defined to evaluate definite dose range and evaluate efficacy. If Phase II studies show that a new drug has an acceptable range of safety risks and probable effectiveness, a company will generally continue to review the substance in Phase III studies.

**Phase III.** Phase III studies involve testing large numbers of participants, typically several hundred to several thousand persons. The purpose is to verify effectiveness and long-term safety on a large scale. These studies generally last two to three years. Phase III studies are conducted at multiple locations or sites. Like the other phases, Phase III requires the site to keep detailed records of data collected and procedures performed.

**New Drug Approval.** The results of the clinical trials are submitted to the FDA as part of a new drug application, or NDA. Following the completion of Phase III studies, assuming the sponsor of a potential product in the United States believes it has sufficient information to support the safety and effectiveness of its product, the sponsor will generally submit an NDA to the FDA requesting that the product be approved for marketing. The application is a comprehensive, multi-volume filing that includes the results of all clinical studies, information about the drug's composition, and the sponsor's plans for producing, packaging and labeling the product. The FDA's review of an application can take

a few months to many years, with the average review lasting 18 months. Once approved, drugs and other products may be marketed in the United States, subject to any conditions imposed by the FDA.

Phase IV. The FDA may require that the sponsor conduct additional clinical trials following new drug approval. The purpose of these trials, known as Phase IV studies, is to monitor long-term risks and benefits, study different dosage levels or evaluate safety and effectiveness. In recent years, the FDA has increased its reliance on these trials. Phase IV studies usually involve thousands of participants. Phase IV studies also may be initiated by the company sponsoring the new drug to gain broader market value for an approved drug.

The drug approval process is time-consuming, involves substantial expenditures of resources, and depends upon a number of factors, including the severity of the illness in question, the availability of alternative treatments, and the risks and benefits demonstrated in the clinical trials.

### ***Other Regulations***

Various federal, state and local laws, regulations, and recommendations relating to safe working conditions, laboratory practices, the experimental use of animals, the environment and the purchase, storage, movement, import, export, use, and disposal of hazardous or potentially hazardous substances, including radioactive compounds and infectious disease agents, used in connection with our research are applicable to our activities. They include, among others, the U.S. Atomic Energy Act, the Clean Air Act, the Clean Water Act, the Occupational Safety and Health Act, the National Environmental Policy Act, the Toxic Substances Control Act, and Resources Conservation and Recovery Act, national restrictions on technology transfer, import, export, and customs regulations, and other present and possible future local, state, or federal regulation. The compliance with these and other laws, regulations and recommendations can be time-consuming and involve substantial costs. In addition, the extent of governmental regulation which might result from future legislation or administrative action cannot be accurately predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects.

## **Competition**

### ***Competition in General***

Competition in the area of biomedical and pharmaceutical research and development is intense and significantly depends on scientific and technological factors. These factors include the availability of patent and other protection for technology and products, the ability to commercialize technological developments and the ability to obtain regulatory approval for testing, manufacturing and marketing. Our competitors include major pharmaceutical, medical products, chemical and specialized biotechnology companies, many of which have financial, technical and marketing resources significantly greater than ours. In addition, many biotechnology companies have formed collaborations with large, established companies to support research, development and commercialization of products that may be competitive with ours. Academic institutions, governmental agencies and other public and private research organizations are also conducting research activities and seeking patent protection and may commercialize products on their own or through joint ventures. We are aware of certain other products manufactured or under development by competitors that are used for the treatment of the diseases and health conditions that we have targeted for product development. We can provide no assurance that developments by others will not render our technology obsolete or noncompetitive, that we will be able to keep pace with new technological developments or that our technology will be able to supplant established products and methodologies in the therapeutic areas that are targeted by us. The foregoing factors could have a material adverse effect on our business, prospects, financial condition and results of operations. These companies, as well as academic institutions, governmental agencies and private research organizations, also compete with us in recruiting and retaining highly qualified scientific personnel and consultants.

Competition within our sector is increasing, so we will encounter competition from existing firms that offer competitive solutions in diabetes treatment solutions. These competitive companies could develop products that are superior to, or have greater market acceptance, than the products being developed by us. We will have to compete against other biotechnology and pharmaceutical companies with greater market recognition and greater financial, marketing and other resources.

Our competition will be determined in part by the potential indications for which our technology is developed and ultimately approved by regulatory authorities. In addition, the first product to reach the market in a therapeutic or preventive area is often at a significant competitive advantage relative to later entrants to the market. Accordingly, the relative speed with which we, or our potential corporate partners, can develop products, complete the clinical trials and approval processes and supply commercial quantities of the products to the market are expected to be important competitive factors. Our competitive position will also depend on our ability to attract and retain qualified scientific and other personnel, develop effective proprietary products, develop and implement production and marketing plans, obtain and maintain patent protection and secure adequate capital resources. We expect our technology, if approved for sale, to compete primarily on the basis of product efficacy, safety, patient convenience, reliability, value and patent position.

### ***Competition for Our Oral Insulin Capsule***

We anticipate the oral insulin capsule to be a competitive diabetes drug because of its anticipated efficacy and safety profile. The following are treatment options for type 1 and type 2 diabetic patients:

- Insulin injections,
- Insulin pumps, or
- A combination of diet, exercise and oral medication which improve the body's response to insulin or cause the body to produce more insulin.

Several entities who are actively developing oral insulin capsules and/or alternatives to insulin are thought to be: Novo Nordisk (Denmark), Biocon Limited (India) and Midatech (UK).

### **Scientific Advisory Board**

We maintain a Scientific Advisory Board consisting of internationally recognized scientists who advise us on scientific and technical aspects of our business. The Scientific Advisory Board meets periodically to review specific projects and to assess the value of new technologies and developments to us. In addition, individual members of the Scientific Advisory Board meet with us periodically to provide advice in their particular areas of expertise. The Scientific Advisory Board consists of the following members, information with respect to whom is set forth below: Dr. Roy Eldor, Professor Ele Ferrannini, Professor Avram Hershko and Dr. Harold Jacob.

***Dr. Roy Eldor, MD***, joined the Oramed Scientific Advisory Board in July 2016. He is an endocrinologist, internist and researcher with over twenty years of clinical and scientific experience. He is currently Director of the Diabetes Unit at the Institute of Endocrinology, Metabolism & Hypertension, Tel-Aviv Sourasky Medical Center. Prior to that, Dr. Eldor served as Principal Scientist at Merck Research Laboratories, Clinical Research - Diabetes & Endocrinology, Rahway, New Jersey. He has previously served as a senior physician in internal medicine at the Diabetes Unit in Hadassah Hebrew University Hospital, Jerusalem, Israel; and the Diabetes Division at the University of Texas Health Science Center in San Antonio, Texas (under the guidance of Dr. R.A. DeFronzo). Dr. Eldor is a recognized expert, with over 35 peer reviewed papers and book chapters, and has been a guest speaker to numerous international forums.

***Professor Ele Ferrannini, MD***, joined the Oramed Scientific Advisory Board in February 2007. He is a past President to the, European Association for the Study of Diabetes, which supports scientists, physicians and students from all over the world who are interested in diabetes and related subjects in Europe, and performs functions similar to that of the ADA in the United States. Professor Ferrannini has worked with various institutions including the Department of Clinical & Experimental Medicine, University of Pisa School of Medicine, and CNR (National Research Council) Institute of Clinical Physiology, Pisa, Italy; and the Diabetes Division, Department of Medicine, University of Texas Health Science Center at San Antonio, Texas. He has also had extensive training in internal medicine and endocrinology, and has specialized in diabetes studies. Professor Ferrannini has received a Certificate of the Educational Council for Foreign Medical Graduates from the University of Bologna, and with cum laude honors completed a subspecialty in Diabetes and Metabolic Diseases at

the University of Torino. He has published over 500 original papers and 50 book chapters and he is a “highly cited researcher,” according to the Institute for Scientific Information.

**Professor Avram Hershko, MD, PhD**, joined the Oramed Scientific Advisory Board in July 2008. He earned his MD degree (1965) and PhD degree (1969) from the Hebrew University-Hadassah Medical School of Jerusalem. Professor Hershko served as a physician in the Israel Defense Forces from 1965 to 1967. After a post-doctoral fellowship with Gordon Tomkins at the University of San Francisco (1969-72), he joined the faculty of the Haifa Technion becoming a professor in 1980. He is now Distinguished Professor in the Unit of Biochemistry in the B. Rappaport Faculty of Medicine of the Technion. Professor Hershko’s main research interests concern the mechanisms by which cellular proteins are degraded, a formerly neglected field of study. Professor Hershko and his colleagues showed that cellular proteins are degraded by a highly selective proteolytic system. This system tags proteins for destruction by linkage to a protein called ubiquitin, which had previously been identified in many tissues, but whose function was previously unknown. Subsequent work by Professor Hershko and many other laboratories has shown that the ubiquitin system has a vital role in controlling a wide range of cellular processes, such as the regulation of cell division, signal transduction and DNA repair. Professor Hershko was awarded the Nobel Prize in Chemistry (2004) jointly with his former PhD student Aaron Ciechanover and their colleague Irwin Rose. His many honors include the Israel Prize for Biochemistry (1994), the Gairdner Award (1999), the Lasker Prize for Basic Medical Research (2000), the Wolf Prize for Medicine (2001) and the Louisa Gross Horwitz Award (2001). Professor Hershko is a member of the Israel Academy of Sciences (2000) and a Foreign Associate of the U.S. Academy of Sciences (2003).

**Dr. Harold Jacob, MD**, joined the Oramed Scientific Advisory Board in November 2016. Since 1998, Dr. Jacob has served as the president of Medical Instrument Development Inc., a company which provides a range of support and consulting services to start-up and early stage companies as well as patenting its own proprietary medical devices. Since 2011, Dr. Jacob has also served as an attending physician at Hadassah University Medical Center, where he has served as the director of the gastrointestinal endoscopy unit since September 2013. Dr. Jacob has advised a spectrum of companies in the past and he served as a consultant and then as the Director of Medical Affairs at Given Imaging Ltd., from 1997 to 2003, a company that developed the first swallowable wireless pill camera for inspection of the intestine. He has licensed patents to a number of companies including Kimberly-Clark Corporation. Since 2014, Dr. Jacob has served as the Chief Medical Officer and a director of NanoVibronix, Inc., a medical device company using surface acoustics to prevent catheter acquired infection as well as other applications, where he served as Chief Executive Officer from 2004 to 2014. He practiced clinical gastroenterology in New York and served as Chief of Gastroenterology at St. John’s Episcopal Hospital and South Nassau Communities Hospital from 1986 to 1995, and was a Clinical Assistant Professor of Medicine at SUNY from 1983 to 1990. Dr. Jacob founded and served as Editor in Chief of Endoscopy Review and has authored numerous publications in the field of gastroenterology.

## **Employees**

We have been successful in retaining experienced personnel involved in our research and development program. In addition, we believe we have successfully recruited the clinical/regulatory, quality assurance and other personnel needed to advance through clinical studies or have engaged the services of experts in the field for these requirements. As of August 31, 2016, we have contracted with twelve individuals for employment or consulting arrangements. Of our staff, four are senior management, three are engaged in research and development work, and the remaining five are involved in administration work.

## **Additional Information**

Additional information about us is contained on our Internet website at [www.oramed.com](http://www.oramed.com). Information on our website is not incorporated by reference into this report. On our website, under “Investors”, “SEC Filings”, we make available free of charge our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. Our reports filed with the Securities and Exchange Commission, or SEC, are also made available to read and copy at the SEC’s Public Reference Room at 100 F Street, NE, Washington,

D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Reports filed with the SEC are also made available on its website at [www.sec.gov](http://www.sec.gov). The following Corporate Governance documents are also posted on our website: Code of Ethics and the Charters for each of the Audit Committee and Compensation Committee of our Board.

## **ITEM 1A. RISK FACTORS.**

*An investment in our securities involves a high degree of risk. You should consider carefully the following information about these risks, together with the other information contained in this Annual Report on Form 10-K before making an investment decision. Our business, prospects, financial condition, and results of operations may be materially and adversely affected as a result of any of the following risks. The value of our securities could decline as a result of any of these risks. You could lose all or part of your investment in our securities. Some of the statements in “Item 1A. Risk Factors” are forward-looking statements. The following risk factors are not the only risk factors facing our Company. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.*

### **Risks Related to Our Business**

#### **We continue and expect to incur losses in the future.**

Successful completion of our development programs and our transition to normal operations are dependent upon obtaining necessary regulatory approvals from the FDA prior to selling our products within the United States, and foreign regulatory approvals must be obtained to sell our products internationally. There can be no assurance that we will receive regulatory approval of any of our product candidates, and a substantial amount of time may pass before we achieve a level of revenues adequate to support our operations. We also expect to incur substantial expenditures in connection with the regulatory approval process for each of our product candidates during their respective developmental periods. Obtaining marketing approval will be directly dependent on our ability to implement the necessary regulatory steps required to obtain marketing approval in the United States and in other countries. We cannot predict the outcome of these activities.

Based on our current cash resources and commitments, we believe we will be able to maintain our current planned development activities and the corresponding level of expenditures for at least the next 12 months and beyond, although no assurance can be given that we will not need additional funds prior to such time. If there are unexpected increases in our operating expenses, we may need to seek additional financing during the next 12 months.

#### **We will need substantial additional capital in order to satisfy our business objectives.**

To date, we have financed our operations principally through offerings of securities exempt from the registration requirements of the Securities Act of 1933, as amended, or the Securities Act. We believe that our available resources and cash flow will be sufficient to meet our anticipated working capital needs for at least the next 12 months from the date of this Annual Report on Form 10-K. We will require substantial additional financing at various intervals in order to continue our research and development programs, including significant requirements for operating expenses including intellectual property protection and enforcement, for pursuit of regulatory approvals, and for commercialization of our products. We can provide no assurance that additional funding will be available on a timely basis, on terms acceptable to us, or at all. In the event that we are unable to obtain such financing, we will not be able to fully develop and commercialize our technology. Our future capital requirements will depend upon many factors, including:

- Continued scientific progress in our research and development programs,
- Costs and timing of conducting clinical trials and seeking regulatory approvals and patent prosecutions,
- Competing technological and market developments,

- Our ability to establish additional collaborative relationships, and
- Effects of commercialization activities and facility expansions if and as required.

If we cannot secure adequate financing when needed, we may be required to delay, scale back or eliminate one or more of our research and development programs or to enter into license or other arrangements with third parties to commercialize products or technologies that we would otherwise seek to develop ourselves and commercialize ourselves. In such event, our business, prospects, financial condition, and results of operations may be adversely affected as we may be required to scale-back, eliminate, or delay development efforts or product introductions or enter into royalty, sales or other agreements with third parties in order to commercialize our products.

**We have a history of losses and can provide no assurance as to our future operating results.**

We do not have sufficient revenues from our research and development activities to fully support our operations. Consequently, we have incurred net losses and negative cash flows since inception. We currently have only licensing revenues and no product revenues, and may not succeed in developing or commercializing any products which could generate product revenues. We do not expect to have any products on the market for several years. In addition, development of our product candidates requires a process of pre-clinical and clinical testing, during which our products could fail. We may not be able to enter into agreements with one or more companies experienced in the manufacturing and marketing of therapeutic drugs and, to the extent that we are unable to do so, we will not be able to market our product candidates. Eventual profitability will depend on our success in developing, manufacturing, and marketing our product candidates. As of August 31, 2016, August 31, 2015 and August 31, 2014, we had working capital of \$27,609,000, \$15,883,000 and \$20,805,000, respectively, and stockholders' equity of \$26,190,000, \$24,828,000 and \$20,793,000, respectively. During the 12 month period ended August 31, 2016, we generated revenues of \$641,000. No revenues were generated in prior periods. For the period from our inception on April 12, 2002 through August 31, 2016, the year ended August 31, 2016, the year ended August 31, 2015 and the year ended August 31, 2014, we incurred net losses of \$46,016,000, \$10,964,000, \$7,232,000 and \$5,696,000, respectively. We may never achieve profitability and expect to incur net losses in the foreseeable future. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

**We rely upon patents to protect our technology.**

The patent position of biopharmaceutical and biotechnology firms is generally uncertain and involves complex legal and factual questions. We do not know whether any of our current or future patent applications will result in the issuance of any patents. Even issued patents may be challenged, invalidated or circumvented. Patents may not provide a competitive advantage or afford protection against competitors with similar technology. Competitors or potential competitors may have filed applications for, or may have received patents and may obtain additional and proprietary rights to compounds or processes used by or competitive with ours. In addition, laws of certain foreign countries do not protect intellectual property rights to the same extent as do the laws of the United States.

Patent litigation is becoming widespread in the biopharmaceutical and biotechnology industry and we cannot predict how this will affect our efforts to form strategic alliances, conduct clinical testing or manufacture and market any products under development. If challenged, our patents may not be held valid. We could also become involved in interference proceedings in connection with one or more of our patents or patent applications to determine priority of invention. If we become involved in any litigation, interference or other administrative proceedings, we will likely incur substantial expenses and the efforts of our technical and management personnel will be significantly diverted. In addition, an adverse determination could subject us to significant liabilities or require us to seek licenses that may not be available on favorable terms, if at all. We may be restricted or prevented from manufacturing and selling our products in the event of an adverse determination in a judicial or administrative proceeding or if we fail to obtain necessary licenses.

**We may be unable to protect our intellectual property rights and we may be liable for infringing the intellectual property rights of others.**

Our ability to compete effectively will depend on our ability to maintain the proprietary nature of our technologies. We currently hold several pending patent applications in the United States for our technologies covering oral administration of insulin and other proteins and oral administration of exenatide and proteins, corresponding patent applications filed in Canada, Europe, Japan, China, Brazil, Hong Kong and India, 30 patents issued by the United States, Australian, Canadian, Chinese, Israeli, Japanese, New Zealand, South African, Russian, Hong Kong, Swiss, German, Spanish, French, United Kingdom, Italy, Indian and the Netherlands (for our technologies covering oral administration of insulin and other proteins) and New Zealand, South African, Australian, Russian and Israeli (for our technologies covering oral administration of insulin and other proteins and oral administration of exenatides) patent offices. Further, we intend to rely on a combination of trade secrets and non-disclosure and other contractual agreements and technical measures to protect our rights in our technology. We intend to depend upon confidentiality agreements with our officers, directors, employees, consultants, and subcontractors, as well as collaborative partners, to maintain the proprietary nature of our technology. These measures may not afford us sufficient or complete protection, and others may independently develop technology similar to ours, otherwise avoid our confidentiality agreements, or produce patents that would materially and adversely affect our business, prospects, financial condition, and results of operations. We believe that our technology is not subject to any infringement actions based upon the patents of any third parties; however, our technology may in the future be found to infringe upon the rights of others. Others may assert infringement claims against us, and if we should be found to infringe upon their patents, or otherwise impermissibly utilize their intellectual property, our ability to continue to use our technology could be materially restricted or prohibited. If this event occurs, we may be required to obtain licenses from the holders of this intellectual property, enter into royalty agreements, or redesign our products so as not to utilize this intellectual property, each of which may prove to be uneconomical or otherwise impossible. Licenses or royalty agreements required in order for us to use this technology may not be available on terms acceptable to us, or at all. These claims could result in litigation, which could materially adversely affect our business, prospects, financial condition, and results of operations.

Our commercial success will also depend significantly on our ability to operate without infringing the patents and other proprietary rights of third parties. Patent applications are, in many cases, maintained in secrecy until patents are issued. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and patent applications are filed. In the event of infringement or violation of another party's patent, we may be prevented from pursuing product development or commercialization. See "Item 1. Business—Description of Business—Patents and Licenses."

**At present, our success depends primarily on the successful commercialization of our oral insulin capsule.**

The successful commercialization of oral insulin capsule is crucial for our success. At present, our principal product is the oral insulin capsule. Our oral insulin capsule is in a clinical development stage and faces a variety of risks and uncertainties. Principally, these risks include the following:

- Future clinical trial results may show that the oral insulin capsule is not well tolerated by recipients at its effective doses or is not efficacious as compared to placebo,
- Future clinical trial results may be inconsistent with previous preliminary testing results and data from our earlier studies may be inconsistent with clinical data,
- Even if our oral insulin capsule is shown to be safe and effective for its intended purposes, we may face significant or unforeseen difficulties in obtaining or manufacturing sufficient quantities or at reasonable prices,
- Our ability to complete the development and commercialization of the oral insulin capsule for our intended use is significantly dependent upon our ability to obtain and maintain experienced and



committed partners to assist us with obtaining clinical and regulatory approvals for, and the manufacturing, marketing and distribution of, the oral insulin capsule on a worldwide basis,

- Even if our oral insulin capsule is successfully developed, commercially produced and receives all necessary regulatory approvals, there is no guarantee that there will be market acceptance of our product, and
- Our competitors may develop therapeutics or other treatments which are superior or less costly than our own with the result that our products, even if they are successfully developed, manufactured and approved, may not generate significant revenues.

If we are unsuccessful in dealing with any of these risks, or if we are unable to successfully commercialize our oral insulin capsule for some other reason, it would likely seriously harm our business.

**We have limited experience in conducting clinical trials.**

Clinical trials must meet FDA and foreign regulatory requirements. We have limited experience in designing, conducting and managing the preclinical studies and clinical trials necessary to obtain regulatory approval for our product candidates in any country. We have entered into agreements with Integrium LLC to assist us in designing, conducting and managing our various clinical trials in the United States. Any failure of Integrium or any other consultant to fulfill their obligations could result in significant additional costs as well as delays in designing, consulting and completing clinical trials on our products.

**Our clinical trials may encounter delays, suspensions or other problems.**

We may encounter problems in clinical trials that may cause us or the FDA or foreign regulatory agencies to delay, suspend or terminate our clinical trials at any phase. These problems could include the possibility that we may not be able to conduct clinical trials at our preferred sites, enroll a sufficient number of patients for our clinical trials at one or more sites or begin or successfully complete clinical trials in a timely fashion, if at all. Furthermore, we, the FDA or foreign regulatory agencies may suspend clinical trials at any time if we or they believe the subjects participating in the trials are being exposed to unacceptable health risks or if we or they find deficiencies in the clinical trial process or conduct of the investigation. If clinical trials of any of the product candidates fail, we will not be able to market the product candidate which is the subject of the failed clinical trials. The FDA and foreign regulatory agencies could also require additional clinical trials, which would result in increased costs and significant development delays. Our failure to adequately demonstrate the safety and effectiveness of a pharmaceutical product candidate under development could delay or prevent regulatory approval of the product candidate and could have a material adverse effect on our business, prospects, financial condition, and results of operations.

**We can provide no assurance that our products will obtain regulatory approval or that the results of clinical studies will be favorable.**

The testing, marketing and manufacturing of any of our products will require the approval of the FDA or regulatory agencies of other countries. We have completed certain non-FDA clinical trials and pre-clinical trials for our products. In addition, we have completed a Phase IIb clinical trial in patients with type 2 diabetes under an IND with the FDA and we have completed Phase IIa clinical trials of ORMD-0801 in patients with type 1 diabetes under an IND with the FDA. However, success in pre-clinical testing and early clinical trials does not ensure that later clinical trials will be successful. For example, a number of companies in the pharmaceutical industry have suffered significant setbacks in advanced clinical trials.

We cannot predict with any certainty the amount of time necessary to obtain regulatory approvals, including from the FDA or other foreign regulatory authorities, and whether any such approvals will ultimately be granted. In any event, review and approval by the regulatory bodies is anticipated to take a number of years. Preclinical and clinical trials may reveal that one or more of our products are ineffective or unsafe, in which event further development of such products could be seriously delayed or terminated. Moreover, obtaining approval for certain products may require the

testing on human subjects of substances whose effects on humans are not fully understood or documented. Delays in obtaining necessary regulatory approvals of any proposed product and failure to receive such approvals would have an adverse effect on the product's potential commercial success and on our business, prospects, financial condition, and results of operations. In addition, it is possible that a product may be found to be ineffective or unsafe due to conditions or facts which arise after development has been completed and regulatory approvals have been obtained. In this event we may be required to withdraw such product from the market. See "Item 1. Business—Description of Business—Government Regulation."

**We are dependent upon third party suppliers of our raw materials.**

We are dependent on outside vendors for our entire supply of the oral insulin and GLP-1 capsules and do not currently have any long-term agreements in place for the supply of oral insulin or GLP-1 capsules. While we believe that there are numerous sources of supply available, if the third party suppliers were to cease production or otherwise fail to supply us with quality raw materials in sufficient quantities on a timely basis and we were unable to contract on acceptable terms for these services with alternative suppliers, our ability to produce our products and to conduct testing and clinical trials would be materially adversely affected.

**Our future revenues from HTIT are dependent upon third party suppliers and Chinese regulatory approvals.**

Our future revenues from HTIT are dependent upon the achievement of certain milestones and conditions, and the success of HTIT to implement our technology and to manufacture the oral insulin capsule. Our future revenues from HTIT are also dependent upon the ability of third parties to scale-up one of our oral capsule ingredients and to scale-up the manufacturing process of our capsules. Our future revenues from royalties from HTIT are further dependent upon the granting of regulatory approvals in the Territory. Accordingly, if any of the foregoing does not occur, we may not be successful in receiving future revenues from HTIT and may not succeed with our business plans in China.

**We are highly dependent upon our ability to enter into agreements with collaborative partners to develop, commercialize, and market our products.**

Our long-term strategy is to ultimately seek a strategic commercial partner, or partners, such as large pharmaceutical companies, with extensive experience in the development, commercialization, and marketing of insulin applications and/or other orally digestible drugs. We anticipate such partner or partners would be responsible for, or substantially support, late stage clinical trials (Phase III) and sales and marketing of our oral insulin capsule and other products. Such planned strategic partnership, or partnerships, may provide a marketing and sales infrastructure for our products as well as financial and operational support for global clinical trials, post marketing studies, label expansions and other regulatory requirements concerning future clinical development in the United States and elsewhere.

While our strategy is to partner with an appropriate party, no assurance can be given that any third party would be interested in partnering with us. We currently lack the resources to manufacture any of our product candidates on a large scale and we have no sales, marketing or distribution capabilities. In the event we are not able to enter into a collaborative agreement with a partner or partners, on commercially reasonable terms, or at all, we may be unable to commercialize our products, which would have a material adverse effect upon our business, prospects, financial condition, and results of operations.

**The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition. We may be unable to compete with more substantial enterprises.**

The biotechnology and biopharmaceutical industries are characterized by rapid technological developments and a high degree of competition. As a result, our products could become obsolete before we recoup any portion of our related research and development and commercialization expenses. These industries are highly competitive, and this competition comes both from biotechnology firms and from major pharmaceutical and chemical companies. Many of these companies have substantially greater

financial, marketing, and human resources than we do (including, in some cases, substantially greater experience in clinical testing, manufacturing, and marketing of pharmaceutical products). We also experience competition in the development of our products from universities and other research institutions and compete with others in acquiring technology from such universities and institutions. In addition, certain of our products may be subject to competition from products developed using other technologies. See “Item 1. Business—Description of Business—Competition.”

**We have limited senior management resources and may be required to obtain more resources to manage our growth.**

We expect the expansion of our business to place a significant strain on our limited managerial, operational, and financial resources. We will be required to expand our operational and financial systems significantly and to expand, train, and manage our work force in order to manage the expansion of our operations. Our failure to fully integrate our new employees into our operations could have a material adverse effect on our business, prospects, financial condition, and results of operations. Our ability to attract and retain highly skilled personnel is critical to our operations and expansion. We face competition for these types of personnel from other technology companies and more established organizations, many of which have significantly larger operations and greater financial, technical, human, and other resources than we have. We may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. If we are not successful in attracting and retaining these personnel, our business, prospects, financial condition, and results of operations will be materially adversely affected. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” “Item 1. Business—Description of Business—Strategy” and “—Employees.”

**We depend upon our senior management and skilled personnel and their loss or unavailability could put us at a competitive disadvantage.**

We currently depend upon the efforts and abilities of our senior executives, as well as the services of several key consultants and other key personnel, including Dr. Miriam Kidron, our Chief Medical and Technology Officer. The loss or unavailability of the services of any of these individuals for any significant period of time could have a material adverse effect on our business, prospects, financial condition, and results of operations. We do not maintain “key man” life insurance policies for any of our senior executives. In addition, recruiting and retaining qualified scientific personnel to perform future research and development work will be critical to our success. There is currently a shortage of employees with expertise in developing, manufacturing and commercialization of products and related clinical and regulatory affairs, and this shortage is likely to continue. Competition for skilled personnel is intense and turnover rates are high. Our ability to attract and retain qualified personnel may be limited. Our inability to attract and retain qualified skilled personnel would have a material adverse effect on our business, prospects, financial condition, and results of operations.

**Healthcare policy changes, including pending legislation recently adopted and further proposals still pending to reform the U.S. healthcare system, may harm our future business.**

Healthcare costs have risen significantly over the past decade. There have been and continue to be proposals by legislators, regulators and third-party payors to keep these costs down. Certain proposals, if passed, would impose limitations on the prices we will be able to charge for the products that we are developing, or the amounts of reimbursement available for these products from governmental agencies or third-party payors. These limitations could in turn reduce the amount of revenues that we will be able to generate in the future from sales of our products and licenses of our technology.

In March 2010, the U.S. Congress enacted and President Obama signed into law healthcare reform legislation that has significantly impacted the pharmaceutical industry. In addition to requiring most individuals to have health insurance and establishing new regulations on health plans, this legislation requires discounts under the Medicare drug benefit program and increased rebates on drugs covered by Medicaid. In addition, the legislation imposes an annual fee, which has increased annually, on sales by branded pharmaceutical manufacturers. There can be no assurance that our business will not be materially adversely affected by these increased rebates, fees and other provisions. In addition, it appears likely that these and other ongoing initiatives in the United States will continue the pressure on

drug pricing, especially under the Medicare and Medicaid programs, and may also increase regulatory burdens and operating costs. The announcement or adoption of any such initiative could have an adverse effect on potential revenues from any product that we may successfully develop.

Various healthcare reform proposals have also emerged at the state level. We cannot predict what healthcare initiatives, if any, will be implemented at the federal or state level, or the effect any future legislation or regulation will have on us. However, an expansion in government's role in the U.S. healthcare industry may lower the future revenues for the products we are developing and adversely affect our future business, possibly materially.

#### **We are exposed to fluctuations in currency exchange rates.**

A considerable amount of our expenses are generated in dollars or in dollar-linked currencies, but a significant portion of our expenses such as some clinical studies and payroll costs are generated in other currencies such as NIS, Euro and British pounds. Most of the time, our non-dollar assets are not totally offset by non-dollar liabilities. Due to the foregoing and to the fact that our financial results are measured in dollars, our results could be adversely affected as a result of a strengthening or weakening of the dollar compared to these other currencies. During fiscal 2013 and 2014, the dollar depreciated in relation to the NIS, which raised the dollar cost of our Israeli based operations and adversely affected our financial results, while during fiscal 2012, 2015 and 2016 the dollar increased in relation to the NIS, which reduced the dollar cost of our Israeli based operations costs. In addition, our results could also be adversely affected if we are unable to guard against currency fluctuations in the future. Although we may in the future decide to undertake foreign exchange hedging transactions to cover a portion of our foreign currency exchange exposure, we currently do not hedge our exposure to foreign currency exchange risks. These transactions, however, may not adequately protect us from future currency fluctuations and, even if they do protect us, may involve operational or financing costs we would not otherwise incur.

#### **Risks Related to our Common Stock**

**As the market price of our common stock may fluctuate significantly, this may make it difficult for you to sell your shares of common stock when you want or at prices you find attractive.**

The price of our common stock is currently listed on The Nasdaq Capital Market, or Nasdaq, and constantly changes. In recent years, the stock market in general has experienced extreme price and volume fluctuations. We expect that the market price of our common stock will continue to fluctuate. These fluctuations may result from a variety of factors, many of which are beyond our control. These factors include:

- Clinical trial results and the timing of the release of such results,
- The amount of cash resources and our ability to obtain additional funding,
- Announcements of research activities, business developments, technological innovations or new products by us or our competitors,
- Entering into or terminating strategic relationships,
- Changes in government regulation,
- Departure of key personnel,
- Disputes concerning patents or proprietary rights,
- Changes in expense level,
- Future sales of our equity or equity-related securities,

- Public concern regarding the safety, efficacy or other aspects of the products or methodologies being developed,
- Activities of various interest groups or organizations,
- Media coverage, and
- Status of the investment markets.

**Future sales of common stock or the issuance of securities senior to our common stock or convertible into, or exchangeable or exercisable for, our common stock could materially adversely affect the trading price of our common stock, and our ability to raise funds in new equity offerings.**

Future sales of substantial amounts of our common stock or other equity-related securities in the public market or privately, or the perception that such sales could occur, could adversely affect prevailing trading prices of our common stock and could impair our ability to raise capital through future offerings of equity or other equity-related securities. We anticipate that we will need to raise capital through offerings of equity and equity related securities. We can make no prediction as to the effect, if any, that future sales of shares of our common stock or equity-related securities, or the availability of shares of common stock for future sale, will have on the trading price of our common stock.

**Our stockholders may experience significant dilution as a result of any additional financing using our equity securities.**

To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution.

**Our management will have significant flexibility in using the net proceeds of any offering of securities.**

We intend generally to use the net proceeds from any offerings of our securities for expenses related to our clinical trials, research and product development activities, and for general corporate purposes, including general working capital purposes. Our management will have significant flexibility in applying the net proceeds of any such offering. The actual amounts and timing of expenditures will vary significantly depending on a number of factors, including the amount of cash used in our operations and our research and development efforts. Management's failure to use these funds effectively would have an adverse effect on the value of our common stock and could make it more difficult and costly to raise funds in the future.

**Future sales of our common stock by our existing stockholders could adversely affect our stock price.**

The market price of our common stock could decline as a result of sales of a large number of shares of our common stock in the market, or the perception that these sales could occur. These sales also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. As of November 22, 2016, we had outstanding 13,264,189 shares of common stock, a large majority of which are freely tradable. Giving effect to the exercise in full of all of our outstanding warrants, options and restricted stock units, or RSUs, including those currently unexercisable or unvested, we would have outstanding 15,744,280 shares of common stock.

**Our issuance of warrants, options and RSUs to investors, employees and consultants may have a negative effect on the trading prices of our common stock as well as a dilutive effect.**

We have issued and may continue to issue warrants, options, RSUs and convertible notes at, above or below the current market price. As of November 22, 2016, we had outstanding warrants and options exercisable for 2,196,626 shares of common stock at a weighted average exercise price of \$7.65. We also had outstanding RSUs exercisable for 165,964 shares of common stock at no cost. In addition to the dilutive effect of a large number of shares of common stock and a low exercise price for

the warrants and options, there is a potential that a large number of underlying shares of common stock may be sold in the open market at any given time, which could place downward pressure on the trading of our common stock.

**Delaware law could discourage a change in control, or an acquisition of us by a third party, even if the acquisition would be favorable to you, and thereby adversely affect existing stockholders.**

The Delaware General Corporation Law contains provisions that may have the effect of making more difficult or delaying attempts by others to obtain control of our Company, even when these attempts may be in the best interests of stockholders. Delaware law imposes conditions on certain business combination transactions with “interested stockholders.” These provisions and others that could be adopted in the future could deter unsolicited takeovers or delay or prevent changes in our control or management, including transactions in which stockholders might otherwise receive a premium for their shares of common stock over then current market prices. These provisions may also limit the ability of stockholders to approve transactions that they may deem to be in their best interests.

**Because we will not pay cash dividends, investors may have to sell shares of our common stock in order to realize their investment.**

We have not paid any cash dividends on our common stock and do not intend to pay cash dividends in the foreseeable future. We intend to retain future earnings, if any, for reinvestment in the development and expansion of our business. Any credit agreements which we may enter into with institutional lenders or otherwise may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our Board and will be dependent upon our financial condition, results of operations, capital requirements, and any other factors that our Board decides is relevant. See “Item 5. Market Price for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.”

**Because certain of our stockholders control a significant number of shares of our common stock, they may have effective control over actions requiring stockholder approval.**

As of November 22, 2016, our directors, executive officers and principal affiliated stockholders beneficially own approximately 29.2% of our outstanding shares of common stock, excluding shares issuable upon the exercise of options, warrants and RSUs. As a result, these stockholders, should they act together, may have the ability to control the outcome of matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, should they act together, may have the ability to control our management and affairs. Accordingly, this concentration of ownership might harm the market price of our common stock by:

- Delaying, deferring or preventing a change in corporate control,
- Impeding a merger, consolidation, takeover or other business combination involving us, or
- Discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

## **Risks Related to Conducting Business in Israel**

**We are affected by the political, economic, and military risks of locating our principal operations in Israel.**

Our operations are located in the State of Israel, and we are directly affected by political, economic, and security conditions in that country. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its Arab neighbors and a state of hostility, varying in degree and intensity, has led to security and economic problems for Israel. In addition, acts of terrorism, armed conflicts or political instability in the region could negatively affect local business conditions and harm our results of operations. We cannot predict the effect on the region of any diplomatic initiatives or political developments involving Israel or the Palestinians or other countries and territories in the Middle East. Recent political events, including political uprisings, social

unrest and regime change, in various countries in the Middle East and North Africa have weakened the stability of those countries and territories, which could result in extremists coming to power. In addition, Iran has threatened to attack Israel and is widely believed to be developing nuclear weapons. Iran is also believed to have a strong influence among extremist groups in the region, such as Hamas in Gaza and Hezbollah in Lebanon. This situation has escalated in the past and may potentially escalate in the future to violent events which may affect Israel and us. Our business, prospects, financial condition, and results of operations could be materially adversely affected if major hostilities involving Israel should occur or if trade between Israel and its current trading partners is interrupted or curtailed.

All adult male permanent residents of Israel, unless exempt, may be required to perform military reserve duty annually. Additionally, all such residents are subject to being called to active duty at any time under emergency circumstances. Some of our officers, directors, and employees currently are obligated to perform annual military reserve duty. We can provide no assurance that such requirements will not have a material adverse effect on our business, prospects, financial condition, and results of operations in the future, particularly if emergency circumstances occur.

**Because we received grants from the Israel Innovation Authority we are subject to ongoing restrictions.**

We received royalty-bearing grants from the Israel Innovation Authority, or IIA (previously the Office of the Chief Scientist) of the Israeli Ministry of Economy & Industry, Trade and Labor, for research and development programs that meet specified criteria. We did not recognize any grants in the year ended August 31, 2016, and recognized grants in the amounts of \$49,000 and \$428,000 in the years ended August 31, 2015 and 2014, respectively. We do not expect to receive further grants from the IIA in the future. The terms of the IIA grants limit our ability to transfer know-how developed under an approved research and development program outside of Israel, regardless of whether the royalties were fully paid.

**It may be difficult to enforce a U.S. judgment against us or our officers and directors and to assert U.S. securities laws claims in Israel.**

Almost all of our directors and officers are nationals and/or residents of countries other than the United States. As a result, service of process upon us, our Israeli subsidiary and our directors and officers, may be difficult to obtain within the United States. Furthermore, because the majority of our assets and investments, and most of our directors and officers are located outside the United States, it may be difficult for investors to enforce within the United States any judgments obtained against us or any such officers or directors. Additionally, it may be difficult to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on a violation of U.S. securities laws because Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to such claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by Israeli law.

Subject to specified time limitations and legal procedures, under the rules of private international law currently prevailing in Israel, Israeli courts may enforce a U.S. judgment in a civil matter, including a judgment based upon the civil liability provisions of the U.S. securities laws, as well as a monetary or compensatory judgment in a non-civil matter, provided that the following key conditions are met:

- subject to limited exceptions, the judgment is final and non-appealable;
- the judgment was given by a court competent under the laws of the state in which the court is located and is otherwise enforceable in such state;
- the judgment was rendered by a court competent under the rules of private international law applicable in Israel;
- the laws of the state in which the judgment was given provides for the enforcement of judgments of Israeli courts;

- adequate service of process has been effected and the defendant has had a reasonable opportunity to present his arguments and evidence;
- the judgment and its enforcement are not contrary to the law, public policy, security or sovereignty of the State of Israel;
- the judgment was not obtained by fraud and does not conflict with any other valid judgment in the same matter between the same parties; and
- an action between the same parties in the same matter was not pending in any Israeli court at the time the lawsuit was instituted in the U.S. court.

If any of these conditions are not met, Israeli courts will likely not enforce the applicable U.S. judgment.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS.**

Not applicable.

#### **ITEM 2. PROPERTIES.**

Our principal executive offices are comprised of approximately 168 square meters of leased office space in Givat-Ram, Jerusalem, Israel. The current lease term expired on September 30, 2016, and we are in the process of renewing this lease for an additional five years. The aggregate annual base rent for this space is currently \$23,000, linked to the increase in the Israeli consumer price index, and is expected to be increased to \$34,000. We believe that our existing facilities are suitable and adequate to meet our current business requirements. In the event that we should require additional or alternative facilities, we believe that such facilities can be obtained on short notice at competitive rates.

As security for our obligations under the lease agreement, we have provided a bank guarantee in an amount equal to three monthly lease payments, valid until November 30, 2016.

#### **ITEM 3. LEGAL PROCEEDINGS.**

From time to time we may become subject to litigation incidental to our business. We are not currently a party to any material legal proceedings.

#### **ITEM 4. MINE SAFETY DISCLOSURES.**

Not applicable.

### **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.**

##### **Market Price for our Common Stock**

Our common stock is traded on Nasdaq under the symbol "ORMP." The quarterly high and low sales price on Nasdaq for the periods indicated are as follows:

	<u>High</u>	<u>Low</u>
<b>Year Ended August 31, 2015</b>		
Three Months Ended November 30, 2014	\$ 10.15	\$ 5.81
Three Months Ended February 28, 2015	\$ 6.55	\$ 4.31
Three Months Ended May 31, 2015	\$ 9.84	\$ 3.71
Three Months Ended August 31, 2015	\$ 7.91	\$ 4.15



**Year Ended August 31, 2016**

Three Months Ended November 30, 2015	\$	10.74	\$	5.4
Three Months Ended February 29, 2016	\$	9.95	\$	5.6
Three Months Ended May 31, 2016	\$	10.51	\$	6.06
Three Months Ended August 31, 2016	\$	8.82	\$	7.1

The last reported sale price per share of common stock as quoted on Nasdaq was \$6.09 on November 22, 2016.

**Holders**

As of November 22, 2016, there were 13,264,189 shares of our common stock issued and outstanding held of record by approximately 50 registered stockholders. We believe that a significant number of stockholders hold their shares of our common stock in brokerage accounts and registered in the name of stock depositories and are therefore not included in the number of stockholders of record.

**Dividend Policy**

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of our Board and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board deems relevant.

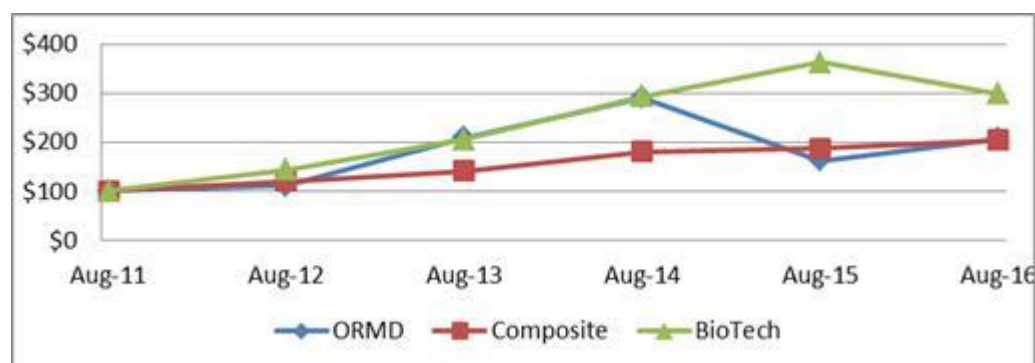
**Unregistered Sales of Equity Securities and Use of Proceeds**

On August 1, 2016, we issued 2,500 shares of our common stock, valued at \$20,000, in the aggregate, to Corporate Profile, LLC, or Corporate Profile, in payment of a portion of the consulting fee for investor relations services owed to Corporate Profile pursuant to a Letter Agreements, dated May 18, 2016, between us and Corporate Profile.

These issuances and sales were exempt under Section 4(a)(2) of the Securities Act.

**Comparative Stock Performance Graph**

The following graph shows how an initial investment of \$100 in our common stock would have compared to an equal investment in the Nasdaq Composite Index and the NASDAQ Biotechnology Index during the period from September 1, 2011 through August 31, 2016. The performance shown is not necessarily indicative of future price performance.

**ITEM 6. SELECTED FINANCIAL DATA.**

The selected data presented below under the captions “Statements of Comprehensive Loss Data” and “Balance Sheet Data” for, and as of the end of, each of the fiscal years in the five-year period ended August 31, 2016, are derived from, and should be read in conjunction with, our audited consolidated financial statements.

The selected information contained in this table should also be read in conjunction with “Management's Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. The selected consolidated statements of comprehensive loss data for the years ended August 31, 2016, 2015 and 2014 and the selected consolidated balance sheet data as of August 31, 2016 and 2015, are derived from the audited consolidated financial statements included elsewhere in this Annual Report. The statement of operations data for the years ended August 31, 2013 and 2012 and the balance sheet data as of August 31, 2014, 2013 and 2012 are derived from audited financial statements not included in this Annual Report. The historical results presented below are not necessarily indicative of future results.

	2016	2015	2014	2013	2012
	(in thousands of dollars except share and per share data)				
<b>Statements of Comprehensive Loss:</b>					
Revenues	\$ (641)	\$ -	\$ -	\$ -	\$ -
Cost of revenues	490	-	-	-	-
Research and development expenses, net	7,709	4,781	3,277	2,272	1,681
General and administrative expenses	2,452	2,602	2,629	2,032	1,203
Impairment of available-for-sale securities	-	-	-	-	184
Financial income	(474)	(168)	(225)	(180)	(13)
Financial expenses	93	18	11	313	199
Loss before taxes on income	9,629	7,233	5,692	4,437	3,254
Taxes on income (Tax benefit)	1,335	(1)	4	(205)	90
Net loss for the year	\$ 10,964	\$ 7,232	\$ 5,696	\$ 4,232	\$ 3,344
Loss per common share – basic and diluted	\$ 0.87	\$ 0.67	\$ 0.62	\$ 0.59	\$ 0.57
Weighted average common shares outstanding	12,624,356	10,820,465	9,244,059	7,209,283	5,884,595

	<b>As of August 31,</b>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
	in thousands of dollars except share and per share data				

**Balance Sheet Data:**

Cash, cash equivalents, short-term deposits, restricted cash and marketable securities	\$ 31,032	\$ 17,245	\$ 21,306	\$ 8,491	\$ 5,101
Other current assets	198	127	472	153	175
Long-term assets	11,070	8,042	24	16	19
Long-term marketable securities	530	940	-	-	-
Total assets	42,830	26,354	21,802	8,660	5,295
Current liabilities	3,621	1,489	973	498	644
Long-term liabilities	13,019	37	36	31	873
Stockholders' equity	26,190	24,828	20,793	8,131	3,778

**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the condensed consolidated financial statements and the related notes included elsewhere herein and in our consolidated financial statements.

In addition to our consolidated financial statements, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to these differences include those discussed below and elsewhere in this Annual Report on Form 10-K, particularly in “Cautionary Statement Regarding Forward-Looking Statements” and “Item 1A. Risk Factors.”

## **Overview of Operations**

We are a pharmaceutical company currently engaged in the research and development of innovative pharmaceutical solutions, including an orally ingestible insulin capsule to be used for the treatment of individuals with diabetes, and the use of orally ingestible capsules or pills for delivery of other polypeptides.

**Oral Insulin:** We are seeking to revolutionize the treatment of diabetes through our proprietary flagship product, an orally ingestible insulin capsule (ORMD-0801). We completed a Phase IIb clinical trials in patients with type 2 diabetes under an IND with the FDA following completion of Phase IIa clinical trials in patients with both type 1 and type 2 diabetes. We initiated in October 2016 a further Phase IIa, dose finding clinical trial on approximately 30 adult type 2 diabetic patients.

**GLP-1 Analog:** Our second pipeline product (ORMD-0901) is an orally ingestible exenatide (GLP-1 analog) capsule, which aids in the balance of blood-sugar levels and decreases appetite. In January 2013, we began a clinical trial for our oral exenatide capsule on healthy volunteers and type 2 diabetic patients. Based on this study, we decided to make slight adjustments in the manufacturing of these capsules and have begun pre-clinical studies on the new capsules. In September 2013, we submitted a pre-IND, package to the FDA for ORMD-0901, our oral exenatide capsule, for a Phase II clinical trial on healthy volunteers and type 2 diabetic patients. We began a non-U.S. based Phase Ib trial study in August 2015. All follow-up visits of this study were completed during the second quarter of calendar year 2016 and we anticipate the results analysis to be completed during the fourth quarter of calendar year 2016.

**Combination of Oral Insulin and GLP-1 Analog:** Our third pipeline product is a combination of our two primary products, oral insulin and oral exenatide. In February 2013, we commenced a first human clinical trial on type 2 diabetic volunteers with our oral insulin capsule delivered in combination with our oral exenatide capsule. In the near term, we are focusing our efforts on the development of the Company’s flagship products, oral insulin and oral exenatide. Once these two products have progressed further in clinical trials, we intend on running further studies with the oral combination therapy.

## **Results of Operations**

### ***Critical accounting policies***

Our significant accounting policies are more fully described in the notes to our accompanying consolidated financial statements. We believe that the accounting policies below are critical for one to fully understand and evaluate our financial condition and results of operations.

The discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which we prepared in accordance with U.S. generally accepted accounting principles, or GAAP. The preparation of our consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate such estimates and judgments. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent

from other sources. Actual results may differ from these estimates under different assumptions or conditions.

**Valuation of options and warrants:** We grant options to purchase shares of our common stock to employees and consultants and issue warrants in connection with some of our financings and to certain other consultants.

We account for share-based payments to employees in accordance with the guidance that requires awards classified as equity awards be accounted for using the grant-date fair value method. The fair value of share-based payment transactions is based on the Black Scholes option-pricing model and is recognized as an expense over the requisite service period.

We elected to recognize compensation cost for an award with only service conditions that has a graded vesting schedule using the accelerated method based on the multiple-option award approach.

When stock options are granted as consideration for services provided by consultants and other non-employees, the transaction is accounted for based on the fair value of the consideration received or the fair value of the stock options issued, whichever is more reliably measurable. The fair value of the options granted is measured on each reporting date, and the gains (losses) are recorded to earnings over the related service period using the straight-line method.

**Revenue recognition:** Revenue is recognized when delivery has occurred, evidence of an arrangement exists, title and risks and rewards for the products are transferred to the customer, collection is reasonably assured and product returns can be reliably estimated.

Given our continuing involvement through the expected product submission (June 2023), revenue from the License Agreement is recognized over the periods from which the Company is entitled to the respective payments (including milestones), and through the expected product submission date.

#### ***Comparison of Fiscal 2016 to Fiscal 2015 and Fiscal 2015 to Fiscal 2014***

The following table summarizes certain statements of operations data for us for the twelve month periods ended August 31, 2016, 2015 and 2014:

#### **Operating Data:**

Revenues
Cost of revenues
Research and development expenses, net
General and administrative expenses
Financial income, net
Loss before taxes on income
Taxes on income (Tax benefit)
Net loss for the year
Loss per common share – basic and diluted
Weighted average common shares outstanding

#### ***Revenues***

Revenues consist of proceeds related to the License Agreement that are recognized over the term of the License Agreement through June 2023.

Revenues for the year ended August 31, 2016 totaled \$641,000, following the meeting of the License Agreement's closing conditions during December 2015. No revenues were recorded for the years ended August 31, 2015 and 2014.

### ***Cost of revenues***

Cost of revenues consists of royalties related to the License Agreement with HTIT that will be paid over the term of the License Agreement in accordance with the revenue recognition and the Law for the Encouragement of Industrial Research and Development, 1984, as amended, or the R&D Law.

Cost of revenues for the year ended August 31, 2016 totaled \$490,000. No cost of revenues was recorded for the years ended August 31, 2015 and 2014.

### ***Research and development expenses***

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, employee benefits, costs of materials, supplies, the cost of services provided by outside contractors, including services related to our clinical trials, clinical trial expenses, the full cost of manufacturing drug for use in research and preclinical development. All costs associated with research and development are expensed as incurred.

Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. We outsource a substantial portion of our clinical trial activities, utilizing external entities such as CROs, independent clinical investigators, and other third-party service providers to assist us with the execution of our clinical studies.

Clinical activities which relate principally to clinical sites and other administrative functions to manage our clinical trials are performed primarily by CROs. CROs typically perform most of the start-up activities for our trials, including document preparation, site identification, screening and preparation, pre-study visits, training, and program management.

Clinical trial and pre-clinical trial expenses include regulatory and scientific consultants' compensation and fees, research expenses, purchase of materials, cost of manufacturing of the oral insulin and exenatide capsules, payments for patient recruitment and treatment, as well as salaries and related expenses of research and development staff.

In August 2009, Oramed Ltd. was awarded a government grant amounting to a total net amount of NIS 3.1 million (approximately \$813,000), from the IIA. This grant was used for research and development expenses for the period of February 2009 to June 2010. The funds were used by us to support further research and development and clinical study of our oral insulin capsule and oral GLP-1 analog. In December 2010, Oramed Ltd. was awarded a second grant, or the Second Grant, amounting to a total net amount of NIS 2.9 million (approximately \$720,000) from the IIA, which was designated for research and development expenses for the period of July 2010 to November 2011. As a result of a delay in the research and development plan, as of November 30, 2011, Oramed Ltd. had used only NIS 1,473,000 (approximately \$365,000) of the Second Grant. In May 2012, Oramed Ltd. was awarded an extension of nine months to use the funds of the Second Grant until August 2012. In addition, in May 2012, Oramed Ltd. was granted a third grant amounting to a total net amount of NIS 595,000 (approximately \$148,000) from the IIA, which was designated for research and development expenses for the period of September 2012 to December 2012. In May 2013, Oramed Ltd. was awarded a fourth grant amounting to a total net amount of NIS 975,000 (approximately \$265,000) from the IIA, which was designated for research and development expenses for the period of January 2013 to December 2013. In March 2014, the IIA accepted Oramed Ltd.'s application to shorten that period to ten months, due to the rapid utilization of the grant, ending October 31, 2013. In March 2014, Oramed Ltd. was also granted a fifth grant amounting to a total amount of NIS 1,206,990 (approximately \$345,000) from the IIA, which was designated for research and development expenses for the period of November 2013 to October 2014. In September 2014, this period was extended by two months until December 2014. We used the funds to support further research and development and clinical studies of our oral insulin capsule and oral GLP-1 analog. The five grants are subject to repayment according to the terms determined by the IIA and applicable law. See "—Government grants" below.

Research and development expenses for the year ended August 31, 2016 increased by 61% to \$7,709,000 from \$4,781,000 for the year ended August 31, 2015. The increase is attributed to expenses related to clinical trials and mainly our Phase IIb clinical trial. This increase was partially offset by a

decrease in stock based compensation costs. During the year ended August 31, 2016, stock based compensation costs totaled \$304,000, as compared to \$616,000 during the year ended August 31, 2015.

Research and development expenses for the year ended August 31, 2015 increased by 46% to \$4,781,000 from \$3,277,000 for the year ended August 31, 2014. The increase is attributed to expenses related to clinical trials, as well as to the decrease in IIA grants in the year ended August 31, 2015. During the year ended August 31, 2015, stock based compensation costs totaled \$616,000, as compared to \$905,000 during the year ended August 31, 2014.

### ***Government grants***

The Government of Israel encourages research and development projects through the IIA, pursuant to the R&D Law. Under the R&D Law, a research and development plan that meets specified criteria is eligible for a grant of up to 50% of certain approved research and development expenditures. Each plan must be approved by the IIA.

In the year ended August 31, 2016, we did not recognize any research and development grants and in the years ended August 31, 2015 and 2014, we recognized research and development grants in an amount of \$49,000 and \$428,000, respectively. As of August 31, 2016, we incurred a liability to pay royalties to the IIA of \$466,000.

Under the terms of the grants we received from the IIA, we are obligated to pay royalties of 3.5% on all revenues derived from the sale of the products developed pursuant to the funded plans, including revenues from licensed ancillary services. Royalties are generally payable up to a maximum amount equaling 100% of the grants received (dollar linked) with the addition of interest at an annual rate based on the LIBOR rate.

The R&D Law generally requires that a product developed under a program be manufactured in Israel. However, when applying for a grant, the applicant may declare that part of the manufacturing will be performed outside of Israel or by non-Israeli residents and if the IIA is convinced that performing some of the manufacturing abroad is essential for the execution of the program, it may still approve the grant. This declaration will be a significant factor in the determination of the IIA as to whether to approve a program and the amount and other terms of the benefits to be granted. If a company wants to increase the volume of manufacturing outside of Israel after the grant has been approved, it may transfer up to 10% of the company's approved Israeli manufacturing volume, measured on an aggregate basis, outside of Israel after first notifying the IIA thereof (provided that the IIA does not object to such transfer within 30 days). In addition, upon the approval of the IIA, a portion greater than 10% of the manufacturing volume may be performed outside of Israel. In any case of transfer of manufacturing out of Israel, the grant recipient is required to pay royalties at an increased rate, which may be substantial, and the aggregate repayment amount is increased up to 120%, 150% or 300% of the grant, depending on the portion of the total manufacturing volume that is performed outside of Israel. The R&D Law further permits the IIA, among other things, to approve the transfer of manufacturing rights outside of Israel in exchange for the import of different manufacturing into Israel as a substitute, in lieu of the increased royalties.

The R&D Law also provides that know-how developed under an approved research and development program may not be transferred to third parties in Israel without the approval of the research committee. Such approval is not required for the sale or export of any products resulting from such research or development. The R&D Law further provides that the know-how developed under an approved research and development program may not be transferred to any third parties outside Israel absent IIA approval which may be granted in certain circumstances as follows: (a) the grant recipient pays to the IIA a portion of the sale price paid in consideration for such IIA -funded know-how or the price paid in consideration for the sale of the grant recipient itself, as the case may be, in accordance with certain formulas included in the R&D Law; (b) the grant recipient receives know-how from a third party in exchange for its IIA -funded know-how; or (c) such transfer of IIA -funded know-how is made in the context of IIA approved research and development cooperation projects or consortia.

The R&D Law imposes reporting requirements with respect to certain changes in the ownership of a grant recipient. The R&D Law requires the grant recipient to notify the IIA of any change in control of the recipient or a change in the holdings of the means of control of the recipient

that results in a non-Israeli entity becoming an interested party in the recipient, and requires the new non-Israeli interested party to undertake to the IIA to comply with the R&D Law. In addition, the rules of the IIA may require the provision of additional information or representations in respect of certain such events. For this purpose, “control” is defined as the ability to direct the activities of a company other than any ability arising solely from serving as an officer or director of the company. A person is presumed to have control if such person holds 50% or more of the means of control of a company. “Means of control” refers to voting rights or the right to appoint directors or the chief executive officer. An “interested party” of a company includes a holder of 5% or more of its outstanding share capital or voting rights, its chief executive officer and directors, someone who has the right to appoint its chief executive officer or at least one director, and a company with respect to which any of the foregoing interested parties holds 25% or more of the outstanding share capital or voting rights or has the right to appoint 25% or more of the directors.

Failure to meet the R&D Law’s requirements may subject us to mandatory repayment of grants received by us (together with interest and penalties), as well as expose us to criminal proceedings. In addition, the Israeli government may from time to time audit sales of products which it claims incorporate technology funded through IIA programs which may lead to additional royalties being payable on additional products.

Amendment Number 7 to the R&D Law, or the Amendment, came into force on January 1, 2016. Under the Amendment, various regulations and many sections of the R&D Law, including those sections governing such matters as transfer of know-how or manufacturing out of Israel, have been deleted and replaced with general guidelines. Specific rules will be addressed by the terms of field-specific tracks that the IIA will establish. The Amendment includes transitional provisions and provides that the provisions of the R&D Law as they were in place prior to the enactment of the Amendment, as well as the various regulations, will continue to apply to pre-existing tracks for a limited transitional period. We are still in this transitional period and cannot at this stage foresee the potential impact on us, if any, of the provisions of the field-specific tracks that the IIA is required to establish under the Amendment.

### ***Grants from Bio-Jerusalem***

The Bio-Jerusalem fund was founded by the Jerusalem Development Authority in order to support the biomed industry in Jerusalem. We are committed to pay royalties to the Bio-Jerusalem fund on proceeds from future sales at a rate of 4% and up to 100% of the amount of the grants received by the Company (Israeli CPI linked) in the total aggregate amount of \$65,000 as of August 31, 2016. For the years ended August 31, 2016, 2015 and 2014, there were no grants received from the Bio-Jerusalem fund. As of August 31, 2016, we incurred a liability to pay royalties to the Bio-Jerusalem fund of \$18,000.

### ***General and administrative expenses***

General and administrative expenses include the salaries and related expenses of our management, consulting costs, legal and professional fees, traveling, business development costs, insurance expenses and other general costs.

General and administrative expenses decreased by 5.8% from \$2,602,000 for the year ended August 31, 2015 to \$2,452,000 for the year ended August 31, 2016. The decrease in costs incurred related to general and administrative activities during the year ended August 31, 2016, reflects a decrease in stock-based compensation costs that was partially offset by an increase in salaries and consulting expenses resulting from cash bonuses to employees and consultants paid in 2016. During the year ended August 31, 2016, as part of our general and administrative expenses, we incurred \$329,000 related to stock-based compensation costs, as compared to \$731,000 during the year ended August 31, 2015.

General and administrative expenses decreased by 1% from \$2,629,000 for the year ended August 31, 2014 to \$2,602,000 for the year ended August 31, 2015. The decrease in costs incurred related to general and administrative activities during the year ended August 31, 2015, reflects a decrease in salaries and consulting expenses resulting from cash bonuses to employees and consultants paid in 2014, and from a decrease in professional expenses, that were partially offset by an increase in

stock-based compensation. During the year ended August 31, 2015, as part of our general and administrative expenses, we incurred \$731,000 related to stock-based compensation costs, as compared to \$563,000 during the year ended August 31, 2014.

#### ***Financial income/expense, net***

Net financial income was \$381,000 for the year ended August 31, 2016 as compared to net financial income of \$150,000 for the year ended August 31, 2015. The increase is mainly due to an increase in income from bank deposits and held to maturity bonds as a result of the increase in cash and investment balances.

Net financial income was \$150,000 for the year ended August 31, 2015 as compared to net financial income of \$214,000 for the year ended August 31, 2014. This was mainly due to the gain on sale of marketable securities of \$80,000 in the year ended August 31, 2014 as compared to no gain on sale of marketable securities in the year ended August 31, 2015, as the Company did not sell any of its D.N.A ordinary shares during that year.

#### ***Taxes on income / Tax benefit***

We had taxes on income of \$1,335,000 for the year ended August 31, 2016 as compared to a tax benefit of \$1,000 for the year ended August 31, 2015. The increase is due to withholding tax of \$1,350,000 deducted from revenues received from the License Agreement, since according to the Company's estimations, the withholding tax is not expected to be utilized in the next five years. This deduction is partially offset by a decrease in the accrual for an uncertain tax position in fiscal 2016.

We had a tax benefit of \$1,000 for the year ended August 31, 2015 as compared to taxes on income of \$4,000 for the year ended August 31, 2014, as a result of a decrease in the accrual for an uncertain tax position in fiscal 2015.

#### ***Other comprehensive income***

Unrealized loss on available for sale securities for the year ended August 31, 2016 of \$452,000 resulted from the decrease in fair value of our D.N.A ordinary shares.

Unrealized gain on available for sale securities for the year ended August 31, 2015 of \$106,000 resulted from the increase in fair value of our D.N.A ordinary shares.

#### **Liquidity and Capital Resources**

From inception through August 31, 2016, we have incurred losses in an aggregate amount of \$46,016,000. During that period we have financed our operations through several private placements of our common stock, as well as public offerings of our common stock, raising a total of \$56,054,000, net of transaction costs. During that period we also received cash consideration of \$3,319,000 from the exercise of warrants and options. We will seek to obtain additional financing through similar sources in the future as needed. As of August 31, 2016, we had \$3,907,000 of available cash, \$35,297,000 of short term and long term deposits and investment and \$3,385,000 of marketable securities. We anticipate that we will require approximately \$16 million to finance our activities during the 12 months following August 31, 2016.

On November 30, 2015, we entered into the SPA with HTIT, pursuant to which HTIT agreed to buy and we agreed to sell 1,155,367 shares of our common stock at a price of approximately \$10.39 per share, for the aggregate amount of \$12 million. The transaction closed on December 28, 2015.

Management continues to evaluate various financing alternatives for funding future research and development activities and general and administrative expenses through fundraising in the public or private equity markets. Although there is no assurance that we will be successful with those initiatives, management believes that it will be able to secure the necessary financing as a result of future third party investments. Based on our current cash resources, including the recent investment by HTIT, and commitments, we believe we will be able to maintain our current planned development activities and the corresponding level of expenditures for at least the next 12 months and beyond.



As of August 31, 2016, our total current assets were \$31,230,000 and our total current liabilities were \$3,621,000. On August 31, 2016, we had a working capital surplus of \$27,609,000 and an accumulated loss of \$46,016,000. As of August 31, 2015, our total current assets were \$17,372,000 and our total current liabilities were \$1,489,000. On August 31, 2015, we had a working capital surplus of \$15,883,000 and an accumulated loss of \$35,052,000. The increase in working capital surplus from August 31, 2015 to August 31, 2016 was primarily due to the proceeds from our private placement to HTIT completed in December 2015.

During the year ended August 31, 2016, cash and cash equivalents increased to \$3,907,000 from the \$3,213,000 reported as of August 31, 2015, which is due to the reasons described below.

Operating activities provided cash of \$4,655,000 in the year ended August 31, 2016 compared to \$4,946,000 used in the year ended August 31, 2015. Cash provided by operating activities in the year ended August 31, 2016 primarily consisted of changes in deferred revenues due to the License Agreement partially offset by net loss resulting from research and development and general and administrative expenses, while cash used for operating activities in the year ended August 31, 2015 primarily consisted of net loss resulting from research and development and general and administrative expenses, partially offset by stock-based compensation expenses.

During the year ended August 31, 2016, we received no grants from the IIA. During the year ended August 31, 2015, we received \$126,000 in IIA grants towards our research and development expenses, while we recognized the amount of \$49,000 during such period. The amounts that were received but not recognized during the year ended August 31, 2015, were recognized during fiscal year 2014. The IIA supported our activity until December 2014.

Investing activities used cash of \$16,010,000 in the year ended August 31, 2016, as compared to \$3,312,000 used in the year ended August 31, 2015. Cash used for investing activities in the years ended August 31, 2016 and 2015 consisted primarily of the purchase of short-term and long-term bank deposits as well as the purchase of marketable securities.

Financing activities provided cash of \$12,043,000 in the year ended August 31, 2016 and \$9,721,000 in the year ended August 31, 2015. Cash provided by financing activities during both periods consisted of proceeds from our issuance of common stock and proceeds from exercise of warrants and options. Our primary financing activities in fiscal 2016 and fiscal 2015 were as follows:

- During fiscal 2016, 331,054 warrants were exercised for cash and resulted in the issuance of 331,054 shares of common stock and 18,718 options were exercised for cash and resulted in the issuance of 18,718 shares of common stock. The cash consideration received for exercise of warrants was \$1,337,000 and the cash consideration received for exercise of options was \$112,000. During fiscal 2015, 1,370 options were exercised for cash and resulted in the issuance of 1,370 shares of common stock. The cash consideration received for exercise of the options was \$8,000. During fiscal 2016 and fiscal 2015, we issued a total of 28,750 shares of common stock to a third party vendor for services rendered. The aggregate value of those shares was approximately \$194,000.
- In December 2015, we completed a private placement of 1,155,367 shares of our common stock to HTIT for total consideration of \$12 million.
- In June 2015, we entered into a Securities Purchase Agreement, pursuant to which we agreed to sell, in a registered direct offering, or the June 2015 Offering: (1) an aggregate of 714,286 shares of our common stock at a price of \$7.50 per share to six investors and (2) at the option of each investor, or the Overallotment Right, additional shares of our common stock, or the Overallotment Shares, up to the number equal to the number of shares purchased by such Purchaser and at a price of \$10.00 per Overallotment Share. The closing of the sale of the 714,286 shares of our common stock occurred on June 10, 2015. The Overallotment Right is exercisable beginning December 10, 2015, and shall remain exercisable until December 10, 2016. Pursuant to an engagement letter, a placement agent received, for its services in the June 2015 Offering, a fee equal to 7% of the gross proceeds raised in the June 2015 Offering and an expense allowance of 1% of the gross proceeds raised in the June 2015 Offering, and affiliates of the placement agent

received warrants to purchase 28,571 shares of our common stock, exercisable for a period of three years and with an exercise price of \$10.00 per share. Our net proceeds from the June 2015 Offering were approximately \$4,880,000 after deducting the placement agent's expenses and our other offering expenses. In November 2015 and February, May and August 2016, we issued a total of 13,750 shares of our common stock, valued at \$101,000, in the aggregate, to a certain service provider as remuneration for services rendered.

- In November 2014, pursuant to a Stock Purchase Agreement with an investor, we issued an aggregate of 696,378 shares of common stock, at a price of \$7.18 per share, for aggregate gross proceeds of \$5,000,000. Our net proceeds from the offering were approximately \$4,833,000 after deducting a finder's fee of \$150,000 and our other offering expenses.
- On April 2, 2015, we entered into an at the market issuance sales agreement, or the Sales Agreement, pursuant to which we may issue and sell shares of our common stock having an aggregate offering price of up to \$25,000,000 from time to time, at our option, through a sales agent, subject to certain terms and conditions. Any shares sold will be sold pursuant to our effective shelf registration statement on Form S-3. We will pay the sales agent a commission of 3.0% of the gross proceeds of the sale of any shares sold through the sales agent. To date, no shares have been sold under the Sales Agreement.

### Contractual Obligations

The following table summarizes our significant contractual obligations and commercial commitments at August 31, 2016, and the effects such obligations are expected to have on our liquidity and cash flows in future periods (in thousands):

<b>Contractual Obligations</b>	<b>Total</b>	<b>Less than 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>Over 5 years</b>
Clinical research study obligations	\$ 1,381	\$ 1,381	\$ -	\$ -	\$ -
Purchase and technology transfer obligations	7,131	5,508	1,623	-	-
Operating lease obligations	43	20	23	-	-
Accrued Severance Pay, net	14	-	-	-	14
<b>Total</b>	<b>\$ 8,569</b>	<b>\$ 6,909</b>	<b>\$ 1,646</b>	<b>\$ -</b>	<b>\$ 14</b>

### Off-Balance Sheet Arrangements

As of August 31, 2016, we had no off balance sheet arrangements that have had or that we expect would be reasonably likely to have a future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

### Planned Expenditures

We invest heavily in research and development, and we expect that in the upcoming years our research and development expenses, net, will continue to be our major operating expense.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

We are exposed to a variety of risks, including changes in interest rates, foreign currency exchange rates, changes in the value of our marketable securities and inflation.

As of August 31, 2016, we had \$3.9 million in cash and cash equivalents, \$35.3 million in short and long term bank deposits and restricted deposits and \$3.4 million in marketable securities.

We aim to preserve our financial assets, maintain adequate liquidity and maximize return while minimizing exposure to market risks. Such policy further provides that we should hold most of our current assets in bank deposits. As of today, the currency of our financial assets is mainly in U.S. dollars.

## Marketable securities

We own 10,208,144 common shares of D.N.A, which are presented in our financial statements as marketable securities. Marketable securities are presented at fair value and their realization is subject to certain limitations if sold through the market, and we are therefore exposed to market risk. There is no assurance that at the time of sale of the marketable securities the price per share will be the same or higher, nor that we will be able to sell all of the securities at once given the volume of securities we hold. The shares are traded on the Tel Aviv Stock Exchange and the shares' price is denominated in NIS. We are also exposed to changes in the market price of D.N.A shares, as well as to exchange rates fluctuations in the NIS currency compared to the U.S. dollar.

## Interest Rate Risk

We invest a major portion of our cash surplus in bank deposits in banks in Israel. Since the bank deposits typically carry fixed interest rates, financial income over the holding period is not sensitive to changes in interest rates, but only the fair value of these instruments. However, our interest gains from future deposits may decline in the future as a result of changes in the financial markets. In any event, given the historic low levels of the interest rate, we estimate that a further decline in the interest rate we are receiving will not result in a material adverse effect to our business.

## Foreign Currency Exchange Risk and Inflation

A significant portion of our expenditures, including salaries, clinical research expenses, consultants' fees and office expenses relate to our operations in Israel. The cost of those Israeli operations, as expressed in U.S. dollars, is influenced by the extent to which any increase in the rate of inflation in Israel is not offset (or is offset on a lagging basis) by a devaluation of the NIS in relation to the U.S. dollar. If the U.S. dollar declines in value in relation to the NIS, it will become more expensive for us to fund our operations in Israel. In addition, as of August 31, 2016, we own net balances in NIS of approximately \$1,447,000. Assuming a 10% appreciation of the NIS against the U.S. dollar, we would experience exchange rate gain of approximately \$132,000, while assuming a 10% devaluation of the NIS against the U.S. dollars, we would experience an exchange rate loss of approximately \$161,000.

The exchange rate of the U.S. dollar to the NIS, based on exchange rates published by the Bank of Israel, was as follows:

	Year Ended August 31,		
	2014	2015	2016
Average rate for period	3.494	3.851	3.864
Rate at period-end	3.568	3.930	3.786

We do not use any currency hedging transactions of options or forwards to decrease the risk of financial exposure from fluctuations in the exchange rate of the U.S. dollar against the NIS.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

See Item 15 of this Annual Report on Form 10-K.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

## ITEM 9A. CONTROLS AND PROCEDURES.

### Disclosure Controls and Procedures

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of August 31, 2016. Based

upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective.

### **Management's Annual Report on Internal Control over Financial Reporting**

Our management, under the supervision of our Chief Executive Officer and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over our financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. The Company's internal control over financial reporting is defined as a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP. Internal control over financial reporting includes policies and procedures that:

- pertain to the maintenance of records that in reasonable detail accurately and fairly reflect our transactions and asset dispositions;
- provide reasonable assurance that transactions are recorded as necessary to permit the preparation of our financial statements in accordance with GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of assets that could have a material effect on our financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of August 31, 2016 based on the current framework for Internal Control-Integrated Framework (2013) set forth by The Committee of Sponsoring Organizations of the Treadway Commission.

Based on this evaluation, our management concluded that the Company's internal control over financial reporting was effective as of August 31, 2016 at a reasonable assurance level.

### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting that occurred during the quarter ended August 31, 2016 that have materially affected, or are reasonable likely to materially affect, our internal control over financial reporting.

### **ITEM 9B. OTHER INFORMATION.**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.**

Set forth below is certain information with respect to the individuals who are our directors and executive officers.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Nadav Kidron	42	President, Chief Executive Officer and Director
Yifat Zommer	42	Chief Financial Officer, Treasurer and Secretary

Miriam Kidron	76	Chief Medical and Technology Officer and Director
Joshua Hexter	46	Chief Operating Officer and VP Business Development
Aviad Friedman	45	Director
Xiaopeng Li	32	Director
Kevin Rakin	56	Director
Leonard Sank	51	Director
David Slager	44	Director

Dr. Miriam Kidron is Mr. Nadav Kidron's mother. There are no other directors or officers of our Company who are related by blood or marriage.

### Business Experience

The following is a brief account of the education and business experience during at least the past five years of each director and our only executive officer who is not a director, indicating the principal occupation during that period, and the name and principal business of the organization in which such occupation and employment were carried out.

**Mr. Nadav Kidron** was appointed *President, Chief Executive Officer* and became a *director* in March 2006. He is also a director of Israel Advanced Technology Industries organization, and until 2016 was a director of Entera. In 2009, he was a fellow at the Merage Foundation for U.S.-Israel Trade Programs for executives in the life sciences field. From 2003 to 2006, he was the managing director of the Institute of Advanced Jewish Studies at Bar Ilan University. From 2001 to 2003, he was a legal intern at Wine, Mishaike & Ernstoff Law Offices in Jerusalem, Israel. Mr. Kidron holds an LL.B. and an International MBA from Bar Ilan University, Israel, and is a member of the Israel Bar Association.

We believe that Mr. Kidron's qualifications to serve on our Board include his familiarity with the Company as its founder, his experience in capital markets, as well as his knowledge and familiarity with corporate management.

**Ms. Yifat Zommer** was appointed *Chief Financial Officer, Treasurer and Secretary* in April 2009. From 2007 to 2008, Ms. Zommer served as Chief Financial Officer of Witech Communications Ltd., a subsidiary of IIS Intelligence Information Systems Ltd., a company operating in the field of video transmission using wireless communications. From April 2006 to April 2007, Ms. Zommer acted as Chief Financial Officer for CTWARE Ltd., a telecommunication company. Prior to that she was an audit manager in Kesselman & Kesselman, a member of PricewaterhouseCoopers International Limited, where she served for five years. Ms. Zommer holds a Bachelor of Accounting and Economics degree from the Hebrew University, a Business Administration degree (MBA) from Tel-Aviv University and a Masters degree in Law (LL.M.) from Bar-Ilan University, Israel. Ms. Zommer is a certified public accountant in Israel.

**Dr. Miriam Kidron** was appointed *Chief Medical and Technology Officer* and became a *director* in March 2006. Dr. Kidron is a pharmacologist and a biochemist with a Ph.D. in biochemistry. From 1990 to 2007, Dr. Kidron was a senior researcher in the Diabetes Unit at Hadassah University Hospital in Jerusalem, Israel. During 2003 and 2004, Dr. Kidron served as a consultant to Emisphere Technologies Inc., a company that specializes in developing broad-based proprietary drug delivery platforms. Dr. Kidron was formerly a visiting professor at the Medical School at the University of Toronto (Canada), and is a member of the American, European and Israeli Diabetes Associations. Dr. Kidron is a recipient of the Bern Schlanger Award.

We believe that Dr. Kidron's qualifications to serve on our Board include her expertise in the Company's technology, as it is based on her research, as well as her experience and relevant education in the fields of pharmacology and diabetes.

**Mr. Joshua Hexter** was appointed *Chief Operating Officer and VP Business Development* in April 2013. From 2007 to 2013, Mr. Hexter was a Director or Executive Director in BioLineRx Ltd., or BioLineRx, a TASE-listed biopharmaceutical development company dedicated to identifying, in-licensing and developing innovative therapeutic candidates. Prior to his employment with BioLineRx, Mr. Hexter was a member of the Board of Directors and CEO of Biosensor Systems Design, Inc., a company developing market-driven biosensors. Mr. Hexter holds a bachelor's degree from the University of Wisconsin and a master's degree in management from Boston University.

**Mr. Aviad Friedman** became a *director* in August 2016. Mr. Friedman is an international businessman. Since 2007, he has been Chief Executive Officer of Most Properties 1998 Ltd. and the Chairman of the Israel Association of Community Centers since 2013. Mr. Friedman was the first Director General of Israel's Ministry of Diaspora Affairs and served as personal advisor to Prime Minister Ariel Sharon from 1996 to 1999. Mr. Friedman served as Chief Operating Officer of one of Israel's premier newspapers, Ma'ariv from 2003 to 2007, and has more than 14 years of experience serving on boards of public and private companies including Maayan Ventures, Capital Point and Rosetta Green Ltd. Mr. Friedman additionally served as an investor and consultant at Rhythmia Medical Inc. from 2007, and was actively involved in the sale of the company to Boston Scientific in 2012. Mr. Friedman holds a bachelor's degree and master's degree with honors in Public Administration from Bar-Ilan University.

We believe that Mr. Friedman's qualifications to serve on our Board include his experience in serving as a director of public and private companies as well as his knowledge and familiarity with corporate finance.

**Ms. Xiaopeng Li** became a *director* in January 2016. Ms. Li currently serves on the Board of Directors in the Chairman's Office in Hefei Tianmai Biotechnology Development Co. Ltd, or HTBT, where she has served as the head of financing and investment activities since 2013. Ms. Li also has served as Chief Financial Officer of Hi-Tech Brain Investment Company Limited, an affiliated company of HTBT, since 2015. Prior to that, she was a senior auditor in the Shanghai Branch of Ernst & Young Hua Ming LLP, where she served for four years. Ms. Li holds a Bachelor's degree from the College of Economics, Anhui University, a Master of Accounting degree from Monash University, Australia, and a Master of Management degree from Central Queensland University, Australia.

We believe that Ms. Li's qualifications to serve on our Board include her experience and relevant education in the fields of finance, economics, capital markets and management, as well as her familiarity with the Eastern market.

**Mr. Kevin Rakin** became a *director* in August 2016. Mr. Rakin is a co-founder and partner at HighCape Partners, a growth equity life sciences fund where he has served since 2013. From June 2011 to November 2012, Mr. Rakin was the President of Regenerative Medicine at Shire plc, a leading specialty biopharmaceutical company. Prior to joining Shire, Mr. Rakin served as the Chairman and Chief Executive Officer of Advanced BioHealing, Inc. from 2007 until its acquisition by Shire for \$750 million in June 2011. Mr. Rakin currently serves on the board of Histogenics Corporation. Mr. Rakin holds an M.B.A. from Columbia University and received his graduate and undergraduate degrees in Commerce from the University of Cape Town, South Africa.

We believe that Mr. Rakin's qualifications to serve on our Board include his extensive experience as an executive in the biotechnology industry, as well as his service in positions in various companies as a Chief Executive Officer, Chief Financial Officer and President and his involvement in public and private financings and mergers and acquisitions in the biotechnology industry.

**Mr. Leonard Sank** became a *director* in October 2007. Mr. Sank is a South African entrepreneur and businessman, whose interests lie in entrepreneurial endeavors and initiatives, with over 20 years' experience of playing significant leadership roles in developing businesses. For the past seventeen years, Mr. Sank has served as a director of Macsteel Service Centres SA (Pty) Ltd, South Africa's largest private company. Since 2010, Mr. Sank has served as a Director of Bradbury Finance Pty Ltd, and also serves on the boards of small businesses and local non-profit charity organizations in Cape Town, where he resides.

We believe that Mr. Sank's qualifications to serve on our Board include his years of experience in development stage businesses, as well as his experience serving as a director of many entities.

**Mr. David Slager** became a *director* in August 2016. Mr. Slager is the founder and Chairman of Regals Capital, a New York based private investment firm, and the Portfolio Manager of the fund. Prior to founding Regals Capital in 2012, Mr. Slager was the Chairman and the Portfolio Manager of Attara Capital. In 2009, Mr. Slager was the Vice Chairman of Atticus Capital LP, a global investment management firm he joined in 1998. Mr. Slager's previous professional experience also includes having been in the Proprietary Equity Arbitrage Group at Goldman, Sachs & Co. in London and a financial analyst at Goldman, Sachs & Co. in New York and London. Mr. Slager holds a master's degree in Legal Philosophy (Jurisprudence) from Oxford University.

We believe that Mr. Slager's qualifications to serve on our Board include his years of experience in the capital markets as well as his management skills, his knowledge and familiarity with corporate finance and his familiarity with the Company history as a leading shareholder in the Company.

## **Board of Directors**

There are no agreements with respect to the election of directors. Each director is elected for a period of one year at our annual meeting of stockholders and serves until the next such meeting and until his or her successor is duly elected or until his or her earlier resignation or removal. The Board may also appoint additional directors. A director so chosen or appointed will hold office until the next annual meeting of stockholders and until his or her successor is duly elected and qualified or until his or her earlier resignation or removal. The Board has determined that Leonard Sank, David Slager, Kevin Rakin, Aviad Friedman and Xiaopeng Li are independent as defined under the rules promulgated by NASDAQ. Other than Mr. Slager, Ms. Li and Mr. Friedman, none of the independent directors has any relationship with us besides serving on our Board. In connection with a private placement of our common stock in 2013, we have entered into a letter agreement with Mr. Slager pursuant to which we agreed not to issue stock options with an exercise price below \$6.00 per share and not to grant more than 125,000 stock options in any calendar year without the consent of certain stockholders. Ms. Li was appointed to serve on our Board pursuant to the terms of the SPA dated November 30, 2015, but does not otherwise have any relationship with us except for her serving as a director. We have entered into a consulting agreement with Shikma A.M.R. Ltd., or Shikma, of which Mr. Friedman is the sole owner, pursuant to which Shikma was granted an option exercisable into shares of common stock of the Company as compensation for certain consulting services provided by Shikma to the Company. This consulting agreement was terminated in August 2016. The Board considered these relationships and determined that they would not interfere with Mr. Slager's, Ms. Li's or Mr. Friedman's exercise of independent judgment in carrying out the responsibilities of a director.

We have determined that each of the directors is qualified to serve as a director of the Company based on a review of the experience, qualifications, attributes and skills of each director. In reaching this determination, we have considered a variety of criteria, including, among other things: character and integrity; ability to review critically, evaluate, question and discuss information provided; to exercise effective business judgment and to interact effectively with the other directors; and willingness and ability to commit the time necessary to perform the duties of a director.

## **Board Meeting Attendance**

During the year ended August 31, 2016, our Board held seven meetings and took actions by written consent on four occasions. Dr. Miriam Kidron and Ms. Xiaopeng Li attended fewer than 75% of the aggregate of: (i) the total number of meetings of the Board (during the period for which such

director served as a director); and (ii) the total number of meetings held by all committees of the Board on which such director served (during the period for which such director served on such committees). Board members are encouraged to attend our annual meetings of stockholders.

## **Committees**

### *Audit Committee and Audit Committee Financial Expert*

The members of our Audit Committee are Aviad Friedman, David Slager and Kevin Rakin. Our Board has determined that Aviad Friedman is an “audit committee financial expert” as set forth in Item 407(d)(5) of Regulation S-K and that all members of the Audit Committee are “independent” as defined by the rules of the SEC and the Nasdaq rules and regulations. The Audit Committee operates under a written charter that is posted on the “Investors” section of our website, [www.oramed.com](http://www.oramed.com). The primary responsibilities of our Audit Committee include:

- Overseeing the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company;
- Appointing, compensating and retaining our independent registered public accounting firm;
- Overseeing the work performed by any independent registered public accounting firm;
- Assisting the Board in fulfilling its responsibilities by reviewing: (i) the financial reports provided by us to the SEC, our stockholders or to the general public, and (ii) our internal financial and accounting controls; and
- Recommending, establishing and monitoring procedures designed to improve the quality and reliability of the disclosure of our financial condition and results of operations.

### *Compensation Committee*

The members of our Compensation Committee are Leonard Sank, Kevin Rakin and Aviad Friedman. The Board has determined that all of the members of the Compensation Committee are “independent” as defined by the rules of the SEC and Nasdaq rules and regulations. The Compensation Committee operates under a written charter that is posted on the “Investors” section of our website, [www.oramed.com](http://www.oramed.com). The primary responsibilities of our Compensation Committee include:

- Reviewing, negotiating and approving, or recommending for approval by our Board of the salaries and incentive compensation of our executive officers;
- Administering our equity based plans and making recommendations to our Board with respect to our incentive-compensation plans and equity-based plans; and
- Periodically reviewing, negotiating and approving, or making recommendations to our Board with respect to director compensation.

## **Section 16(a) Beneficial Ownership Reporting Compliance**

Based solely upon a review of Forms 3, 4 and 5, and amendments thereto, furnished to us during fiscal 2016, we believe that during fiscal 2016, our executive officers, directors and all persons who own more than ten percent of a registered class of our equity securities complied with all Section 16(a) filing requirements, except that Dr. Miriam Kidron, our Chief Medical and Technology Officer and a director, failed to timely file a Form 4 reporting her December 28, 2015 disposal of 11,000 shares of our common stock, due to an error by the filing agent not caused by the Company or Dr. Kidron. Dr. Kidron filed a Form 4 reporting this transaction on December 31, 2015.

## **Code of Ethics**



We have adopted a Code of Ethics and Business Conduct for our senior officers, directors and employees. A copy of the Code of Ethics and Business Conduct is located at our website at [www.oramed.com](http://www.oramed.com).

## **ITEM 11. EXECUTIVE COMPENSATION.**

### **Compensation Discussion and Analysis**

This section explains the policies and decisions that shape our executive compensation program, including its specific objectives and elements, as it relates to our “named executive officers,” or NEOs. Our NEOs for fiscal 2016 are those four individuals listed in the “Summary Compensation Table” below. The Compensation Committee believes that our executive compensation is appropriately designed to incentivize our named executive officers to work for our long-term prosperity, is reasonable in comparison with the levels of compensation provided by comparable companies, and reflects a reasonable cost. We believe our named executive officers are critical to the achievement of our corporate goals, through which we can drive stockholder value.

The Compensation Committee of our Board is comprised solely of independent directors as defined by NASDAQ and non-employee directors as defined by Rule 16b-3 under the Exchange Act. The Compensation Committee has the authority and responsibility to review and approve the compensation of our Chief Executive Officer, or CEO, and other executive officers. Other information concerning the structure, roles and responsibilities of our Compensation Committee is set forth in “Board Meetings and Committees—Compensation Committee” section.

Our executive compensation program and our NEOs’ compensation packages are designed around the following objectives:

- attract, hire, and retain talented and experienced executives;
- motivate, reward and retain executives whose knowledge, skills and performance are critical to our success;
- ensure fairness among the executive management team via the recognition of the contributions of each executive to our success;
- focus executive behavior on achievement of our corporate objectives and strategy; and
- align the interests of management and stockholders by providing management with longer-term incentives through equity ownership.

The Compensation Committee reviews the allocation of compensation components regularly to ensure alignment with strategic and operating goals, competitive market practices and legislative changes. The Compensation Committee does not apply a specific formula to determine the allocation between cash and non-cash forms of compensation. Certain compensation components, such as base salaries, benefits and perquisites, are intended primarily to attract, hire, and retain well-qualified executives. Other compensation elements, such as long-term incentive opportunities, are designed to motivate and reward performance. Long-term incentives are intended to reward NEOs for our long-term performance and executing our business strategy, and to strongly align NEOs’ interests with those of stockholders.

With respect to equity compensation, the Compensation Committee makes awards to executives under our Second Amended and Restated 2008 Stock Incentive Plan, or 2008 Plan. Executive compensation is paid or granted based on such matters as the Compensation Committee deems appropriate, including our financial and operating performance and the alignment of the interests of the executive officers and our stockholders.

## *Elements of Compensation*

Our executive officer compensation program is comprised of: (i) base salary or monthly compensation; (ii) discretionary bonus; (iii) long-term equity incentive compensation in the form of stock option and RSU grants; and (iv) benefits and perquisites.

In establishing overall executive compensation levels and making specific compensation decisions for our NEOs in fiscal 2016, the Compensation Committee considered a number of criteria, including the executive's position, scope of responsibilities, prior base salary and annual incentive awards and expected contribution.

Generally, our Compensation Committee reviews and, as appropriate, approves compensation arrangements for the NEOs from time to time but not less than once a year. The Compensation Committee also takes into consideration the CEO's recommendations for executive compensation of the other three NEOs. The CEO generally presents these recommendations at the time of our Compensation Committee's review of executive compensation arrangements.

### *Base Salary*

The Compensation Committee performs a review of base salaries and monthly compensation for our NEOs from time to time as appropriate. In determining salaries, the Compensation Committee members also take into consideration the scope of the NEOs' responsibilities and independent third party market data, such as compensation surveys to industry, individual experience and performance and contribution to our clinical, regulatory, commercial and operational performance. None of the factors above has a dominant weight in determining the compensation of our named executive officers, and our Compensation Committee considers the factors as a whole when considering such compensation. In addition, our Compensation Committee uses comparative data regarding compensation paid by peer companies in order to obtain a general understanding of current trends in compensation practices and ranges of amounts being awarded by other public companies, and not as part of an analysis or a formula.

In fiscal 2014, for example, we conducted an analysis of salaries and monthly compensation received by our NEOs' respective counterparts in companies in the biotechnology industry and other comparable companies in Israel and outside of Israel. During fiscal 2014, the Compensation Committee received consulting services from Brightman Almagor Zohar & Co., a member firm of Deloitte Touche Tohmatsu Limited with regard to management compensation. The Compensation Committee engaged the consultant solely to collect and analyze data regarding management compensation at other companies comparable to the Company. The consultant collected data from companies in the biomed sector that are publicly traded on The NASDAQ Stock Market, in the biomed sector and having similar (within 50%) market cap, total assets, total revenue, net income, and/or location of operations (in Israel) to the Company. The comparable companies that were chosen by the consultants were Amicus Therapeutics, Inc.; Columbia Laboratories Inc.; Enxo Biochem, Inc.; Navidea Biopharmaceuticals Inc.; Pluristem Therapeutics Inc.; Rexhan Pharmaceuticals, Inc.; Sorrento Therapeutics, Inc.; Stemline Therapeutics, Inc.; and Synergy Pharmaceuticals Inc. The Committee looked at the fixed and variable compensation of each of the comparable NEOs and for directors. The Compensation Committee did not receive any executive compensation consulting services in fiscal 2016 and 2015.

We believe that a competitive base salary and monthly compensation is a necessary element of any compensation program that is designed to attract and retain talented and experienced executives. We also believe that attractive base salaries can motivate and reward executives for their overall performance. Base salary and monthly compensation are established in part based on the individual experience, skills and expected contributions to our performance, as well as such executive's performance during the prior year. Generally, we believe that executives' base salaries should be targeted near the median of the range of salaries for executives in similar positions with similar responsibilities, experience and performance at comparable companies. Compensation adjustments are made occasionally based on changes in an executive's level of responsibility, company progress or on changed local and specific executive employment market conditions.

In fiscal 2016, our Compensation Committee decided to increase the base salary of some of our NEOs by ten to twenty percent, and in fiscal 2015, following two years in which the base salaries

of our NEOs were not changed, our Compensation Committee decided to increase our NEOs' base salaries by six percent, as the members of our Compensation Committee deemed this to be a reasonable rate in the pharmaceuticals industry based on their experience.

#### *Performance Based Bonus*

Our NEOs are eligible to receive discretionary annual bonuses based upon performance. The amount of annual bonus to our NEOs is based on various factors, including, among others, the achievement of scientific and business goals and our financial and operational performance. The Compensation Committee takes into account the overall performance of the individuals, as well as the overall performance of the Company over the period being reviewed and the recommendation of management. For any given year, the compensation objectives vary, but relate generally to strategic factors such as developments in our clinical path, the execution of a license agreement for the commercialization of product candidates, the establishment of key strategic collaborations, the build-up of our pipeline and financial factors such as capital raising. Bonuses are awarded generally based on corporate performance, with adjustments made within a range for individual performance, at the discretion of the Compensation Committee. The Compensation Committee determines, on a discretionary basis, the size of the entire bonus pool and the amount of the actual award to each NEO. The overall payment is also based on historic compensation of the NEOs.

We believe that annual bonuses payable based on the achievement of short-term corporate goals incentivize our NEOs to create stockholder value and attain short-term performance objectives.

#### *Long-Term Equity Incentive Compensation*

Long-term incentive compensation allows the NEOs to share in any appreciation in the value of our common stock. The Compensation Committee believes that stock participation aligns executive officers' interests with those of our stockholders. Equity incentive awards are generally made at the commencement of employment and following a significant change in job responsibilities, or to meet other special retention or performance objectives. The amounts of the awards are designed to reward past performance and create incentives to meet long-term objectives. Awards are made at a level expected to be competitive within the biotechnology industry, as well as with Israeli-based companies. Awards are made on a discretionary basis and not pursuant to specific criteria set out in advance. In determining the amount of each grant, the Compensation Committee also takes into account the number of shares held by the executive prior to the grant. The vesting schedule for NEOs is based on monthly installments for periods of no longer than three years. The Compensation Committee believes that time-based vesting encourages recipients to build stockholder value over a long period of time.

RSU awards provide our NEOs with the right to purchase shares of our common stock at a par value of \$0.012, subject to continued employment with our company. In November 2014, the Compensation Committee awarded RSUs for the first time and again awarded RSUs in February 2015. We choose to grant RSU awards and not options because RSU awards, once vested, always have an immediate financial value to the holder thereof, unlike options where the exercise price might be above the current market price of the shares and therefore not have any intrinsic value to the holder thereof. In addition, because vested RSU awards always have financial value, as opposed to options, we were able to limit the number of securities issued to our NEOs and other employees, directors and consultants. RSUs generally vest over a period of no longer than two years. The Compensation Committee believes that time-based vesting encourages recipients to build stockholder value over a long period of time.

#### *Benefits and Perquisites*

Generally, benefits available to NEOs are available to all employees on similar terms and include welfare benefits, paid time-off, life and disability insurance and other customary or mandatory social benefits in Israel. We provide our NEOs with a phone and a company car which are customary benefits in Israel to managers and officers.

We do not believe that the benefits and perquisites described above deviate materially from the customary practice for compensation of executive officers by other companies similar in size and

stage of development in Israel. These benefits represent a relatively small portion of the executive officers' total compensation.

#### *Say-on-Pay Vote*

Our stockholders approved, on an advisory basis, our executive compensation program at our 2016 Annual Meeting. We did not seek or receive any specific feedback from our stockholders concerning our executive compensation program during the past fiscal year. The Compensation Committee did not specifically rely on the results of the prior vote in making any compensation-related decisions during fiscal 2016.

### **COMPENSATION COMMITTEE REPORT**

The Compensation Committee has reviewed and discussed the foregoing Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with our management and, based on such review and discussions, the Compensation Committee recommended to our Board that the Compensation Discussion and Analysis be included in this Annual Report on Form 10-K and in our proxy statement relating to our next annual meeting of stockholders.

### **SUMMARY COMPENSATION TABLE**

The following table shows the particulars of compensation paid to our NEOs, for the fiscal years ended August 31, 2016, 2015 and 2014.

<b>Name and Principal Position</b>	<b>Year (1)</b>	<b>Salary (\$) (2)</b>	<b>Bonus (\$) (2)(3)</b>	<b>Stock Awards (\$) (4)</b>	<b>Option Awards (\$) (5)</b>	<b>All Other Compensation (\$) (2)(6)</b>	<b>Total (\$)</b>
Nadav Kidron President and CEO and director (7)	2016	273,086	195,729	-	-	17,366	486,181
	2015	254,318	63,045	431,645	-	16,217	765,225
	2014	261,338	120,000	-	390,696	31,770	803,804
Miriam Kidron Chief Medical and Technology Officer and director (8)	2016	203,378	136,583	-	-	13,191	353,152
	2015	188,466	50,436	431,645	-	13,592	684,139
	2014	206,315	65,000	-	390,696	14,728	676,739
Yifat Zommer CFO, Treasurer and Secretary	2016	65,234(9)	75,641	-	-	36,375	177,250
	2015	101,063	26,445	212,314	-	34,899	374,721
	2014	109,684	50,000	-	-	39,806	199,490
Joshua Hexter COO and VP Business Development	2016	132,306	86,974	-	-	42,014	261,294
	2015	124,108	32,363	-	-	39,547	196,018
	2014	134,696	25,000	-	-	42,857	202,553

(1) The information is provided for each fiscal year, which begins on September 1 and ends on August 31.

(2) Amounts paid for Salary, Bonus and All Other Compensation were originally denominated in NIS and were translated into US dollars at the end of the fiscal year.

(3) Bonuses were granted at the discretion of the Compensation Committee.

- (4) For RSU awards, the amounts reflect the grant date fair value, as calculated pursuant to FASB ASC Topic 718. The assumptions used to determine the fair value of the RSU awards are set forth in Note 8 to our audited consolidated financial statements included in this Annual Report on Form 10-K. Our NEOs will not realize the value of these awards in cash unless and until the awards vest and the underlying shares are issued and subsequently sold.
- (5) The amounts reflect the grant date fair value, as calculated pursuant to FASB ASC Topic 718, of these option awards. The assumptions used to determine the fair value of the option awards are set forth in Note 8 to our audited consolidated financial statements included in this Annual Report on Form 10-K. Our NEOs will not realize the value of these awards in cash unless and until these awards are exercised and the underlying shares subsequently sold.
- (6) See “All Other Compensation Table” below.
- (7) Mr. Kidron receives compensation from Oramed Ltd. through KNRV, Ltd., an Israeli entity owned by Mr. Kidron, or KNRV. See “—Employment and Consulting Agreements” below.
- (8) Dr. Kidron receives compensation from Oramed Ltd. through KNRV. See “—Employment and Consulting Agreements” below.
- (9) Reduced salary due to maternity leave.

#### All Other Compensation Table

The “All Other Compensation” amounts set forth in the Summary Compensation Table above consist of the following:

Name	Year	Automobile- Related Expenses (\$)	Manager’s Insurance* (\$)	Education Fund* (\$)	Business Travel** (\$)	Total (\$)
Nadav Kidron	2016	17,366	--	--	--	17,366
	2015	16,217	--	--	--	16,217
	2014	13,050	--	--	18,720	31,770
Miriam Kidron	2016	13,191	--	--	--	13,191
	2015	13,592	--	--	--	13,592
	2014	14,728	--	--	--	14,728
Yifat Zommer	2016	12,676	15,913	7,786	--	36,375
	2015	12,612	14,879	7,408	--	34,899
	2014	15,440	16,263	8,103	--	39,806
Joshua Hexter	2016	12,660	19,585	9,769	--	42,014
	2015	12,451	18,030	9,066	--	39,547
	2014	12,784	20,157	9,916	--	42,857

\* Manager’s insurance and education funds are customary benefits provided to employees based in Israel. Manager’s insurance is a combination of severance savings (in accordance with Israeli law), defined contribution tax-qualified pension savings and disability insurance premiums. An education fund is a savings fund of pre-tax contributions to be used after a specified period of time for educational or other permitted purposes.

\*\* Business travel represents additional compensation of approximately \$5,000 per month in fiscal 2014, for the period during which Mr. Kidron was in the United States. This payment was in addition to per diem payments for that business travel. The Compensation Committee determined that this amount reflects the difference in the cost of living between Israel and the United States.

## **Employment and Consulting Agreements**

On July 1, 2008, Oramed Ltd. entered into a consulting agreement with KNRy, whereby Mr. Nadav Kidron, through KNRy, provides services as President and Chief Executive Officer of both the Company and Oramed Ltd., or the Nadav Kidron Consulting Agreement. Additionally, on July 1, 2008, Oramed Ltd. entered into a consulting agreement with KNRy whereby Dr. Miriam Kidron, through KNRy, provides services as Chief Medical and Technology Officer of both the Company and Oramed Ltd., or the Miriam Kidron Consulting Agreement. We refer to the Miriam Kidron Consulting Agreement and Nadav Kidron Consulting Agreement collectively as the Consulting Agreements.

The Consulting Agreements are both terminable by either party upon 60 days prior written notice. The Consulting Agreements, as amended, provide that KNRy will be reimbursed for reasonable expenses incurred in connection with performance of the Consulting Agreements and that Nadav Kidron receives a monthly consulting fee of NIS 95,460 and Miriam Kidron receives a monthly consulting fee of NIS 69,960. Pursuant to the Consulting Agreements, KNRy, Nadav Kidron and Miriam Kidron each agree that during the term of the Consulting Agreements and for a 12 month period thereafter, none of them will compete with Oramed Ltd. nor solicit employees of Oramed Ltd.

We, through Oramed Ltd., have entered into an employment agreement with Yifat Zommer as of April 19, 2009, pursuant to which Ms. Zommer was appointed as Chief Financial Officer, Treasurer and Secretary of the Company and Oramed Ltd. In accordance with the employment agreement, as amended, Ms. Zommer's current gross monthly salary is NIS 33,347. In addition, Ms. Zommer is provided with a cellular phone and a company car pursuant to the terms of her agreement.

We, through Oramed Ltd., have entered into an employment agreement with Joshua Hexter as of April 14, 2013, pursuant to which Mr. Hexter was appointed as Chief Operating Officer and VP Business Development of the Company and Oramed Ltd. In accordance with the employment agreement, as amended, Mr. Hexter's current gross monthly salary is NIS 44,891. In addition, Mr. Hexter is provided with a cellular phone and a company car pursuant to the terms of his agreement.

We have entered into indemnification agreements with our directors and officers pursuant to which we agreed to indemnify each director and officer for any liability he or she may incur by reason of the fact that he or she serves as our director or officer, to the maximum extent permitted by law.

### *Potential Payments upon Termination or Change-in-Control*

We have no plans or arrangements in respect of remuneration received or that may be received by our named executive officers to compensate such officers in the event of termination of employment (as a result of resignation, retirement, change-in- control) or a change of responsibilities following a change-in-control.

### *Pension, Retirement or Similar Benefit Plans*

We have no arrangements or plans under which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options, RSUs or restricted shares at the discretion of our Compensation Committee in the future.

## **GRANTS OF PLAN-BASED AWARDS**

There were no grants of plan-based equity awards made to our NEOs during fiscal 2016.

## **OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END**

The following table sets forth information concerning stock options and stock awards held by the NEOs as of August 31, 2016.

Option Awards					Stock Awards	
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares that have not vested (#)	Market value of shares that have not vested (\$)
Nadav Kidron	72,000 <sup>(1)</sup>	-	6.48	5/7/18		
	72,000 <sup>(2)</sup>	-	5.88	4/20/20		
	72,000 <sup>(3)</sup>	-	4.08	8/8/22		
	47,134 <sup>(4)</sup>	-	12.45	4/9/24		
					13,308 <sup>(8)(9)</sup>	95,951
Miriam Kidron	72,000 <sup>(1)</sup>	-	6.48	5/7/18		
	72,000 <sup>(2)</sup>	-	5.88	4/20/20		
	72,000 <sup>(3)</sup>	-	4.08	8/8/22		
	47,134 <sup>(4)</sup>	-	12.45	4/9/24		
					13,308 <sup>(8)(9)</sup>	95,951
Yifat Zommer	33,334 <sup>(5)</sup>	-	5.64	10/19/19		
	50,750 <sup>(6)</sup>	-	4.08	8/8/22		
					7,760 <sup>(10)</sup>	55,950
Joshua Hexter	100,800 <sup>(7)</sup>	-	7.88	3/14/23		

- (1) On May 7, 2008, 72,000 options were granted to each of Nadav Kidron and Miriam Kidron under the 2008 Plan at an exercise price of \$6.48 per share; 12,000 of such options vested immediately on the date of grant and the remainder vested in twenty equal monthly installments, commencing on June 30, 2008. The options have an expiration date of May 7, 2018.
- (2) On April 21, 2010, 72,000 options were granted to each of Nadav Kidron and Miriam Kidron under the 2008 Plan at an exercise price of \$5.88 per share; 9,000 of such options vested immediately on the date of grant and the remainder vested in twenty-one equal monthly installments, commencing on May 31, 2010. The options have an expiration date of April 20, 2020.
- (3) On August 8, 2012, 72,000 options were granted to each of Nadav Kidron and Miriam Kidron under the 2008 Plan at an exercise price of \$4.08 per share; 21,000 of such options vested immediately on the date of grant and the remainder vested in seventeen equal monthly installments, commencing on August 31, 2012. The options have an expiration date of August 8, 2022.
- (4) On April 9, 2014, 47,134 options were granted to each of Nadav Kidron and Miriam Kidron under the 2008 Plan at an exercise price of \$12.45 per share; 15,710 of such options vested on April 30, 2014 and the remainder vested in eight equal monthly installments, commencing on May 31, 2014. The options have an expiration date of April 9, 2024.
- (5) On June 3, 2009, 33,334 options were granted to Yifat Zommer under the 2008 Plan at an exercise price of \$5.64 per share; the options vested in three equal annual installments, commencing October 19, 2010, and expire on October 19, 2019.
- (6) On August 8, 2012, 50,750 options were granted to Yifat Zommer under the 2008 Plan at an exercise price of \$4.08 per share; the options vested in twenty-nine equal monthly installments, commencing on August 31, 2012, and expire on August 8, 2022.
- (7) On April 14, 2013, 100,800 options were granted to Joshua Hexter under the 2008 Plan at an exercise price of \$7.88 per share; the options vested in 35 consecutive equal installments during a 3-year period commencing on May 31, 2013, and two installments of 1,400 each, that were vested on April 30, 2013 and April 14, 2016, and expire on April 14, 2023.

- (8) On November 13, 2014, 9,788 RSUs, representing a right to receive shares of the Company's common stock, were granted to each of Nadav Kidron and Miriam Kidron. The RSUs vested in two equal installments, each of 4,894 shares, on November 30 and December 31, 2014. The shares of common stock underlying the RSUs will be issued upon request of the grantee.
- (9) On February 23, 2015, 79,848 RSUs, representing a right to receive shares of the Company's common stock, were granted to each of Nadav Kidron and Miriam Kidron. The RSUs vest in 23 installments consisting of one installment of 6,654 shares on February 28, 2015 and 22 equal monthly installments of 3,327 shares each, commencing March 31, 2015. The shares of common stock underlying the RSUs will be issued upon request of the grantee.
- (10) On February 23, 2015, 46,560 RSUs, representing a right to receive shares of the Company's common stock, were granted to Yifat Zommer. The RSUs vest in 23 installments, consisting of one installment of 3,880 shares on February 28, 2015 and 22 equal monthly installments of 1,940 shares each, commencing March 31, 2015.

### OPTIONS EXERCISED AND STOCK VESTED

The following table sets forth information with respect to the NEOs concerning the vesting of RSUs during fiscal 2016. No options were exercised by the NEOs in fiscal 2016.

Name	Stock Awards	
	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Yifat Zommer	23,280	176,501
Nadav Kidron	39,924(1)	302,690(2)
Miriam Kidron	39,924(1)	302,690(2)

- (1) Represents shares of common stock not yet issued underlying RSUs that have vested. Such shares will be issued upon request of the grantee.
- (2) Represents the value of shares of common stock not yet issued underlying RSUs that have vested. Such shares will be issued upon request of the grantee.

### Compensation Committee Interlocks and Insider Participation

During fiscal 2016, Dr. Michael Berelowitz, Mr. Gerald Ostrov and Mr. Leonard Sank served as the members of our Compensation Committee. None of the members of our Compensation Committee is, or has been, an officer or employee of ours.

During the last year, none of our NEOs served as: (1) a member of the compensation committee (or other committee of the Board performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served on the compensation committee; (2) a director of another entity, one of whose executive officers served on the compensation committee; or (3) a member of the compensation committee (or other committee of the board of directors performing equivalent functions or, in the absence of any such committee, the entire board of directors) of another entity, one of whose executive officers served as a director on our Board.

### DIRECTOR COMPENSATION



The following table provides information regarding compensation earned by, awarded or paid to each person for serving as a director who is not an executive officer during fiscal 2016:

<b>Name of Director(1)</b>	<b>Fees Earned or Paid in Cash (\$)</b>	<b>Stock Awards (3) (4) (\$)</b>	<b>Option Awards (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total (\$)</b>
Nadav Kidron <sup>(2)</sup>	-	-	-	-	-
Miriam Kidron <sup>(2)</sup>	-	-	-	-	-
Leonard Sank	20,000	-	-	-	20,000
Harold Jacob	20,000	-	-	-	20,000
Michael Berelowitz	20,000	-	-	35,158 <sup>(5)</sup>	55,158
Gerald Ostrov	20,000	-	-	-	20,000
Xiaopeng Li	12,611	-	-	-	12,611
Aviad Friedman	-	-	-	72,320 <sup>(6)</sup>	72,320
Kevin Rakin	-	-	-	-	-
David Slager	-	-	-	-	-

- (1) The terms of office of Michael Berelowitz, Harold Jacob and Gerald Ostrov ended on August 30, 2016. On such date, Aviad Friedman, Kevin Rakin and David Slager were elected to our Board.
- (2) Please refer to the Summary Compensation Table for executive compensation with respect to the named individual.
- (3) The amounts reflect the grant date fair value, as calculated pursuant to FASB ASC Topic 718, of these RSU awards. The assumptions used to determine the fair value of the RSU awards for fiscal 2015 are set forth in Note 8 to our audited consolidated financial statements included in this Annual Report on Form 10-K. Our directors will not realize the value of these awards in cash unless and until the underlying shares are sold.
- (4) As of August 31, 2016, our non-employee directors then in office held options and unvested RSUs to purchase shares of our common stock as follows:

<b>Name of Director</b>	<b>Aggregate Number of Shares Underlying Stock Awards</b>
Leonard Sank	69,183
David Slager	-
Aviad Friedman	3,000 <sup>(6)</sup>
Kevin Rakin	-
Xiaopeng Li	-

- (5) Michael Berelowitz served as the Chairman of our Scientific Advisory Board until July 2016. In this role, Dr. Berelowitz was actively involved in our scientific decisions, clinical strategy, and partnership negotiations. Dr. Berelowitz was paid a fee of \$3,333 per month as compensation for serving in this position.
- (6) Shikma, of which Mr. Friedman is the sole owner, was granted an option exercisable into shares of common stock of the Company as compensation for certain consulting services provided by Shikma to the Company. This consulting agreement was terminated in August 2016.

Our directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our Board. Each independent director is entitled to receive as remuneration for his or her service as a member of the Board a sum equal to \$20,000 per annum, to be paid quarterly and shortly after the close of each quarter. Our executive officers did not receive additional compensation for service as directors. The Board may award special

remuneration to any director undertaking any special services on behalf of us other than services ordinarily required of a director.

Other than as described above, we have no present formal plan for compensating our directors for their service in their capacity as directors. Other than indicated above, no director received and/or accrued any compensation for his services as a director, including committee participation and/or special assignments during fiscal 2016.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

### Stock Option Plans

Our Board adopted the 2008 Plan in order to attract and retain quality personnel. The 2008 Plan provides for the grant of stock options, restricted stock, RSUs, and stock appreciation rights, collectively referred to as “awards.” Stock options granted under the 2008 Plan may be either incentive stock options under the provisions of Section 422 of the Internal Revenue Code, or non-qualified stock options. Under the 2008 Plan, as amended, 2,400,000 shares were reserved for the grant of awards, which may be issued at the discretion of our Board from time to time. The 2008 Plan permits awards to be based on performance-based criteria that will allow us to maximize its ability to pay deductible compensation for U.S. federal income tax purposes. As of August 31, 2016, options with respect to 1,406,199 shares have been granted, of which 98,464 have been forfeited, 335,438 have been exercised and 318,509 have expired. As of August 31, 2016, 347,704 RSUs have been granted, of which 134,947 have vested and the shares of common stock underlying RSUs were issued, 152,656 have vested and the shares of common stock underlying those RSUs will be issued upon request of the grantee and 11,088 have been forfeited.

The following table sets forth additional information with respect to our equity compensation plans (consisting solely of the 2008 Plan) as of August 31, 2016:

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weight-average price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	1,086,558	\$ 6.80	1,063,070
Equity compensation plans not approved by security holders	--	--	--
<b>Total</b>	<b>1,086,558</b>	<b>\$ 6.80</b>	<b>1,063,070</b>

### Security Ownership of Certain Beneficial Owners and Management

The following table sets forth certain information regarding the beneficial ownership of our common stock as of November 22, 2016 by: (1) each person who is known by us to own beneficially more than 5% of our common stock; (2) each director; (3) each of our named executive officers listed above under “Summary Compensation Table”; and (4) all of our directors and executive officers as a group. On such date, we had 13,264,189 shares of common stock outstanding.

As used in the table below and elsewhere in this form, the term “beneficial ownership” with respect to a security consists of sole or shared voting power, including the power to vote or direct the vote, and/or sole or shared investment power, including the power to dispose or direct the disposition, with respect to the security through any contract, arrangement, understanding, relationship, or otherwise, including a right to acquire such power(s) during the next 60 days following November 22, 2016. Inclusion of shares in the table does not, however, constitute an admission that the named stockholder is a direct or indirect beneficial owner of those shares. Unless otherwise indicated, (1) each person or entity named in the table has sole voting power and investment power (or shares that power with that person’s spouse) with respect to all shares of common stock listed as owned by that person or entity and (2) the address of each of the individuals named below is: c/o Oramed Pharmaceuticals Inc., Hi-Tech Park 2/4 Givat Ram, PO Box 39098, Jerusalem 91390, Israel.

<b>Name and Address of Beneficial Owner</b>	<b>Number of Shares</b>	<b>Percentage of Shares Beneficially Owned</b>
Regals Fund LP 152 West 57th Street, 9th Floor New York, NY 10019	1,453,638 <sup>(1)</sup>	10.7%
HTIT No. 199 Fanhua Road Economic and Technological Development Zone Heifei, Anhui Province, P.R. China, Zip Code: 230601	1,155,367 <sup>(2)</sup>	8.7%
Guangxi Wuzhou Pharmaceutical (Group) Co., Ltd. 1# Industrial Road, Wuzhou Industrial Park Wuzhou City, Guangxi Province, 543000	696,378	5.3%
Nadav Kidron #+	2,440,549 <sup>(3)</sup>	18.2%
Miriam Kidron #+	405,584 <sup>(4)</sup>	3%
Yifat Zommer +	130,644 <sup>(5)</sup>	1%
Joshua Hexter +	112,800 <sup>(6)</sup>	*
Aviad Friedman #	19,691 <sup>(7)</sup>	*
Xiaopeng Li #	63,900 <sup>(8)</sup>	*
Kevin Rakin #	0	*
Leonard Sank #	569,269 <sup>(9)</sup>	4.3%
David Slager #	1,453,638 <sup>(10)</sup>	10.7%
All current executive officers and directors, as a group (nine persons)	5,132,175 <sup>(11)</sup>	38.1%

\* Less than 1%  
# Director  
+ Named Executive Officer

(1) Includes warrants to purchase 266,815 shares of common stock. Regals Capital Management LP, or Regals Management, is the investment manager of Regals Fund LP, the owner of record of these shares of common stock. Mr. David Slager is the managing member of the general partner of Regals Management. All investment decisions are made by Mr. Slager, and thus the power to vote or direct the votes of these shares of common stock, as well as the power to dispose or direct the disposition of such shares of common stock is held by Mr. Slager through Regals Management.

(2) Based solely on a Schedule 13D filed by HTIT on January 6, 2016. On November 30, 2015, we entered into a securities purchase agreement with HTIT pursuant to which, among other things, Nadav Kidron will serve as proxy and attorney in fact of HTIT, with full power of substitution, to cast on behalf of HTIT all votes that HTIT is entitled to cast with respect to 1,155,367 shares of common stock, or the Purchased Shares, at any and all meetings of our shareholders, to consent or dissent to any action taken without a meeting and to vote all the Purchased Shares held by HTIT in any manner Mr. Kidron deems appropriate except for matters related to our activities in the People’s Republic of China, on which Mr. Kidron will consult with HTIT before taking any action as proxy.

- (3) Includes 263,134 shares of common stock issuable upon the exercise of outstanding stock options, 6,654 shares of common stock issuable upon the settlement of RSUs and 82,982 shares of common stock not yet issued underlying RSUs that have vested. Also includes 1,155,367 shares of common stock held by HTIT, as further described in footnote (2) above, and 63,900 shares of common stock held by Xiaopeng Li, as further discussed in footnote (8) below.
- (4) Includes 263,134 shares of common stock issuable upon the exercise of outstanding stock options, 6,654 shares of common stock issuable upon the settlement of RSUs and 82,982 shares of common stock not yet issued underlying RSUs that have vested.
- (5) Includes 84,084 shares of common stock issuable upon the exercise of outstanding stock options and 3,880 shares of common stock issuable upon the settlement of RSUs.
- (6) Includes 100,800 shares of common stock issuable upon the exercise of outstanding stock options and 3,000 shares of common stock issuable upon the settlement of RSUs.
- (7) Includes 9,691 shares of common stock owned by Shikma, of which Mr. Friedman is the sole owner and chief executive officer. All investment decisions are made by Mr. Friedman, and thus the power to vote or direct the votes of these shares of common stock, as well as the power to dispose or direct the disposition of such shares of common stock is held by Mr. Friedman through Shikma.
- (8) The voting of these shares is subject to a revocable proxy granted to Nadav Kidron. On November 21, 2016, following her purchase of such shares, Ms. Li appointed Nadav Kidron as proxy and attorney in fact of Ms. Li, with full power of substitution, to cast on behalf of Ms. Li all votes that Ms. Li is entitled to cast with respect to the shares purchased at any and all meeting of the shareholders of the Company, to consent or dissent to any action taken without a meeting and to vote all the shares held by Ms. Li in any manner Mr. Kidron deems appropriate except for matters related to the Company's activities in the Territory and when obvious that specific votes violate Ms. Li's right and interest, on which Mr. Kidron and Ms. Li will consult with each other in advance of the vote, and subsequently Mr. Kidron will vote according to Ms. Li's instructions. The proxy will also apply to shares of the Company purchased by Ms. Li through open market transactions. Ms. Li may revoke the proxy in writing at any time.
- (9) Includes: (a) 259,807 shares of common stock, warrants to purchase 23,265 shares of common stock and 11,089 shares of common stock issuable upon the settlement of RSUs held by Mr. Sank; (b) 78,125 shares of common stock held by Mr. Sank's wife; (c) 58,094 shares of common stock issuable to Mr. Sank upon the exercise of outstanding stock options; and (d) 138,889 shares of common stock owned by a company wholly owned by a trust of which Mr. Sank is a trustee. Mr. Sank disclaims beneficial ownership of the securities referenced in (b) and (d) above.
- (10) See footnote (1) above.
- (11) Includes 1,059,326 shares of common stock issuable upon the exercise of options and warrants beneficially owned by the referenced persons, 165,964 shares of common stock not yet issued underlying RSUs that have vested and 31,277 shares of common stock issuable upon the settlement of RSUs.

### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.**

During fiscal 2016 and 2015, we did not participate in any transaction, and we are not currently participating in any proposed transaction, or series of transactions, in which the amount involved exceeded the lesser of \$120,000 or one percent of the average of our total assets at year end, and in which, to our knowledge, any of our directors, officers, five percent beneficial security holders,

or any member of the immediate family of the foregoing persons had, or will have, a direct or indirect material interest.

Our policy is to enter into transactions with related persons on terms that, on the whole, are no less favorable than those available from unaffiliated third parties. Based on our experience in the business sectors in which we operate and the terms of our transactions with unaffiliated third parties, we believe that all of the transactions described below met this policy standard at the time they occurred. All related person transactions are approved by our Board.

See “Item 11. Executive Compensation—Director Compensation” above for information as to one of our directors during Fiscal 2016 and the former Chairman of our Scientific Advisory Board, Michael Berelowitz.

The Board has determined that Leonard Sank, David Slager, Kevin Rakin, Aviad Friedman and Xiaopeng Li are independent as defined under the rules promulgated by Nasdaq.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.**

The aggregate fees billed by Kesselman & Kesselman, independent registered public accounting firm, and member firm of PricewaterhouseCoopers International Limited, for services rendered to us during the fiscal years ended August 31, 2016 and 2015:

	<b>2016</b>	<b>2015</b>
Audit Fees <sup>(1)</sup>	\$ 116,000	\$ 76,000
Audit-Related Fees	-	-
Tax Fees <sup>(2)</sup>	32,000	6,000
All Other Fees	-	-
<b>Total Fees</b>	<b>\$ 148,000</b>	<b>\$ 82,000</b>

(1) Amount represents fees paid for professional services for the audit of our consolidated annual financial statements, review of our interim condensed consolidated financial statements included in quarterly reports, review of our responses to SEC comments in 2015 and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings or engagements.

(2) Represents fees paid for tax consulting services.

SEC rules require that before the independent registered public accounting firm are engaged by us to render any auditing or permitted non-audit related service, the engagement be: (1) pre-approved by our Audit Committee; or (2) entered into pursuant to pre-approval policies and procedures established by the Audit Committee, provided the policies and procedures are detailed as to the particular service, the Audit Committee is informed of each service, and such policies and procedures do not include delegation of the Audit Committee’s responsibilities to management.

The Audit Committee pre-approves all services provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by the Audit Committee before the services were rendered.

### **PART IV**

#### **ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.**

##### **(a) Index to Financial Statements**

The following consolidated financial statements are filed as part of this Annual Report on Form 10-K:

	<b>Page</b>
<b><u>REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u></b>	F - 1
<b>CONSOLIDATED FINANCIAL STATEMENTS:</b>	
<u>Balance sheets</u>	F - 2
<u>Statements of comprehensive loss</u>	F - 3
<u>Statements of changes in stockholders' equity</u>	F - 4
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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of  
**ORAMED PHARMACEUTICALS INC.**

We have audited the accompanying consolidated balance sheets of Oramed Pharmaceuticals Inc. and its subsidiary as of August 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, changes in stockholders' equity and cash flows for each of the three years in the period ended August 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Oramed Pharmaceuticals Inc. and its subsidiary as of August 31, 2016 and 2015, and the results of its operations and its cash flows for each of the three years in the period ended August 31, 2016, in conformity with accounting principles generally accepted in the United States of America.

Tel Aviv, Israel  
November 24, 2016

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P.O Box 50005 Tel-Aviv 6150001 Telephone: +972 -3- 7954555, Fax: +972 -3- 7954556,  
[www.pwc.com/il](http://www.pwc.com/il)*

**ORAMED PHARMACEUTICALS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
U.S. Dollars in thousands (except share and per share data)

	<b>August 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 3,907	\$ 3,213
Short-term deposits (note 2)	24,254	11,928
Marketable securities (note 3)	2,855	2,088
Restricted cash	16	16
Prepaid expenses and other current assets	198	127
Total current assets	<u>31,230</u>	<u>17,372</u>
<b>LONG-TERM ASSETS:</b>		
Long-term deposits and investment (note 4)	11,043	8,022
Marketable securities (note 3c)	530	940
Amounts funded in respect of employee rights upon retirement	11	9
Property and equipment, net	16	11
Total long-term assets	<u>11,600</u>	<u>8,982</u>
Total assets	<u><u>\$ 42,830</u></u>	<u><u>\$ 26,354</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 1,411	\$ 953
Deferred revenues (note 1a1)	2,162	500
Related parties (note 11c)	48	36
Total current liabilities	<u>3,621</u>	<u>1,489</u>
<b>LONG-TERM LIABILITIES:</b>		
Deferred revenues (note 1a1)	12,604	-
Employee rights upon retirement	14	11
Provision for uncertain tax position (note 10e)	11	26
Other liabilities	390	-
Total long-term liabilities	<u>13,019</u>	<u>37</u>
<b>COMMITMENTS (note 6)</b>		
<b>STOCKHOLDERS' EQUITY:</b>		
Common stock, \$ 0.012 par value (30,000,000 authorized shares as of August 31, 2016 and 2015; 13,183,425 and 11,563,077 shares issued and outstanding as of August 31, 2016 and 2015, respectively)	157	138
Additional paid-in capital	71,943	59,184
Accumulated other comprehensive income	106	558
Accumulated loss	(46,016)	(35,052)
Total stockholders' equity	<u>26,190</u>	<u>24,828</u>
Total liabilities and stockholders' equity	<u><u>\$ 42,830</u></u>	<u><u>\$ 26,354</u></u>

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

**ORAMED PHARMACEUTICALS INC.**  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS  
U.S. Dollars in thousands (except share and per share data)

	Year ended August 31,		
	2016	2015	2014
<b>REVENUES</b>	\$ (641)	\$ -	\$ -
<b>COST OF REVENUES</b> (notes 6j, 6k)	490	-	-
<b>RESEARCH AND DEVELOPMENT EXPENSES, NET</b>	7,709	4,781	3,277
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	2,452	2,602	2,629
<b>OPERATING LOSS</b>	10,010	7,383	5,906
<b>FINANCIAL INCOME</b> (note 9a)	(474)	(168)	(225)
<b>FINANCIAL EXPENSES</b> (note 9b)	93	18	11
<b>LOSS BEFORE TAXES ON INCOME</b>	9,629	7,233	5,692
<b>TAXES ON INCOME (TAX BENEFIT)</b> (note 10c)	1,335	(1)	4
<b>NET LOSS FOR THE YEAR</b>	\$ 10,964	\$ 7,232	\$ 5,696
<b>RECLASSIFICATION ADJUSTMENT FOR GAINS INCLUDED IN NET LOSS</b>	-	-	80
<b>UNREALIZED LOSS (GAIN) ON AVAILABLE FOR SALE SECURITIES</b>	452	(106)	(228)
<b>TOTAL OTHER COMPREHENSIVE LOSS (INCOME)</b>	452	(106)	(148)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	\$ 11,416	\$ 7,126	\$ 5,548
<b>LOSS PER SHARE OF COMMON STOCK:</b>			
<b>BASIC AND DILUTED LOSS PER SHARE OF COMMON STOCK</b>	\$ 0.87	\$ 0.67	\$ 0.62
<b>WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK USED IN COMPUTING BASIC AND DILUTED LOSS PER SHARE OF COMMON STOCK</b>	12,624,356	10,820,465	9,244,059

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

**ORAMED PHARMACEUTICALS INC.**  
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
U.S. Dollars in thousands (except share data)

		Additional		Accumulated		Total stockholders' equity	
Common Stock		paid-in capital	other comprehensive income	Accumulated loss			
Shares	\$						
In thousands							
BALANCE AS OF							
AUGUST 31, 2013		7,938	\$ 95	\$ 29,856	\$ 304	\$ (22,124)	\$ 8,131



<b>SHARES ISSUED FOR CASH, NET</b>	1,580	19	14,868	-	-	14,887
<b>SHARES ISSUED FOR SERVICES</b>	16	*	102	-	-	102
<b>EXERCISE OF WARRANTS AND OPTIONS</b>	569	7	1,746	-	-	1,753
<b>STOCK-BASED COMPENSATION</b>	-	-	1,468	-	-	1,468
<b>OTHER COMPREHENSIV E INCOME</b>	-	-	-	148	-	148
<b>NET LOSS</b>	-	-	-	-	(5,696)	(5,696)
<b>BALANCE AS OF AUGUST 31, 2014</b>	10,103	12 1	48,040	452	(27,820)	20,793
<b>SHARES, OPTIONS AND WARRANTS ISSUED FOR CASH, NET</b>	1,411	17	9,696	-	-	9,713
<b>SHARES ISSUED FOR SERVICES</b>	15	*	93	-	-	93
<b>EXERCISE OF OPTIONS</b>	1	*	8	-	-	8
<b>STOCK-BASED COMPENSATION</b>	33	*	1,347	-	-	1,347
<b>OTHER COMPREHENSIV E INCOME</b>	-	-	-	106	-	106
<b>NET LOSS</b>	-	-	-	-	(7,232)	(7,232)
<b>BALANCE AS OF AUGUST 31, 2015</b>	11,563	13 8	59,184	558	(35,052)	24,828
<b>SHARES ISSUED FOR SERVICES</b>	14	*	101	-	-	101
<b>ISSUANCE OF COMMON STOCK, NET</b>	1,155	14	10,580	-	-	10,594
<b>EXERCISE OF WARRANTS AND OPTIONS</b>	350	4	1,445	-	-	1,449
<b>STOCK-BASED COMPENSATION</b>	101	1	633	-	-	634
<b>OTHER COMPREHENSIV E LOSS</b>	-	-	-	(452)	-	(452)
<b>NET LOSS</b>	-	-	-	-	(10,964)	(10,964)
<b>BALANCE AS OF AUGUST 31, 2016</b>	13,183	15 \$ 7	\$ 71,943	\$ 106	\$ (46,016)	\$ 26,190

\* Represents an amount of less than \$1.

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

**ORAMED PHARMACEUTICALS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
U.S. Dollars in thousands

	<b>Year ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (10,964)	\$ (7,232)	\$ (5,696)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Depreciation	4	4	6
Exchange differences and interest on deposits and held to maturity bonds	(163)	(20)	(29)
Stock-based compensation	634	1,347	1,468
Shares issued for services	101	93	102
Gain on sale of investment		-	(80)
Changes in operating assets and liabilities:			
Prepaid expenses, other current assets and related parties	(71)	345	(319)
Accounts payable, accrued expenses and related parties	470	16	475
Deferred revenue	14,266	500	-
Liability for employee rights upon retirement	3	2	1
Provision for uncertain tax position	(15)	(1)	4
Other liabilities	390	-	-
Total net cash provided by (used in) operating activities	<u>4,655</u>	<u>(4,946)</u>	<u>(4,068)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of property and equipment	(9)	(1)	(14)
Purchase of short-term deposits	(7,010)	(3,673)	(49,250)
Purchase of long-term deposits	(22,274)	(17,452)	(6,500)
Purchase of held to maturity securities	(1,775)	(1,885)	-
Proceeds from sale of short-term deposits	14,160	19,701	42,539
Proceeds from maturity of held to maturity securities	900	-	-
Proceeds from sale of available-for-sale securities	-	-	137
Funds in respect of employee rights upon retirement	(2)	(2)	(2)
Other	-	-	2
Total net cash used in investing activities	<u>(16,010)</u>	<u>(3,312)</u>	<u>(13,088)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Proceeds from issuance of common stock, options and warrants - net of issuance expenses	10,594	9,713	14,887
Proceeds from exercise of warrants and options	1,449	8	1,753
Total net cash provided by financing activities	<u>12,043</u>	<u>9,721</u>	<u>16,640</u>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>	<u>6</u>	<u>(12)</u>	<u>6</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>694</u>	<u>1,451</u>	<u>(510)</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>3,213</u>	<u>1,762</u>	<u>2,272</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>\$ 3,907</u>	<u>\$ 3,213</u>	<u>\$ 1,762</u>
<b>SUPPLEMENTARY DISCLOSURE ON CASH FLOWS</b>			
Interest received	<u>\$ 256</u>	<u>\$ 115</u>	<u>\$ 107</u>

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

## **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:**

### **a. General**

#### **1) Incorporation and operations**

Oramed Pharmaceuticals Inc. (collectively with its subsidiary, the “Company”, unless the context indicates otherwise) was incorporated on April 12, 2002, under the laws of the State of Nevada. From incorporation until March 3, 2006, the Company was an exploration stage company engaged in the acquisition and exploration of mineral properties. On February 17, 2006, the Company entered into an agreement with Hadasit Medical Services and Development Ltd. (“Hadasit”) to acquire the provisional patent related to orally ingestible insulin capsule to be used for the treatment of individuals with diabetes.

On May 14, 2007, the Company incorporated a wholly-owned subsidiary in Israel, Oramed Ltd. (the “Subsidiary”), which is engaged in research and development.

On March 11, 2011, the Company was reincorporated from the State of Nevada to the State of Delaware.

On November 30, 2015, the Company entered into a Technology License Agreement with Hefei Tianhui Incubation of Technologies Co. Ltd. (“HTIT”) and on December 21, 2015, the parties entered into an Amended and Restated Technology License Agreement, that was further amended by the parties on June 3, 2016 and July 24, 2016 (the “License Agreement”). According to the License Agreement, the Company granted HTIT an exclusive commercialization license in the territory of the Peoples Republic of China, Macau and Hong Kong (the “Territory”), related to the Company’s oral insulin capsule, ORMD-0801. Pursuant to the License Agreement, HTIT will conduct, at its own expense, certain pre-commercialization and regulatory activities with respect to the Subsidiary’s technology and ORMD-0801 capsule, and will pay to the Subsidiary (i) royalties of 10% on net sales of the related commercialized products to be sold by HTIT in the Territory (“Royalties”), and (ii) an aggregate of \$37,500, of which \$3,000 is payable immediately, \$8,000 will be paid subject to the Company entering into certain agreements with certain third parties, and \$26,500 will be payable upon achievement of certain milestones and conditions. In the event that the Company does not meet certain conditions, the Royalties rate may be reduced to a minimum of 8%. Following the expiration of the Company's patents covering the technology in the Territory (the “Patents”), the Royalties rate may be reduced, under certain circumstances, to 5%. The Royalties term will commence upon the commercialization of the product and will end upon the later of the expiration of the Patents or fifteen years after the first commercialization of the product in the Territory.

Among others, the Company's involvement through the product submission date will include consultancy for the pre-commercialization activities in the Territory, as well as provide advice to HTIT on an ongoing basis.

The closing of the License Agreement was conditioned upon the approval of the Israel Innovation Authority (previously the Office of the Chief Scientist) of the Israeli Ministry of Economy & Industry ("IIA"), which was received on December 21, 2015.

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

The initial payment of \$3,000 was received in January 2016 and the second payment of \$6,500 was received in July 2016 following achievement of certain milestones. Since the Company entered into the required agreements with certain third parties, as detailed in notes 6h and 6i, it was entitled to \$8,000 as of August 31, 2016, of which \$4,000 was received in July 2016 and \$4,000 was received in October 2016.

In addition, on November 30, 2015, the Company entered into a Stock Purchase Agreement with HTIT (the "SPA"). According to the SPA, the Company issued 1,155,367 shares of common stock to HTIT for \$12,000. The transaction closed on December 28, 2015.

The License Agreement and the SPA were considered a single arrangement with multiple deliverables. The Company allocated the total consideration of \$49,500 between the License Agreement and the SPA according to their fair value, as follows: \$10,617 was allocated to the issuance of common stock (less issuance expenses of \$23), based on the quoted price of the Company's shares on the closing date of the SPA on December 28, 2015, and \$38,883 to the License Agreement. Given the Company's continuing involvement through the expected product submission (June 2023), amounts received relating to the License Agreement are recognized over the period from which the Company is entitled to the respective payment, and the expected product submission date using a time-based model approach over the periods that the fees are earned.

In July 2015, according to the letter of intent signed between the parties or their affiliates, HTIT's affiliate paid the Subsidiary a non-refundable amount of \$500 as a no-shop fee. The no-shop fee was deferred and the related revenue is recognized over the estimated term of the License Agreement.

Amounts that were allocated to the License Agreement and milestone payments that the Company was entitled to receive as of August 2016, aggregated \$19,383, all of which were received through October 2016. Through August 31, 2016, the Company recognized revenue in the amount of \$641, and deferred the remaining amount of \$14,766.

**2) Development and liquidity risks**

The Company is engaged in research and development in the biotechnology field for innovative pharmaceutical solutions,

including an orally ingestible insulin capsule to be used for the treatment of individuals with diabetes, and the use of orally ingestible capsules for delivery of other polypeptides, and has not generated significant revenues from its operations. Continued operation of the Company is contingent upon obtaining sufficient funding until it becomes profitable.

Successful completion of the Company's development programs and its transition to normal operations is dependent upon obtaining necessary regulatory approvals from the U.S. Food and Drug Administration prior to selling its products within the United States, and foreign regulatory approvals to sell its products internationally, or entering into licensing agreements with third parties. There can be no assurance that the Company will receive regulatory approval of any of its product candidates, and a substantial amount of time may pass before the Company achieves a level of revenues adequate to support its operations, if at all. The Company also expects to incur substantial expenditures in connection with the regulatory approval process for each of its product candidates during their respective developmental periods. Obtaining marketing approval will be directly dependent on the Company's ability to implement the necessary regulatory steps required to obtain marketing approval in the United States and in other countries. The Company cannot predict the outcome of these activities.

#### **ORAMED PHARMACEUTICALS INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**b. Basis of presentation**

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

**c. Use of estimates in the preparation of financial statements**

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statements date and the reported expenses during the reporting periods. Actual results could differ from those estimates.

As applicable to these consolidated financial statements, the most significant estimates and assumptions relate to stock-based compensation and to the expected product submission date for revenue recognition purposes.

**d. Functional currency**

The currency of the primary economic environment in which the operations of the Company and its Subsidiary are conducted is the U.S. dollar (" \$" or "dollar"). Therefore, the functional currency of the Company and its Subsidiary is the dollar.

Transactions and balances originally denominated in dollars are presented at their original amounts. Balances in foreign currencies are translated into dollars using historical and current exchange rates for non-monetary and monetary balances, respectively. For foreign transactions and other items reflected in the statements of operations, the following exchange rates are used: (1) for transactions - exchange rates at transaction dates or average rates and (2) for other items (derived from non-monetary balance sheet items such as depreciation) - historical exchange rates. The resulting transaction gains or losses are carried to financial income or expenses, as appropriate.

**e. Principles of consolidation**

The consolidated financial statements include the accounts of the Company and its Subsidiary. All inter-company transactions and balances have been eliminated in consolidation.

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**f. Cash equivalents**

The Company considers all short-term, highly liquid investments, which include short-term deposits with original maturities of three months or less from the date of purchase that are not restricted as to withdrawal or use and are readily convertible to known amounts of cash, to be cash equivalents.

**g. Fair value measurement:**

The Company measures fair value and discloses fair value measurements for financial assets and liabilities. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, the guidance establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described as follows:

Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

As of August 31, 2016, the assets or liabilities measured at fair value are comprised of available for sale equity securities (level 1).

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

As of August 31, 2016, the carrying amount of cash and cash equivalents, short-term deposits, other current assets, accounts payable and accrued expenses approximate their fair values due to the short-term maturities of these instruments.

As of August 31, 2016, the carrying amount of long-term deposits approximates their fair values due to the stated interest rates which approximate market rates.

The fair value of held to maturity bonds as presented in note 3 was based on a level 1 measurement.

The amounts funded in respect of employee rights are stated at cash surrender value which approximates its fair value.

**h. Marketable securities**

**1) Available-for-sale securities**

Available-for-sale equity securities are reported at fair value, with unrealized gains and losses, net of related tax recorded as a separate component of other comprehensive income loss (income) in equity until realized. Unrealized losses that are considered to be other-than-temporary are charged to statement of operations as an impairment charge and are included in the consolidated statement of operations under impairment of available-for-sale securities.

The Company considers available evidence in evaluating potential impairments of its investments, including the duration and extent to which fair value is less than cost, and the Company's ability and intent to hold the investment. Realized gains and losses on sales of the securities are included in the consolidated statement of operations as financial income or expenses.

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued):**

**2) Held to maturity securities**

All debt securities are classified as held-to-maturity because the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost, adjusted for amortization of premiums and accretion of discounts to maturity. On a continuous basis, management assesses whether there are any indicators that the value of the Company's marketable securities may be impaired, which includes reviewing the underlying cause of any decline in value and the estimated recovery period, as well as the severity and duration of the decline. In the Company's evaluation, the Company considers its ability and intent to hold these investments for a reasonable period of time sufficient for the Company to recover its cost basis. A marketable security is impaired if the fair value of the security is less than the carrying value of the security and such difference is deemed to be other-than temporary. To the extent impairment has occurred, the loss shall be measured as the excess of the carrying amount of the security over the estimated fair value in the security.

**i. Concentration of credit risks**

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, short and long-term deposits and marketable securities

which are deposited in major financial institutions. The Company is of the opinion that the credit risk in respect of these balances is remote.

As of the date of issuing these financial statements, all amounts due from HTIT have been received, as described in note 1 above.

**j. Property and equipment**

Property and equipment are recorded at cost and depreciated by the straight-line method over the estimated useful lives of the assets.

Annual rates of depreciation are as follows:

	%
Computers and peripheral equipment	33
Office furniture and equipment	15-33

Leasehold improvements are amortized over the term of the lease which is shorter than the estimated useful life of the improvements.

**k. Income taxes**

**1. Deferred taxes**

Deferred taxes are determined utilizing the asset and liability method based on the estimated future tax effects of differences between the financial accounting and tax bases of assets and liabilities under the applicable tax laws. Deferred tax balances are computed using the tax rates expected to be in effect when those differences reverse. A valuation allowance in respect of deferred tax assets is provided if, based upon the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized. The Company has provided a full valuation allowance with respect to its deferred tax assets. See note 10.

Regarding the Subsidiary, the recognition is prohibited for deferred tax liabilities or assets that arise from differences between the financial reporting and tax bases of assets and liabilities that are measured from the local currency into dollars using historical exchange rates, and that result from changes in exchange rates or indexing for tax purposes.

Consequently, the abovementioned differences were not reflected in the computation of deferred tax assets and liabilities.

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
U.S. Dollars in thousands (except share and per share data)

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

Taxes that would apply in the event of disposal of investments in the Subsidiary have not been taken into account in computing deferred taxes, as it is the Company's intention to hold this investment, not to realize it.

**2. Uncertainty in income tax**

The Company follows a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by



determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon ultimate settlement. Such liabilities are classified as long-term, unless the liability is expected to be resolved within twelve months from the balance sheet date. The Company's policy is to include interest and penalties related to unrecognized tax benefits within income tax expenses.

**l. Revenue recognition**

Revenue is recognized when delivery has occurred, evidence of an arrangement exists, title and risks and rewards for the products are transferred to the customer, collection is reasonably assured and product returns can be reliably estimated.

Given the Company's continuing involvement through the expected product submission (June 2023), revenue from the License Agreement is recognized over the periods from which the Company is entitled to the respective payments (including milestones), and through the expected product submission date.

**m. Research and development, net**

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, employee benefits, the cost of supplies, the cost of services provided by outside contractors, including services related to the Company's clinical trials, clinical trial expenses and the full cost of manufacturing drug for use in research and preclinical development. All costs associated with research and development are expensed as incurred.

Clinical trial costs are a significant component of research and development expenses and include costs associated with third-party contractors. The Company outsources a substantial portion of its clinical trial activities, utilizing external entities such as Contract Research Organizations, independent clinical investigators, and other third-party service providers to assist the Company with the execution of its clinical studies. For each clinical trial that the Company conducts, clinical trial costs are expensed immediately.

Grants received from the IIA and from the Bio-Jerusalem fund ("Bio-Jerusalem") are recognized as grant income when the grants become receivable, provided there is reasonable assurance that the Company will comply with the conditions attached to the grant and there is reasonable assurance the grant will be received. The grants are deducted from the related research and development expenses as the costs are incurred and are presented in R&D expenses, net. See also notes 6(j) and 6(k).

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

**n. Stock-based compensation**

Equity awards granted to employees are accounted for using the grant date fair value method. The fair value of share based payment transactions is recognized as an expense over the requisite service period. The expected service period is estimated using the simplified method due to insufficient specific historical

information of employees' exercise behavior. The Company elected to recognize compensation cost for an award with only service conditions that has a graded vesting schedule using the accelerated method based on the multiple-option award approach. When stock options are granted as consideration for services provided by consultants and other non-employees, the transaction is accounted for based on the fair value of the consideration received or the fair value of the stock options issued, whichever is more reliably measurable. The fair value of the options granted is measured on a final basis at the end of the related service period and is recognized over the related service period using the straight-line method.

**o. Loss per common share**

Basic and diluted net loss per common share are computed by dividing the net loss for the period by the weighted average number of shares of common stock outstanding for each period. Outstanding stock options, warrants and restricted stock units have been excluded from the calculation of the diluted loss per share because all such securities are anti-dilutive for all periods presented. The total number of common stock options, warrants and restricted stock units excluded from the calculation of diluted net loss was 2,676,573, 2,249,164 and 2,159,046 for the years ended August 31, 2016, 2015 and 2014, respectively.

**p. Newly issued and recently adopted Accounting Pronouncements**

- 1) In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance on revenue from contracts with customers that will supersede most current revenue recognition guidance, including industry-specific guidance. The underlying principle is that an entity will recognize revenue upon the transfer of goods or services to customers in an amount that the entity expects to be entitled to in exchange for those goods or services. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price, and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The guidance also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. The guidance is effective for the interim and annual periods beginning on or after December 15, 2017 (early adoption is permitted for the interim and annual periods beginning on or after December 15, 2016). The Company is currently evaluating the impact of the guidance on its consolidated financial statements.
- 2) In January 2016, the FASB issued guidance on recognition and measurement of financial assets and financial liabilities (Accounting Standards Update No. 2016-01) that will supersede most current guidance. Changes to the U.S. GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. In addition, the FASB clarified guidance related to the valuation allowance assessment when recognizing deferred tax assets resulting from unrealized losses on available-for-sale debt securities.

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities, is largely unchanged. The classification and measurement guidance will be effective in fiscal years beginning after December 15, 2017, including interim periods

within those fiscal years (early adoption of the provision to record fair value changes for financial liabilities under the fair value option resulting from instrument-specific credit risk in other comprehensive income is permitted). The Company is currently evaluating the impact of the guidance on its consolidated financial statements.

- 3) In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"), which supersedes the existing guidance for lease accounting, "Leases (Topic 840)". ASU 2016-02 requires lessees to recognize leases on their balance sheets, and leaves lessor accounting largely unchanged. The amendments in ASU 2016-02 are effective for fiscal years beginning after December 15, 2018 and interim periods within those fiscal years. Early application is permitted for all entities. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company is currently evaluating the impact of this new standard on its consolidated financial statements.
- 4) In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation (Topic 718)" ("ASU 2016-09") which simplifies certain aspects of the accounting for share-based payments, including accounting for income taxes, classification of awards as either equity or liabilities, classification on the statement of cash flows as well as allowing an entity-wide accounting policy election to either estimate the number of awards that are expected to vest or account for forfeitures as they occur. ASU 2016-09 is effective for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted in any annual or interim period for which financial statements have not yet been issued, and all amendments in the ASU that apply must be adopted in the same period. The Company adopted ASU 2016-09 in the fourth quarter of fiscal 2016 and the implementation of this standard did not have material impact on the consolidated financial statements.

#### **ORAMED PHARMACEUTICALS INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):**

- 5) In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326)" ("ASU 2016-13"). ASU 2016-13 requires that financial assets measured at amortized cost be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis. The income statement reflects the measurement of credit losses for newly recognized financial assets, as well as the expected credit losses during the period. The measurement of expected credit losses is based upon historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. Credit losses relating to available-for-sale debt securities will be recorded through an allowance for credit losses rather than as a direct write-down to the security. ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently evaluating the impact of the guidance on its consolidated financial statements.
- 6) In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flow - Classification of Certain Cash Receipts and Cash Payments (Topic 230)" ("ASU 2016-15"), which addresses a few specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU 2016-15 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted,

including adoption in an interim period. The Company is currently evaluating the impact of this new pronouncement on its consolidated statements of cash flows.

## NOTE 2 - SHORT-TERM DEPOSITS:

### Composition:

	August 31,			
	2016		2015	
	Annual interest rate	Amount	Annual interest rate	Amount
Dollar deposits	0.85-2%	\$ 24,254	0.3-1.52%	\$ 11,928

## ORAMED PHARMACEUTICALS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

## NOTE 3 - MARKETABLE SECURITIES:

### a. Composition:

The Company's marketable securities include investments in equity securities of D.N.A Biomedical Solutions Ltd ("D.N.A") and in held to maturity bonds.

### Composition:

	August 31,	
	2016	2015
<b>Short-term:</b>		
D.N.A (see b below)	\$ 701	\$ 1,153
Held to maturity bonds (see c below)	2,154	935
	<u>\$ 2,855</u>	<u>\$ 2,088</u>
<b>Long-term:</b>		
Held to maturity bonds (see c below)	<u>\$ 530</u>	<u>\$ 940</u>

### b. D.N.A

The D.N.A ordinary shares are traded on the Tel Aviv Stock Exchange and have a quoted price. The fair value of those securities is measured at the quoted prices of the securities on the measurement date. D.N.A consummated a reverse stock split at a ratio of one-for-two, effective October 4, 2015, and unless otherwise indicated, share amounts of D.N.A included in these financial statements have been adjusted to reflect the effects of the reverse stock split.

During the years ended August 31, 2016 and 2015, the Company did not sell any of the D.N.A ordinary shares. During the year ended August 31, 2014, the Subsidiary sold in aggregate 1,312,995 of the D.N.A ordinary shares for a total of \$138.

As of August 31, 2016, the Company owns approximately 8.7% of D.N.A's outstanding ordinary shares.

The cost of the securities as of August 31, 2016 and 2015 is \$595.

The cost of the securities sold and the amount reclassified out of accumulated other comprehensive income into financial income (amounting to \$80 during the year ended August 31, 2014), were determined by specific identification.

**ORAMED PHARMACEUTICALS INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. Dollars in thousands (except share and per share data)

**NOTE 3 - MARKETABLE SECURITIES** (continued):

**c. Held to maturity bonds**

The amortized cost and estimated fair value of held-to-maturity securities at August 31, 2016, are as follows:

	<b>August 31, 2016</b>		
	<b>Amortized cost</b>	<b>Gross unrealized gains</b>	<b>Estimated fair value</b>
Short-term:			
Commercial bonds	\$ 2,118	\$ -	\$ 2,118
Accrued interest	36	-	36
Long-term	530	1	531
	<u>\$ 2,684</u>	<u>\$ 1</u>	<u>\$ 2,685</u>

As of August 31, 2016, the contractual maturities of debt securities classified as held-to-maturity are as follows: after one year through two years, \$530 and the yield to maturity rates vary between 0.96% to 1.8%.

The amortized cost and estimated fair value of held-to-maturity securities at August 31, 2015, are as follows:

	<b>August 31, 2015</b>		
	<b>Amortized cost</b>	<b>Gross unrealized losses</b>	<b>Estimated fair value</b>
Short-term:			
Commercial bonds	\$ 914	\$ (1)	\$ 913
Accrued interest	21	-	21
Long-term	940	(3)	937
	<u>\$ 1,875</u>	<u>\$ (4)</u>	<u>\$ 1,871</u>

As of August 31, 2015, the contractual maturities of debt securities classified as held-to-maturity are as follows: after one year through two years, \$940, and the yield to maturity rates vary between 0.57% to 1.31%.

**NOTE 4 - LONG-TERM DEPOSITS:**

**Composition:**

<b>August 31,</b>	
<b>2016</b>	<b>2015</b>

Bank deposits (1)	\$	11,038	\$	8,017
Lease car deposits		4		4
Investment		1		1
	\$	<u>11,043</u>	\$	<u>8,022</u>

(1)Represents U.S. dollar bank deposits which carry fixed annual interest rates between 1.84% to 2.01%, with maturities of more than one year from balance sheet date. The latest maturity date is during the year ending August 31, 2018.

## **ORAMED PHARMACEUTICALS INC.**

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### **NOTE 5 - WARRANTS**

As part of the Company's private placements in 2011 and 2012, three warrants to purchase in aggregate 311,797 shares were granted to one of the Company's existing investors (the "Prior Investor") (collectively, the "Warrants"). The Warrants were granted for five years at an initial exercise price of \$6.00 per share. The Prior Investor was granted the right to maintain its percentage of the shares of the Company's common stock outstanding by purchasing more shares whenever the Company proposes to issue certain additional shares to other investors. Such right only exists so long as the Prior Investor holds at least 5% of the Company's outstanding common stock. In addition, the Prior Investor's Warrants included a full ratchet anti-dilution protection from the second year anniversary date after issuing the warrant, subject to certain limitations. In the event the Company was to issue or sell any common stock for a consideration per share lower than the exercise price then in effect, or was to issue or sell any options, warrants or other rights for the purchase or acquisition of such shares at a consideration per share of less than the exercise price then in effect, the warrants were to be amended to (a) reduce the exercise price to an amount equal to the per share consideration payable to the company in such sale or issuance, and (b) the quantity of warrants were to be updated.

As a result of a private placement in August 2012, and an agreement with D.N.A from October 2012, the warrant that was issued in 2011 was twice amended in such that its exercise price was reduced to \$3.7656 per share and the number of shares issuable upon its exercise was increased to 290,459.

On November 29, 2012, the Company and the Prior Investor entered into a letter agreement (the "Agreement") in connection with the Warrants, pursuant to the which, the Company and the Prior Investor agreed to amend the Warrants to remove the anti-dilution protection in its entirety. Following the removal of the anti-dilution protection, the Warrants were no longer classified as liabilities and were recorded as stockholders' equity. In addition, as to the Warrants issued in August and November 2012, the exercise price was reduced to \$3.7656 per share. On that day, the Company also issued to the Prior Investor an additional warrant to purchase up to 137,311 shares of the Company over a period of four years at an exercise price of \$7.20 per share. The fair value of the new warrant at the date of grant was \$145, based on the Monte Carlo type model.

In addition to the new warrant, the Company's President, Chief Executive Officer and director (the "CEO"), in his personal capacity as a shareholder of the Company, undertook and agreed that following the execution and delivery of the Agreement, in the event that an adjustment pursuant to the anti-dilution protection of any of the Warrants, as amended, would have been triggered and the number of shares of common stock of the Company that the Prior Investor would have been able to purchase under the Warrants would have increased by an aggregate number in excess of 137,311 shares, then the Prior Investor shall

have the right to purchase from the CEO such number of shares of common stock of the Company owned by the CEO equal to such excess, up to a maximum of 112,690 shares of common stock of the Company (the "CEO Option"). The foregoing right shall survive until the expiration date of such Warrants.

The fair value of the CEO Option on the date of grant was \$168, based on the Monte Carlo type model and was recognized as an expense against the stockholders' equity. On January 4, 2016, the CEO and the Prior Investor terminated the CEO Option.

There were no Level 3 items for the years ended August 31, 2016, 2015 and 2014.

See note 7f with respect to outstanding warrants.

### **ORAMED PHARMACEUTICALS INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 6 - COMMITMENTS:**

**a.** In March 2011, the Subsidiary sold shares of its investee company, Entera Bio Ltd ("Entera") to D.N.A, retaining a 3% interest as of March 2011, which is accounted for as a cost method investment (amounting to \$1). In consideration for the shares sold to D.N.A, the Company received, among other payments, 4,202,334 ordinary shares of D.N.A (see also note 3).

As part of this agreement, the Subsidiary entered into a patent transfer agreement according to which the Subsidiary assigned to Entera all of its right, title and interest in and to the patent application that it has licensed to Entera since August 2010. Under this agreement, the Subsidiary is entitled to receive from Entera royalties of 3% of Entera's net revenues (as defined in the agreement) and a license back of that patent application for use in respect of diabetes and influenza. As of August 31, 2016, Entera had not yet realized any revenues and had not paid any royalties to the Subsidiary.

In addition, as part of a consulting agreement with a third party, dated February 15, 2011, the Subsidiary is obliged to pay this third party royalties of 8% of the net royalties received in respect of the patent that was sold to Entera in March 2011.

**b.** On April 28, 2013, the Subsidiary entered into a lease agreement for its office facilities in Israel. The lease agreement was for a period of 35 months commencing November 1, 2013.

The annual lease payment was New Israeli Shekel 89 thousands (\$23) from 2014 through 2016, and was linked to the increase in the Israeli consumer price index ("CPI") (as of August 31, 2016, the future lease payments until the expiration of the lease agreement were \$2, based on the exchange rate as of August 31, 2016).

The lease expenses for the years ended August 31, 2016, 2015 and 2014 were \$23, \$23 and \$27, respectively.

As security for its obligation under this lease agreement the Company provided a bank guarantee in an amount equal to three monthly lease payments.

**c.** The Subsidiary has entered into operating lease agreements for vehicles used by its employees for a period of 3 years.

The future lease payments under the lease agreement are \$18 and \$16 for the years ending August 31, 2017 and 2018, respectively.

The lease expenses for the years ended August 31, 2016, 2015 and 2014 were \$17, \$16 and \$28, respectively.

As security for its obligation under the lease agreements the Subsidiary deposited \$4, which are classified as long-term deposits.

- d. On May 31, 2016, the Company entered into a consulting agreement with a third party advisor for a period of one year, pursuant to which such advisor will provide investor relations services and will be entitled to receive a monthly cash fee and 10,000 shares of the Company's common stock that will be issued in four equal quarterly installments commencing August 1, 2016. As of August 31, 2016, the Company had issued to such advisor 2,500 shares. The fair value of the shares at the grant date was \$20.
- e. On July 22, 2014, the Subsidiary entered into a Clinical Research Organization Service Agreement ("CRO Service Agreement") and on February 29, 2016 into an amendment to the CRO Service Agreement with a third party, to retain it as a Clinical Research Organization ("CRO"), for its Phase 2b clinical trial for an oral insulin capsule for type 2 diabetes patients, which began in the second quarter of calendar year 2015 and was completed in the second quarter of calendar year 2016. As consideration for its services, the Subsidiary will pay the CRO a total amount of approximately \$3,841 during the term of the engagement and based on achievement of certain milestones, \$3,660 of which were recognized through August 31, 2016.

#### **ORAMED PHARMACEUTICALS INC.**

#### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 6 - COMMITMENTS (continued):**

- f. On March 3, 2016, the Subsidiary entered into an agreement with a vendor for process development and production of its capsules in an amount of up to CHF 960 thousand (\$976), none of which was recognized through August 31, 2016.
- g. On May 11, 2016, the Subsidiary entered into a Master Service Agreement with a vendor to retain its services for a pre-clinical toxicology trial for an oral GLP-1 analog capsule for type 2 diabetes patients. As consideration for its services, the Subsidiary will pay the vendor a total amount of \$1,200 during the term of the engagement and based on achievement of certain milestones, of which \$333 was recognized through August 31, 2016.
- h. On June 13, 2016, the Subsidiary entered into a four-year service agreement with a third party. This agreement is part of the requirements of the License Agreement as described in note 1. This agreement will support the Company's research and development. The Subsidiary is obligated to pay the third party a total amount of up to €2,360 thousand (\$2,630), out of which €800 thousand (\$892) is a non-refundable fee to be paid within 12 months from the effective date, €300 thousand (\$336) of which were recognized in research and development through August 31, 2016. The remaining fee will be paid over the term of the engagement and will be based on achievement of certain milestones.
- i. On March 3, 2014, the Subsidiary entered into a Master Service Agreement with a vendor for the process development and production of one of its oral capsule ingredients in the amount of \$311, \$40 of which was recognized through August 31, 2016, and bonus payments of up to \$600 that will be paid upon achieving certain milestones, as described in the agreement, none of which was recognized through August 31, 2016.

On July 24, 2016, the Subsidiary entered into a General Technical Agreement with the same vendor, for the scale-up process development and production of the same capsule ingredients in the amount of \$4,300 that will be paid over the term of the



engagement and based on the achievement of certain development milestones, \$1,225 of which were recognized in research and development through August 31, 2016. This agreement is part of the requirements of the License Agreement as described in note 1.

**ORAMED PHARMACEUTICALS INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. Dollars in thousands (except share and per share data)

**NOTE 6 - COMMITMENTS** (continued):

**j.** Grants from Bio-Jerusalem

The Subsidiary is committed to pay royalties to Bio-Jerusalem on proceeds from future sales at a rate of 4% and up to 100% of the amount of the grant received (Israeli CPI linked) at the total amount of \$65.

During the years ended August 31, 2016, 2015 and 2014, the Company received no grants from Bio-Jerusalem.

Royalty expenses for the year ended August 31, 2016 of \$18 are included in cost of revenues.

As of August 31, 2016, the Subsidiary had realized revenues from its project in the amount of \$444.

**k.** Grants from the IIA

Under the terms of the Company's funding from the IIA, royalties of 3.5% are payable on sales of products developed from a project so funded, up to a maximum amount equaling 100%-150% of the grants received (dollar linked) with the addition of interest at an annual rate based on LIBOR.

At the time the grants were received, successful development of the related projects was not assured. In case of failure of a project that was partly financed as above, the Company is not obligated to pay any such royalties.

The total amount that was received through August 31, 2016 was \$2,194.

Royalty expenses for the year ended August 31, 2016 of \$472 are included in cost of revenues and will be paid over the term of the License Agreement in accordance with the revenue recognized from the related project. As of August 31, 2016, the Subsidiary had realized revenues from its project in the amount of \$444.

- l.** For the years ended August 31, 2015 and 2014, the research and development expenses are presented net of IIA grants in the total amount of \$49 and \$428, respectively. For the year ended August 31 2016, no grants were recognized.

**ORAMED PHARMACEUTICALS INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. Dollars in thousands (except share and per share data)

**NOTE 7 - STOCKHOLDERS' EQUITY:**

The following are the significant capital stock transactions that took place during the years ended August 31, 2016, 2015 and 2014:

- a. On December 24, 2013, the Company entered into a Placement Agency Agreement with Aegis Capital Corp. as representative of the several placement agents (the "Placement Agents"), pursuant to which the Placement Agent agreed to use its reasonable best efforts to arrange for the sale of up to 1,580,000 shares of the Company's common stock. In connection therewith, on December 24, 2013, the Company entered into a Securities Purchase Agreement, pursuant to which the Company agreed to sell an aggregate of 1,580,000 shares of common stock, at a price of \$10.00 per share, to two institutional investors in a registered direct offering (the "Offering"). The net proceeds to the Company from the Offering were approximately \$14,887, after deducting Placement Agent's commissions of \$816 and other offering expenses of the Company.
- b. On November 3, 2014, the Company entered into a Stock Purchase Agreement with Guangxi Wuzhou Pharmaceutical (Group) Co., Ltd., pursuant to which the Company issued to such investor an aggregate of 696,378 shares of common stock, at a price of \$7.18 per share, which was equal to the closing price of the Company's common stock on the Nasdaq Capital Market on October 31, 2014, for aggregate gross proceeds of approximately \$5,000. The net proceeds to the Company from the offering were approximately \$4,833, after deducting a finder's fee of \$150 and other offering expenses of the Company. The offering closed on November 28, 2014.
- c. On April 2, 2015, the Company entered into an at the market issuance sales agreement (the "Sales Agreement") with MLV & Co. LLC ("MLV") pursuant to which the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$25,000 from time to time, at its option, through MLV as its sales agent, subject to certain terms and conditions. Any shares sold will be sold pursuant to the Company's effective shelf registration statement on Form S-3. The Company will pay MLV a commission of 3.0% of the gross proceeds of the sale of any shares sold through MLV. To date, no shares have been sold under the Sales Agreement.
- d. On June 4, 2015, the Company entered into a letter of agreement (the "Engagement Letter") with H.C. Wainwright & Co., LLC ("HCW"), pursuant to which HCW agreed to serve as exclusive agent, advisor or underwriter in any offering of the Company occurring between June 4, 2015 and July 4, 2015. On June 5, 2015, the Company entered into a Securities Purchase Agreement, pursuant to which the Company agreed to sell, in a registered direct offering (the "June 2015 Offering"): (1) an aggregate of 714,286 shares (the "Shares") of the Company's common stock at a price of \$7.50 per Share to six investors (the "Purchasers") and (2) at the option of each Purchaser (the "Overallotment Right"), additional shares of the Company's common stock (the "Overallotment Shares") up to the number equal to the number of the Shares purchased by such Purchaser and at a price of \$10.00 per Overallotment Share. The closing of the sale of the Shares occurred on June 10, 2015. The Overallotment Right shall be exercisable beginning December 10, 2015, and shall remain exercisable until December 10, 2016. Pursuant to the Engagement Letter, HCW received, for its services in the June 2015 Offering, a fee equal to 7% of the gross proceeds raised in the June 2015 Offering and an expense allowance of 1% of the gross proceeds raised in the June 2015 Offering, and affiliates of HCW received warrants to purchase 28,571 shares of common stock of the Company, exercisable immediately and expires after a period of three years and with an exercise price of \$10.00 per share. The net proceeds to the Company from the June 2015 Offering were approximately \$4,880, after deducting HCW's expenses and other offering expenses of the Company totaling \$478.

**ORAMED PHARMACEUTICALS INC.**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. Dollars in thousands (except share and per share data)

**NOTE 7 - STOCKHOLDERS' EQUITY (continued):**

e. On December 28, 2015, the Company completed a private placement of 1,155,367 shares of the Company's common stock to HTIT. See also note 1.

f. As of August 31, 2016, the Company had outstanding warrants exercisable for 615,338 shares of common stock at exercise prices ranging from \$3.7656 to \$10.00 per share and expiring at various dates between November 29, 2016 and June 10, 2018.

The following table presents the warrant activity for the years ended August 31, 2016, 2015 and 2014:

	<b>2016</b>		<b>2015</b>		<b>2014</b>	
	<b>Warrants</b>	<b>Weighted-Average Exercise Price</b>	<b>Warrants</b>	<b>Weighted-Average Exercise Price</b>	<b>Warrants</b>	<b>Weighted-Average Exercise Price</b>
Warrants outstanding as of September 1	981,940	\$ 5.29	953,369	\$ 5.15	1,215,034	\$ 5.33
Issued	-	\$ -	28,571	\$ 10.00	-	\$ -
Exercised	(331,054)	\$ 4.04	-	\$ -	(261,665)	\$ 6.00
Expired	(35,548)	\$ 6.00	-	\$ -	-	\$ -
Warrants outstanding as of August 31	<u>615,338</u>	<u>\$ 5.92</u>	<u>981,940</u>	<u>\$ 5.29</u>	<u>953,369</u>	<u>\$ 5.15</u>
Warrants exercisable as of August 31	<u>615,338</u>	<u>\$ 5.92</u>	<u>981,496</u>	<u>\$ 5.29</u>	<u>952,258</u>	<u>\$ 5.15</u>

## **ORAMED PHARMACEUTICALS INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 8 - STOCK-BASED COMPENSATION:**

As of August 31, 2016, the Company has one stock option plan, the Second Amended and Restated 2008 Stock Incentive Plan, under which, the Company had reserved a pool of 2,400,000 shares of the Company's common stock which may be issued at the discretion of the Company's Board of Directors from time to time. Under this Plan, each option is exercisable into one share of common stock of the Company.

The options may be exercised after vesting and in accordance with vesting schedules which will be determined by the Board of Directors for each grant. The maximum term of the options is 10 years.

The fair value of each stock option grant is estimated at the date of grant using a Black Scholes option pricing model. The volatility is based on a historical volatility, by statistical analysis of the weekly share price for past periods. The expected term is the length of time until the expected dates of exercising the options, and is estimated with respect to awards granted to employees using the simplified method due to insufficient specific historical information of employees' exercise behavior.

The following are the significant stock options transactions with employees, board members and non-employees made during the years ended August 31, 2016, 2015 and 2014:

- a.** On April 9, 2014, options to purchase an aggregate of 94,268 shares of the Company were granted to the CEO and to the Chief Technology Officer (the "CTO"), both related parties, at an exercise price of \$12.45 per share (equivalent to the traded market price on the date of grant). The options vested with respect to 31,420 shares of common stock on April 30, 2014, and the remaining shares of common stock vested in eight equal monthly installments of 7,586 each. These options expire on April 9, 2024. The fair value of these options on the date of grant was \$781, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 82.06%; risk-free interest rates of 1.65%; and expected term of 5.21 years.
- b.** On April 9, 2014, options to purchase an aggregate of 52,376 shares of the Company were granted to four members of the Company's Board of Directors ("Directors") at an exercise price of \$12.45 per share (equivalent to the traded market price on the date of grant). The options vested in two equal installments, on July 1, 2014 and January 1, 2015, and expire on April 9, 2024. The fair value of these options on the date of grant was \$435, using the Black Scholes option-pricing model and was based on the following assumptions: dividend yield of 0% for all years; expected volatility of 82.06%; risk-free interest rates of 1.65%; and expected term of 5.21 years. On August 29, 2016, the service period of three Directors was ended and the expiration period of their options was amended to November 29, 2016.
- c.** On November 13, 2014, the Company granted a total of 19,576 restricted stock units ("RSUs") representing a right to receive shares of the Company's common stock to the CEO, and the Company's CTO, both related parties. The RSUs vested in two equal installments, each of 9,788 shares, on November 30 and December 31, 2014. The total fair value of these RSUs on the date of grant was \$135, using the quoted closing market share price of \$6.90 on the Nasdaq Capital Market on the date of grant. The shares of common stock underlying the RSUs will be issued upon request of the grantee. As of August 31, 2016, a total of 19,576 RSUs were vested and outstanding.
- d.** On November 13, 2014, the Company granted a total of 10,872 RSUs representing a right to receive shares of the Company's common stock to four members of the Company's Board of Directors. The RSUs vested on January 1, 2015. The total fair value of these RSUs on the date of grant was \$75, using the quoted closing market share price of \$6.90 on the Nasdaq Capital Market on the date of grant.

## **ORAMED PHARMACEUTICALS INC.**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

#### **NOTE 8 - STOCK-BASED COMPENSATION (continued):**

- e.** On February 23, 2015, the Company granted a total of 159,696 RSUs representing a right to receive shares of the Company's common stock to the Company's CEO and the CTO, both related parties. The RSUs vest in 23 installments consisting of one installment of 13,308 shares on February 28, 2015 and 22 equal monthly installments of 6,654 shares each, commencing March 31, 2015. The total fair value of these RSUs on the date of grant was \$728, using the quoted closing market share price of \$4.56 on the Nasdaq Capital Market on the date of grant. The shares of common stock underlying the RSUs will be issued upon request of the grantee. As of August 31, 2016, a total of 133,080 RSUs were vested and outstanding.
- f.** On February 23, 2015, the Company granted a total of 88,712 RSUs representing a right to receive shares of the Company's common stock to four members of the Company's Board of Directors (22,178 RSUs to each director). The RSUs vest in two equal installments, each of 44,356 shares, on December 31, 2015 and December 31, 2016. The total fair value of these RSUs on the date of grant was \$405, using the quoted closing market share price of \$4.56 on the Nasdaq Capital Market on the date of grant.

On August 24, 2016 the Company determined, with respect to three of these members of the Company's Board of Directors, to accelerate the second installment of their RSUs, such that 22,179 RSUs were vested on August 29, 2016 and their remaining 11,088 RSUs were forfeited.

g. On February 23, 2015, the Company granted a total of 63,216 RSUs to three employees of the Subsidiary. The RSUs vest in 23 installments, consisting of one installment of 5,268 shares on February 28, 2015 and 22 equal monthly installments of 2,634 shares each, commencing March 31, 2015. The total fair value of these RSUs on the date of grant was \$288, using the quoted closing market share price of \$4.56 on the Nasdaq Capital Market on the date of grant.

h. On November 19, 2015, options to purchase an aggregate of 22,000 of the Company's shares of common stock were granted to two consultants at an exercise price of \$7.36 per share (equivalent to the traded market price on the date of grant) and expiration date of November 19, 2025. 10,000 of the options vested in one installment on December 1, 2015, and the remaining 12,000 options vest in twelve equal quarterly installments, commencing January 1, 2016.

On August 3, 2016 the consulting agreement with one of these consultants, to whom 12,000 options were granted, was terminated. As a result, as of August 31, 2016 only 3,000 options were vested, and the remaining 9,000 unvested options were forfeited. In addition, the expiration date of the 3,000 vested options was updated to November 3, 2016 (3 months following the termination date of the agreement).

As of August 31, 2016, the Company recorded stock based compensation expenses of \$93 related to these awards.

## ORAMED PHARMACEUTICALS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### NOTE 8 - STOCK-BASED COMPENSATION (continued):

##### i. Options to employees, directors and non-employees

The fair value of each option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following assumptions:

	For options granted in the year ended August 31,	
	2016	2014
Expected option life (years)	10.00	5.21
Expected stock price volatility (%)	80.46	82.06
Risk free interest rate (%)	2.24	1.65
Expected dividend yield (%)	0.0	0.0

No options were granted in fiscal 2015.

A summary of the status of the stock options granted to employees and directors as of August 31, 2016, 2015 and 2014, and changes during the years ended on those dates, is presented below:

Year ended August 31,		
2016	2015	2014

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>	<b>Number of options</b>	<b>Weighted average exercise price \$</b>	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Options outstanding at beginning of year	904,234	6.75	908,901	6.75	1,049,249	4.13
Changes during the year:						
Granted - at market price	-	-	-	-	149,200	12.45
Forfeited	-	-	(3,297)	6.00	-	-
Exercised	-	-	(1,370)	6.00	(289,548)	0.18
Options outstanding at end of year	<u>904,234</u>	<u>6.75</u>	<u>904,234</u>	<u>6.75</u>	<u>908,901</u>	<u>6.75</u>
Options exercisable at end of year	<u>904,234</u>		<u>883,234</u>		<u>786,328</u>	
Weighted average fair value of options granted during the year	<u>\$ -</u>		<u>\$ -</u>		<u>\$ 8.31</u>	

# **ORAMED PHARMACEUTICALS INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

### **NOTE 8 - STOCK-BASED COMPENSATION** (continued):

Costs incurred in respect of stock-based compensation for employees and directors, for the years ended August 31, 2016, 2015 and 2014 were \$14, \$278 and \$1,422, respectively.

The total intrinsic value of employees' options exercised during the year ended August 31, 2014 was \$2,847. The options exercised during the year ended August 31, 2015, were at a price equal to the market price at the exercise date. None of the options were exercised by employees during the year ended August 31, 2016.

The following table presents summary information concerning the options granted to employees and directors outstanding as of August 31, 2016:

<b>Range of exercise prices</b>	<b>Number outstanding</b>	<b>Weighted Average Remaining Contractual Life Years</b>	<b>Weighted average exercise price \$</b>	<b>Aggregate intrinsic value \$</b>
<u>\$</u>			<u>\$</u>	<u>\$</u>
4.08 to 6.00	510,234	3.98	4.94	1,157,359
6.48 to 7.88	244,800	3.72	7.06	105,120
12.45	149,200	5.67	12.45	-
	<u>904,234</u>	<u>4.19</u>	<u>6.75</u>	<u>1,262,479</u>

All options granted to employees and directors that were outstanding as of August 31, 2016, were also exercisable as of August 31, 2016.

As of August 31, 2016, there were no unrecognized compensation costs related to non-vested options previously granted to employees and directors.

**ORAMED PHARMACEUTICALS INC.**  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)  
U.S. Dollars in thousands (except share and per share data)

**NOTE 8 - STOCK-BASED COMPENSATION** (continued):

A summary of the status of the stock options granted to non-employees outstanding as of August 31, 2016, 2015 and 2014, and changes during the years ended on this date, is presented below:

	Year ended August 31,					
	2016		2015		2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding at beginning of year	40,286	7.29	62,221	7.13	79,689	7.21
Changes during the year:						
Granted	22,000	7.36				
Exercised	(18,718)	6.00	-	-	(17,468)	7.49
Forfeited	(9,000)	7.36				
Expired	(4,900)	6.00	(21,935)	6.82	-	-
Options outstanding at end of year	<u>29,668</u>	<u>8.35</u>	<u>40,286</u>	<u>7.29</u>	<u>62,221</u>	<u>7.13</u>
Options exercisable at end of year	<u>29,668</u>		<u>36,119</u>		<u>53,888</u>	

The Company recorded stock-based compensation of \$102, \$3 and \$46 during the years ended August 31, 2016, 2015 and 2014, respectively, related to non-employees' awards.

The total intrinsic value of non-employees' options exercised during the years ended August 31, 2016 and 2014, was \$37 and \$187, respectively. None of the options were exercised by non-employees during the year ended August 31, 2015.

The following table presents summary information concerning the options granted to non-employees outstanding as of August 31, 2016:

Range of exercise prices \$	Number outstanding	Weighted Average Remaining Contractual Life Years	Weighted Average Exercise Price \$	Aggregate intrinsic value \$
7.36	13,000	7.13	7.36	-

9.12	16,668	2.36	9.12	-
	29,668	4.45	8.35	-

All options granted to non-employees and directors that were outstanding as of August 31, 2016, were also exercisable as of August 31, 2016.

As of August 31, 2016, there were no unrecognized compensation costs related to non-vested non-employee options.

# **ORAMED PHARMACEUTICALS INC.**

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) U.S. Dollars in thousands (except share and per share data)

### **NOTE 8 - STOCK-BASED COMPENSATION (continued):**

#### **k. Restricted stock units**

The following table summarizes the activities for unvested RSUs granted to employees and directors for the years ended August 31, 2016 and 2015:

	<b>Year ended August 31,</b>	
	<b>2016</b>	<b>2015</b>
	<b>Number of RSUs</b>	
Unvested at the beginning of period	313,216	-
Granted	1,000	346,704
Vested and issued	(101,459)	(33,488)
Forfeited	(11,088)	-
Outstanding at the end of the period	201,669	313,216
Vested and unissued (see notes 8c and 8e)	152,656	72,808

The Company recorded stock-based compensation of \$518 and \$1,066, during the years ended August 31, 2016 and 2015, respectively, related to RSU awards.

As of August 31, 2016, there were \$29 of unrecognized compensation costs related to RSUs, to be recorded over the next 12 months.

### **NOTE 9 - FINANCIAL INCOME AND EXPENSES**

#### **a. Financial income**

	<b>Year ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Gain on sale of marketable securities (note 3b)	\$ -	\$ -	\$ 80
Income from interest on deposits	378	160	138
Exchange rate differences	-	-	7
Income from interest on corporate bonds	96	8	-
	<u>\$ 474</u>	<u>\$ 168</u>	<u>\$ 225</u>

#### **b. Financial expenses**

	<b>Year ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Exchange rate differences	\$ 17	\$ 3	\$ -



Bank commissions	11	9	11
Other	65	6	-
	<u>\$ 93</u>	<u>\$ 18</u>	<u>\$ 11</u>

## ORAMED PHARMACEUTICALS INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

#### NOTE 10 - TAXES ON INCOME:

Taxes on income included in the consolidated statements of operations represent current taxes due to taxable income of the Company and its Subsidiary.

##### a. Corporate taxation in the U.S.

The applicable corporate tax rate for the Company is 35%.

As of August 31, 2016, the Company has an accumulated tax loss carryforward of approximately \$8,370 (as of August 31, 2015, approximately \$7,678). Under U.S. tax laws, subject to certain limitations, carryforward tax losses expire 20 years after the year in which incurred. In the case of the Company, subject to potential limitations in accordance with the relevant law, the net loss carryforward will expire in the years 2025 through 2035.

##### b. Corporate taxation in Israel:

The Subsidiary is taxed in accordance with Israeli tax laws. The corporate tax rate applicable to 2015 and 2014 is 26.5%.

In January 2016, the Law for the Amendment of the Income Tax Ordinance (No.216) was published, enacting a reduction of corporate tax rate beginning in 2016 and thereafter, from 26.5% to 25%. There is no impact on the financial statements of the Company as a result of the changes in the Israeli corporate tax rate as the Subsidiary is in a loss position for tax purposes.

As of August 31, 2016, the Subsidiary has an accumulated tax loss carryforward of approximately \$25,160 (as of August 31, 2015, approximately \$14,245). Under the Israeli tax laws, carryforward tax losses have no expiration date.

##### Deferred income taxes:

	August 31,		
	2016	2015	2014
In respect of:			
Net operating loss carryforward	\$ 9,219	\$ 5,750	\$ 4,890
Research and development expenses	-	906	688
Less - valuation allowance	(9,219)	(6,656)	(5,578)
Net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carryforwards are expected to be available to reduce taxable income. As the achievement of required future taxable income is uncertain, the Company recorded a full valuation allowance.

**c. Loss before taxes on income and income taxes included in the income statements of operations:**

	Year ended August 31,		
	2016	2015	2014
Loss before taxes on income:			
U.S.	\$ 959	\$ 1,226	\$ 893
Outside U.S.	8,670	6,007	4,799
	<u>\$ 9,629</u>	<u>\$ 7,233</u>	<u>\$ 5,692</u>
Taxes on income (tax benefit):			
Current:			
U.S.	(15)	-	-
Outside U.S.	1,350	(1)	4
	<u>\$ 1,335</u>	<u>\$ (1)</u>	<u>\$ 4</u>

**ORAMED PHARMACEUTICALS INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)**

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

**NOTE 10 - TAXES ON INCOME (continued):**

Taxes on income of \$1,350 is derived from withholding tax deducted from HTIT milestones payments, which were received during the year ended August 31, 2016, according to the License Agreement. As of August 31, 2016, the Company did not expect to reach taxable income in the 5 years following the balance sheet date, and therefore recognized this amount as taxes on income.

**d. Reconciliation of the statutory tax benefit to effective tax expense**

Following is a reconciliation of the theoretical tax expense, assuming all income is taxed at the regular tax rates applicable to companies in the United States, and the actual tax expense:

	Year ended August 31,		
	2016	2015	2014
Loss before income taxes as reported in the consolidated statement of comprehensive loss	<u>\$ (9,629)</u>	<u>\$ (7,233)</u>	<u>\$ (5,692)</u>
Statutory tax benefit	(3,370)	(2,531)	(1,992)
Increase (decrease) in income taxes resulting from:			
Change in the balance of the valuation allowance for deferred tax	2,563	1,599	1,104
Disallowable deductions	167	422	480
Influence of different tax rates and changes in tax rates applicable to the Subsidiary	640	510	408
Withholding tax, see note 10c above	1,350	-	-
Uncertain tax position	(15)	(1)	4
Taxes on income (tax benefit) for the reported year	<u>\$ 1,335</u>	<u>\$ (1)</u>	<u>\$ 4</u>

**e. Uncertainty in Income Taxes**

Accounting Standards Codification No.740 "Income Taxes" requires significant judgment in determining what constitutes an individual tax position as well as assessing the outcome of each tax position. Changes in judgment as to recognition or measurement of tax positions can materially affect the estimate of the effective tax rate and consequently, affect the operating results of the Company. The Company

recognizes interest and penalties related to its tax contingencies as income tax expense. For the three years ended August 31, 2016, the Company did not record any amount for penalties related to tax contingencies.

The following table summarizes the activity of the Company unrecognized tax benefits:

	Year ended August 31,		
	2016	2015	2014
Balance at Beginning of Year	\$ 26	\$ 27	23
Increase (decrease) in uncertain tax positions for the current year	(15)	(1)	4
Balance at End of Year	<u>\$ 11</u>	<u>\$ 26</u>	<u>\$ 27</u>

The Company does not expect unrecognized tax expenses to change significantly over the next 12 months.

The Company is subject to U.S. Federal income tax examinations for the tax years of 2011 through 2016.

The Subsidiary is subject to Israeli income tax examinations for the tax years of 2012 through 2016.

#### ORAMED PHARMACEUTICALS INC.

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued) U.S. Dollars in thousands (except share and per share data)

#### NOTE 10 - TAXES ON INCOME (continued):

##### f. Valuation Allowance Rollforward

	Year ended August 31,		
	Balance at beginning of period	Additions	Balance at end of period
Allowance in respect of carryforward tax losses:			
Year ended August 31, 2016	\$ 6,656	\$ 2,563	\$ 9,219
Year ended August 31, 2015	<u>\$ 5,578</u>	<u>1,078</u>	<u>6,656</u>
Year ended August 31, 2014	<u>\$ 4,332</u>	<u>\$ 1,246</u>	<u>\$ 5,578</u>

#### NOTE 11 - RELATED PARTIES - TRANSACTIONS:

- a. During each of the fiscal years of 2016, 2015 and 2014 the Company paid to directors \$92, \$47 and \$40, respectively, as directors' fees.
- b. On July 1, 2008, the Subsidiary entered into two consulting agreements with KNRY Ltd. ("KNRY"), an Israeli company owned by the CEO, whereby the CEO and the CTO, through KNRY, provide services to the Company (the "Consulting Agreements"). The Consulting Agreements are both terminable by either party upon 60 days prior written notice. The Consulting Agreements provide that KNRY (i) will be paid a gross amount of NIS 50,400 (\$14) per month for each of the CEO and CTO and (ii) will be reimbursed for reasonable expenses incurred in connection with performance of the Consulting Agreements.

The Consulting Agreements have been amended several times. According to the latest amendments on June 6, 2016, the CEO's and CTO's monthly payment was set at NIS 95,460 and NIS 69,960, respectively.

**c. Balances with related parties:**

	<b>August 31,</b>	
	<b>2016</b>	<b>2015</b>
Accounts payable and accrued expenses - KNR Y	\$ 48	\$ 36

**d. Expenses to related parties:**

	<b>Year ended August 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
KNRY	\$ 839	\$ 586	\$ 671

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, or are inapplicable, and therefore have been omitted.

**(b) Exhibits**

- 3.1 Composite Copy of Certificate of Incorporation, as amended as of January 22, 2013, corrected February 8, 2013 and further amended July 25, 2014 (incorporated by reference from our annual report on Form 10-K filed November 14, 2014).
- 3.2 Amended and Restated By-laws (incorporated by reference from our current report on Form 8-K filed February 1, 2013).
- 4.1 Specimen Common Stock Certificate (incorporated by reference from our registration statement on Form S-1 filed February 1, 2013).
- 4.2 Common Stock Purchase Warrant issued to Attara Fund, Ltd. on January 10, 2011, and transferred to Regals Fund LP on March 11, 2012 (incorporated by reference from our quarterly report on Form 10-Q filed January 13, 2011).
- 4.3 Amendment No. 1, dated August 28, 2012, to Common Stock Purchase Warrant transferred to Regals Fund LP on March 11, 2012 (incorporated by reference from our annual report on Form 10-K/A filed December 21, 2012).
- 4.4 Amendment No. 2, dated November 13, 2012, to Common Stock Purchase Warrant transferred to Regals Fund LP on March 11, 2012 (incorporated by reference from our quarterly report on Form 10-Q/A filed December 27, 2012).
- 4.5 Amendment No. 3, dated November 29, 2012, to Common Stock Purchase Warrant transferred to Regals Fund LP on March 11, 2012 (incorporated by reference from our registration statement on Form S-1 filed February 1, 2013).
- 4.6 Form of Common Stock Purchase Warrant used in 2010-2011 private placement (incorporated by reference from our registration statement on Form S-1 filed March 24, 2011).
- 4.7 Form of Common Stock Purchase Warrant used in 2012 private placements (incorporated by reference from our annual report on Form 10-K filed December 12, 2012).

- 4.8 Form of Common Stock Purchase Warrant issued to Regals Fund LP (incorporated by reference from our annual report on Form 10-K/A filed December 21, 2012).
- 4.9 Amendment No. 1 to Form of Common Stock Purchase Warrant issued to Regals Fund LP (incorporated by reference from our registration statement on Form S-1 filed February 1, 2013).
- 4.10 Common Stock Purchase Warrant issued to Regals Fund LP on November 29, 2012 (incorporated by reference from our quarterly report on Form 10-Q/A filed December 27, 2012).
- 
- 10.1+ Consulting Agreement by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Nadav Kidron (incorporated by reference from our current report on Form 8-K filed July 2, 2008).
- 10.2+ Amendment, dated July 13, 2013, to Consulting Agreement by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008 for the services of Nadav Kidron (incorporated by reference from our annual report on Form 10-K filed November 14, 2014).
- 10.3+ Amendment, dated November 13, 2014, to Consulting Agreements by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Nadav Kidron and Miriam Kidron (incorporated by reference from our annual report on Form 10-K filed November 14, 2014).
- 10.4+ Amendment, dated July 21, 2015, to Consulting Agreements by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Nadav Kidron (incorporated by reference from our annual report on Form 10-K filed November 25, 2015).
- 10.5+ Amendment, dated July 21, 2015, to Consulting Agreements by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Miriam Kidron (incorporated by reference from our annual report on Form 10-K filed November 25, 2015).
- 10.6+\*Amendment, dated June 27, 2016, to Consulting Agreements by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Nadav Kidron.
- 10.7+\*Amendment, dated June 27, 2016, to Consulting Agreements by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Miriam Kidron.
- 10.8+ Consulting Agreement by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008, for the services of Miriam Kidron (incorporated by reference from our current report on Form 8-K filed July 2, 2008).
- 10.9+ Amendment, dated July 13, 2013, to Consulting Agreement by and between Oramed Ltd. and KNRY, Ltd., entered into as of July 1, 2008 for the services of Miriam Kidron (incorporated by reference from our annual report on Form 10-K filed November 14, 2014).
- 10.10+Oramed Pharmaceuticals Inc. Second Amended and Restated 2008 Stock Incentive Plan (incorporated by reference from our definitive proxy statement on Schedule 14A filed August 4, 2016).
- 10.11+Form of Restricted Stock Unit Notice and Restricted Stock Unit Agreement (incorporated by reference from our annual report on Form 10-K filed November 14, 2014).
- 10.12+Form of Notice of Stock Option Award and Stock Option Award Agreement (incorporated by reference from our current report on Form 8-K filed July 2, 2008).
- 10.13+Employment Agreement, dated as of April 19, 2009, by and between Oramed Ltd. and Yifat Zommer (incorporated by reference from our current report on Form 8-K filed April 22, 2009).

- 10.14+Amendment to Employment Agreement, dated as of July 17, 2013, by and between Oramed Ltd. and Yifat Zommer (incorporated by reference from our annual report on Form 10-K filed November 25, 2015).
- 10.15+Amendment to Employment Agreement, dated as of July 21, 2015, by and between Oramed Ltd. and Yifat Zommer (incorporated by reference from our annual report on Form 10-K filed November 25, 2015).
- 10.16+Clinical Trial Agreement, dated September 11, 2011, between Oramed Ltd., Hadasit Medical Research Services and Development Ltd., Miriam Kidron and Daniel Schurr (incorporated by reference from our annual report on Form 10-K/A filed December 21, 2012).
- 10.17+ Clinical Trial Agreement, dated July 8, 2009, between Oramed Ltd., Hadasit Medical Research Services and Development Ltd., Miriam Kidron and Itamar Raz (incorporated by reference from our current report on Form 8-K filed July 9, 2009).
- 10.18 Agreement, dated January 7, 2009, between Oramed Pharmaceuticals Inc. and Hadasit Medical Research Services and Development Ltd. (incorporated by reference from our current report on Form 8-K filed January 7, 2009).
- 10.19 Manufacturing and Supply Agreement, dated July 5, 2010, between Oramed Ltd. and Sanofi-Aventis Deutschland GMBH (incorporated by reference from our current report on Form 8-K filed July 14, 2010).
- 10.20 Patent Transfer Agreement, dated February 22, 2011, between Oramed Ltd. and Entera Bio Ltd. (incorporated by reference from our registration statement on Form S-1 filed March 24, 2011).
- 10.21+ Form of Indemnification Agreements, dated March 11, 2011, between Oramed Pharmaceuticals Inc. and each of our directors and officers (incorporated by reference from our definitive proxy statement on Schedule 14A filed January 31, 2011).
- 10.22\* Letter Agreement, dated as of February 5, 2013, between Oramed Pharmaceuticals Inc. and Regals Capital LP.
- 10.23+ Employment Agreement, dated April 14, 2013, between Oramed Ltd. and Joshua Hexter (incorporated by reference from our current report on Form 8-K filed April 16, 2013).
- 10.24+ Amendment to Employment Agreement, dated July 21, 2015, between Oramed Ltd. and Joshua Hexter (incorporated by reference from our annual report on Form 10-K filed November 25, 2015).
- 10.25+\*Amendment to Employment Agreement, dated June 27, 2016, between Oramed Ltd. and Joshua Hexter.
- 10.26 Form of Securities Purchase Agreement used in 2013 registered direct offering (incorporated by reference from our current report on Form 8-K filed July 10, 2013).
- 10.27 Securities Purchase Agreement, dated November 3, 2014, between Oramed Pharmaceuticals Inc. and Guangxi Wuzhou Pharmaceutical (Group) Co., Ltd. (incorporated by reference from our current report on Form 8-K filed November 4, 2014).
- 10.28 Securities Purchase Agreement, dated June 5, 2015, between Oramed Pharmaceuticals Inc. and the purchasers party thereto (incorporated by reference from our current report on Form 8-K filed June 5, 2015).

- 10.29 Securities Purchase Agreement, dated November 30, 2015, between Oramed Pharmaceuticals, Inc. and Hefei Tianhui Incubator of Technologies Co., Ltd. (incorporated by reference from Schedule 13D/A filed by Nadav Kidron on December 29, 2015).
- 10.30 Amended and Restated Technology License Agreement, dated December 21, 2015, between Hefei Tianhui Incubator of Technologies Co., Ltd., Oramed Pharmaceuticals, Inc. and Oramed Ltd. (Confidential treatment has been granted for portions of this document. Incorporated by reference from our quarterly report on Form 10-Q filed January 13, 2016).
- 10.31\* Amendment to the Amended and Restated Technology License Agreement, dated June 3, 2016, between Hefei Tianhui Incubator of Technologies Co., Ltd., Oramed Pharmaceuticals, Inc. and Oramed Ltd. (Confidential treatment has been requested for portions of this document. The confidential portions will be omitted and filed separately, on a confidential basis, with the Securities and Exchange Commission).
- 10.32\* Amendment to the Amended and Restated Technology License Agreement, dated July 24, 2016, between Hefei Tianhui Incubator of Technologies Co., Ltd., Oramed Pharmaceuticals, Inc. and Oramed Ltd. (Confidential treatment has been requested for portions of this document. The confidential portions will be omitted and filed separately, on a confidential basis, with the Securities and Exchange Commission).
- 10.33\*Service Agreement, dated as of June 3, 2016, between Oramed Ltd. and XERTECS GmbH (Confidential treatment has been requested for portions of this document. The confidential portions will be omitted and filed separately, on a confidential basis, with the Securities and Exchange Commission).
- 10.34\*General Technical Agreement between Oramed Ltd. and Premas Biotech Pvt. Ltd., dated July 24, 2016 (Confidential treatment has been requested for portions of this document. The confidential portions will be omitted and filed separately, on a confidential basis, with the Securities and Exchange Commission).
- 21.1 Subsidiary (incorporated by reference from our annual report on Form 10-K filed November 27, 2013).
- 23.1\* Consent of Kesselman & Kesselman, Independent Registered Public Accounting Firm.
- 31.1\* Certification Statement of the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
- 31.2\* Certification Statement of the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as amended.
- 32.1\*\*Certification Statement of the Principal Executive Officer pursuant to 18 U.S.C. Section 1350.
- 32.2\*\*Certification Statement of the Principal Financial Officer pursuant to 18 U.S.C. Section 1350.
- 101.1\*The following financial statements from the Company's annual report on Form 10-K for the year ended August 31, 2016, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Comprehensive Loss, (iii) Consolidated Statements of Changes in Stockholders' Equity, (iv) Consolidated Statements of Cash Flows and (v) the Notes to Consolidated Financial Statements, tagged as blocks of text and in detail.

\* Filed herewith.

- + Management contract or compensation plan.

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

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

November 24, 2016

Nadav Kidron,  
President and Chief Executive Officer  
and Director  
(principal executive officer)

November 24, 2016

Yifat Zommer,  
Chief Financial Officer  
(principal financial and accounting  
officer)

November 24, 2016

Aviad Friedman,  
Director

November 24, 2016

Miriam Kidron,  
Director

**Xiaopeng Li,**  
Director

November 24, 2016

Kevin Rakin,  
Director

November 24, 2016

Leonard Sank,  
Director

David Slager,  
Director



**PROSPECTUS SUPPLEMENT**  
**(to prospectus dated February 2, 2017)**

**\$25,000,000 Common Stock**



Oramed Pharmaceuticals Inc. has entered into an at the market issuance sales agreement, as amended, or sales agreement, with FBR Capital Markets & Co., or FBR, relating to shares of its common stock offered by this prospectus supplement. In accordance with the terms of the sales agreement, we may, through FBR, from time to time offer and sell shares of our common stock having an aggregate offering price of up to \$25,000,000.

Our common stock is listed on The NASDAQ Capital Market under the symbol "ORMP." On April 3, 2017, the last reported sale price of our common stock on The NASDAQ Capital Market was \$6.30 per share.

Sales of our common stock, if any, under this prospectus may be made in sales deemed to be "at the market offerings" as defined in Rule 415 promulgated under the Securities Act of 1933, as amended, or the Securities Act. FBR will act as a sales agent on a best efforts basis using commercially reasonable efforts consistent with its normal trading and sales practices, on mutually agreed terms between FBR and us. There is no arrangement for funds to be received in any escrow, trust or similar arrangement.

The compensation to FBR for sales of common stock sold pursuant to the sales agreement is an aggregate of 3.0% of the gross proceeds of the sales price per share. In connection with the sale of the common stock on our behalf, FBR will be deemed to be an "underwriter" within the meaning of the Securities Act, and the compensation of FBR will be deemed to be underwriting commissions or discounts. We have also agreed to provide indemnification and contribution to FBR with respect to certain liabilities, including liabilities under the Securities Act.

**Investing in our securities involves a high degree of risk. See "Risk Factors" beginning on page S-3 of this prospectus supplement and the corresponding sections in the accompanying prospectus and in our Annual Report on Form 10-K for our fiscal year ended August 31, 2016, and our subsequent filings with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, which are incorporated by reference into this prospectus supplement.**

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

## FBR

Prospectus Supplement dated April 5, 2017.

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#### **Prospectus**

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#### **About this Prospectus Supplement**

A registration statement on Form S-3 (File No. 333-215525) utilizing a “shelf” registration process relating to the securities described in this prospectus supplement was initially filed with the Securities and Exchange Commission, or the SEC, on January 11, 2017, and was declared effective by the SEC on February 2, 2017. Under this “shelf” registration process, of which this offering is a part, we may, from time to time, sell our common stock, preferred stock, warrants and units.

This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of our shares of common stock and also adds, updates and changes information contained

in the accompanying prospectus and the documents incorporated therein by reference. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to this offering. To the extent the information contained in this prospectus supplement differs or varies from the information contained in the accompanying prospectus or any document filed prior to the date of this prospectus supplement and incorporated herein by reference, the information in this prospectus supplement will govern. In addition, this prospectus supplement and the accompanying prospectus do not contain all of the information provided in the registration statement that we filed with the SEC. For further information about us, you should refer to that registration statement, which you can obtain from the SEC as described below under “Where You Can Find More Information.”

You should rely only on the information contained in or incorporated by reference into this prospectus supplement and the accompanying prospectus. We have not, and FBR has not, authorized anyone to provide you with information that is different. This prospectus supplement is not an offer to sell or solicitation of an offer to buy our securities in any circumstances under which the offer or solicitation is unlawful. We are offering to sell, and seeking offers to buy, our securities only in jurisdictions where offers and sales are permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of this prospectus supplement or the accompanying prospectus, respectively, or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference, regardless of the time of delivery of this prospectus supplement or of any of our securities. Our business, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise requires, all references in this prospectus to “we,” “our,” “our company,” “Oramed,” “us” and the “Company” refer to Oramed Pharmaceuticals Inc. and its subsidiary. Our name and logo and the names of our products are our trademarks or registered trademarks.

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### **Special Note Regarding Forward-Looking Information**

This prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other federal securities laws, regarding our business, clinical trials, financial condition, expenditures, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “planned expenditures,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein. Additionally, statements concerning future matters are forward-looking statements. For example, this prospectus supplement states that FBR may sell shares of our common stock having an aggregate sale price of up to \$25,000,000. In fact, such sales are subject to various conditions and contingencies as are customary in at the market offerings in the United States and may be impacted by market conditions. If these conditions are not satisfied, the specified contingencies do not occur or market conditions are not favorable, FBR may sell fewer shares or none at all. This prospectus supplement also states that the proceeds will be used for expenses primarily related to our anticipated U.S.-focused clinical development of our oral insulin for type 2 and type 1 diabetes indications as well as preclinical and clinical studies for our oral GLP-1 analog project, and for general corporate purposes, including general working capital purposes. If our needs change, we may use the proceeds from the offering in other ways.

Although forward-looking statements in this prospectus supplement, the accompanying prospectus and the documents we incorporate by reference herein and therein reflect the good faith judgment of our management, such statements can only be based on facts and factors known by us as of such date. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual

results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading “Risk Factors” herein, in the accompanying prospectus and in the documents we incorporate by reference herein and therein, as well as those discussed elsewhere in this prospectus supplement and the accompanying prospectus. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus supplement, the accompanying prospectus or the respective documents incorporated by reference herein or therein, as applicable. Except as required by law, we undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

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## Prospectus Supplement Summary

*This summary highlights information contained elsewhere or incorporated by reference into this prospectus supplement and the accompanying prospectus. This summary does not contain all of the information that you should consider before investing in our securities. You should carefully read the entire prospectus supplement and the accompanying prospectus, including the “Risk Factors” sections, starting on page S-3 of this prospectus supplement, page 2 of the accompanying prospectus and page 13 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2016, as well as the financial statements and the other information incorporated by reference herein, before making an investment decision.*

### Overview

We are a pharmaceutical company currently engaged in the research and development of innovative pharmaceutical solutions, including an orally ingestible insulin capsule to be used for the treatment of individuals with diabetes, and the use of orally ingestible capsules or pills for delivery of other polypeptides.

**Oral Insulin:** We are seeking to revolutionize the treatment of diabetes through our proprietary flagship product, an orally ingestible insulin capsule (ORMD-0801). We completed a Phase IIb clinical trial on 180 type 2 diabetic patients that was conducted in 33 sites in the United States. This double-blind, randomized, 28-day clinical trial was conducted under an Investigational New Drug application, or IND, with the U.S. Food and Drug Administration, or FDA. The clinical trial, designed to assess the safety and efficacy of our oral insulin, or ORMD-0801, investigated ORMD-0801 over a longer treatment period and had statistical power to give us greater insight into the drug’s efficacy. The trial was initiated in June 2015, was completed during April 2016 and indicated a statistically significant lowering of blood glucose levels relative to placebo across several endpoints. The trial successfully met its primary and most of its secondary and exploratory endpoints for safety and efficacy.

In February 2017, we completed a Phase IIa dose finding clinical trial which was initiated in October 2016. This randomized, double-blind trial was conducted on 32 type 2 adult diabetic patients in order to define the optimal dosing of ORMD-0801 moving forward. We anticipate receiving the clinical study report in the second quarter of calendar year 2017.

In March 2017, we initiated a six-month toxicology study for use of our oral insulin capsule for a longer period than previously performed, as preparation for our future Phase III study. We anticipate receiving the results in the third quarter of calendar year 2017.

**GLP-1 Analog:** Our second pipeline product (ORMD-0901) is an orally ingestible exenatide (GLP-1 analog) capsule, which aids in the balance of blood-sugar levels and decreases appetite. In September 2013, we submitted a pre-IND package to the FDA for ORMD-0901, our oral exenatide capsule, for a Phase II clinical trial on healthy volunteers and type 2 diabetic patients. In August 2015, we began a non-FDA approved clinical trial on type 2 diabetic patients. The trial was completed during the second quarter of calendar year 2016 and indicated positive results as it showed ORMD-0901 to be safe and well tolerated and also demonstrated encouraging efficacy data. We completed a toxicology study in March 2017 and anticipate receiving the results during the second quarter of calendar year 2017 and expect to file an IND and move directly into a pharmacokinetics study followed by a large Phase II trial in the United States.

## Corporate Information

We were incorporated in the State of Nevada on April 12, 2002 and reincorporated from the State of Nevada to the State of Delaware on March 11, 2011. Since 2007, we have operated a wholly owned research and development subsidiary based in Israel called Oramed Ltd. Our principal offices are located at Hi-Tech Park 2/4, Givat-Ram, Jerusalem 91390, Israel, our telephone number is 972-2-566-0001 and our website address is [www.oramed.com](http://www.oramed.com). This website is not a part of this prospectus supplement and should not be deemed “filed” under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

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## The Offering

Issuer	Oramed Pharmaceuticals Inc.
Shares of common stock offered	Shares having an aggregate offering price of up to \$25,000,000.
Manner of offering	“At the market offering” of shares of common stock. The sale of shares of our common stock under this prospectus supplement, if any, may be made directly on The NASDAQ Capital Market, or through a market maker other than on an exchange. With our prior written consent, sales may also be made in negotiated transactions and/or any other method permitted by law. See “Plan of Distribution” on page S-6 of this prospectus supplement.
Use of proceeds	We intend to use the net proceeds from this offering, if any, for expenses related to our anticipated U.S.-focused clinical development of our oral insulin for type 2 and type 1 diabetes indications as well as preclinical and clinical studies for our oral GLP-1 analog project, and for general corporate purposes, including general working capital purposes. See “Use of Proceeds” on page S-3.
Risk factors	See “Risk Factors” on page S-3 of this prospectus supplement and page 2 of the accompanying prospectus for a discussion of the risks you should carefully consider before deciding to invest in our securities.

### **Risk Factors**

An investment in our common stock involves significant risks. You should carefully consider the risk factors contained in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended August 31, 2016, as well as all of the information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein or therein, as well as any amendment or update to our risk factors reflected in subsequent filings with the SEC, before you decide to invest in our common stock. Our business, prospects, financial condition and results of operations may be materially and adversely affected as a result of any of such risks. The value of our common stock could decline as a result of any of these risks. You could lose all or part of your investment in our common stock. Some of our statements in sections entitled “Risk Factors” are forward-looking statements. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

### **Use of Proceeds**

We intend to use the net proceeds from this offering, if any, for expenses related to our anticipated U.S.-focused clinical development of our oral insulin for type 2 and type 1 diabetes indications as well as preclinical and clinical studies for our oral GLP-1 analog project, and for general corporate purposes, including general working capital purposes. The amounts and timing of the expenditures may vary significantly depending on numerous factors, such as the progress of our clinical trials. Pending the use of the net proceeds, we intend to invest the net proceeds in accordance with our investment policy, as amended from time to time.

### **Dividend Policy**

We have never paid any cash dividends on our capital stock and do not anticipate paying any cash dividends on our common stock in the foreseeable future. We intend to retain future earnings to fund ongoing operations and future capital requirements of our business. Any future determination to pay cash dividends will be at the discretion of our board of directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our board of directors deems relevant.

### **Dilution**

If you purchase shares of our common stock in this offering, your interest will be diluted to the extent of the difference between the public offering price per share and the net tangible book value per share of our common stock after this offering. Our net tangible book value as of February 28, 2017, was approximately \$21.3 million, or approximately \$1.60 per share. Net tangible book value per share is equal to total assets minus the sum of total liabilities divided by the total number of shares outstanding.

After giving effect to the sale of our common stock during the term of the sales agreement with FBR in the aggregate amount of \$25,000,000 at an assumed offering price of \$6.30 per share, the last reported sale price of our common stock on The NASDAQ Capital Market on April 3, 2017, and after deducting commissions and estimated aggregate offering expenses payable by us, our net tangible book value as of February 28, 2017 would have been \$45.5 million, or \$2.64 per share of our common stock. This amount represents an immediate increase in net tangible book value to existing shareholders of \$1.04 per share and an immediate dilution in net tangible book value of \$3.66 per share to purchasers of our shares of common stock in this offering, as illustrated in the following table:

Assumed public offering price per share	\$	6.30
Net tangible book value per share as of February 28, 2017	\$	1.60
Increase in net tangible book value per share after giving effect to this offering	\$	1.04
Pro forma net tangible book value per share as of February 28, 2017	\$	2.64
Dilution in net tangible book value per share to new investors	\$	<u>3.66</u>

The table above assumes for illustrative purposes that an aggregate of 3,968,253 shares of our common stock are sold during the term of the sales agreement with FBR at a price of \$6.30 per share, the last reported sale price of our common stock on The NASDAQ Capital Market on April 3, 2017, for aggregate gross proceeds of \$25,000,000. In fact, the shares subject to the sales agreement with FBR will be sold, if at all, from time to time at prices that may vary. An increase of \$1.00 per share in the price at which the shares are sold from the assumed offering price of \$6.30 per share shown in the table above, assuming all of our common stock in the aggregate amount of \$25,000,000 during the term of the sales agreement with FBR is sold at that price, would increase our adjusted net tangible book value per share after the offering to \$2.72 per share and would increase the dilution in net tangible book value per share to new investors in this offering to \$4.58 per share, after deducting commissions and estimated aggregate offering expenses payable by us. A decrease of \$1.00 per share in the price at which the shares are sold from the assumed offering price of \$6.30 per share shown in the table above, assuming all of our common stock in the aggregate amount of \$25,000,000 during the term of the sales agreement with FBR is sold at that price, would decrease our adjusted net tangible book value per share after the offering to \$2.53 per share and would decrease the dilution in net tangible book value per share to new investors in this offering to \$2.77 per share, after deducting commissions and estimated aggregate offering expenses payable by us. This information is supplied for illustrative purposes only.

The discussion and table above are based on 13,291,612 shares of common stock outstanding as of February 28, 2017 and exclude as of that date:

- 827,117 shares of our common stock issuable upon exercise of outstanding stock options under our stock incentive plan at a weighted average exercise price of \$6.44 per share, with 966,553 shares of common stock remaining available for future grant under such plan as of April 3, 2017;
- 264,632 shares of our common stock issuable upon settlement of restricted stock units; and
- 415,527 shares of our common stock issuable upon exercise of outstanding warrants at a weighted average exercise price of \$5.58 per share as of April 3, 2017.

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The table above assumes no exercise of outstanding options or warrants prior to this offering or issued but unvested restricted stock units. To the extent that options or warrants are exercised, there will be further dilution to new investors.

To the extent that outstanding options or warrants outstanding as of April 3, 2017 have been or may be exercised or unvested restricted stock units have been or may be issued, investors purchasing our common stock in this offering may experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our stockholders.

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### **Plan of Distribution**

We have entered into an At-the-Market Issuance Sales Agreement, as amended, or sales agreement, with FBR Capital Markets & Co., or FBR, under which we may issue and sell shares of our common stock having aggregate sales proceeds of up to \$25,000,000 from time to time through FBR, which will act as our sales agent. FBR may sell the common stock by any method that is deemed to be an “at the market offering” as defined in Rule 415 promulgated under the Securities Act. FBR may also sell the common stock in negotiated transactions, subject to our prior approval.

Each time we wish to issue and sell common stock under the sales agreement, we will notify FBR of the number of shares to be issued, the dates on which such sales are anticipated to be made and any minimum price below which sales may not be made. Once we have so instructed FBR, unless FBR declines to accept the terms of such notice, FBR has agreed to use its commercially reasonable efforts consistent with its normal trading and sales practices to sell such shares up to the amount specified on such terms. The obligations of FBR under the sales agreement to sell our common stock are subject to a number of customary conditions that we must meet.

Settlement for shares of our common stock will occur on the third trading day following the date on which the sale was made. Sales of our common stock as contemplated in this prospectus supplement will be settled through the facilities of The Depository Trust Company or by such other means as we and FBR may agree upon. There is no arrangement for funds to be received in an escrow, trust or similar arrangement.

We will pay FBR a commission equal to an aggregate of 3.0% of the gross proceeds we receive from the sales of our common stock. FBR may also receive customary brokerage commissions from purchasers of the common stock in compliance with FINRA Rule 2121. FBR may effect sales to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from FBR and/or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal. We also agreed to reimburse FBR for legal expenses incurred by it up to \$25,000 in the aggregate. Because there is no minimum offering amount required as a condition to close this offering, the actual total public offering amount, commissions and proceeds to us, if any, are not determinable at this time. In connection with the sale of the common stock on our behalf, FBR will be deemed to be an “underwriter” within the meaning of the Securities Act as amended, and the compensation of FBR will be deemed to be underwriting commissions or discounts. We have agreed to provide indemnification and contribution to FBR with respect to certain civil liabilities, including liabilities under the Securities Act. We estimate that the total expenses for the offering, excluding compensation payable to FBR under the terms of the sales agreement, will be approximately up to \$40,000.

The offering of our common stock pursuant to the sales agreement will terminate upon the earlier of (i) the sale of all of our common stock provided for in this prospectus supplement, or (ii) the termination of the sales agreement as permitted therein.



This summary of the material provisions of the sales agreement does not purport to be a complete statement of its terms and conditions. A copy of the sales agreement is filed with the SEC and is incorporated by reference into the registration statement of which this prospectus is a part. See “Where You Can Find More Information” below.

To the extent required by Regulation M under the Exchange Act, FBR will not engage in any market making activities involving our common stock while the offering is ongoing under this prospectus.

FBR and its affiliates have in the past and may in the future provide various investment banking and other financial services for us and our affiliates, for which services they may in the future receive customary fees.

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### **Legal Matters**

The validity of the securities offered hereby will be passed upon for us by Zysman, Aharoni, Gayer and Sullivan & Worcester LLP, Boston, Massachusetts. Duane Morris LLP, Newark, New Jersey, is acting as counsel for FBR in connection with this offering.

### **Experts**

The financial statements incorporated in this Prospectus Supplement by reference to the Annual Report on Form 10-K for the year ended August 31, 2016 have been so incorporated in reliance on the report of Kesselman & Kesselman, Certified Public Accountants (Isr.), an independent registered public accounting firm and member firm of PricewaterhouseCoopers International Limited, given on the authority of said firm as experts in auditing and accounting.

### **Where You Can Find More Information**

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file with the SEC at the SEC’s Public Reference Room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

The SEC also maintains a website, the address of which is [www.sec.gov](http://www.sec.gov). That site also contains our annual, quarterly and current reports, proxy statements and other information.

We have filed this prospectus supplement with the SEC as part of a registration statement on Form S-3 under the Securities Act. This prospectus supplement does not contain all of the information set forth in the registration statement because some parts of the registration statement are omitted in accordance with the rules and regulations of the SEC. You can obtain a copy of the registration statement from the SEC at the address listed above or from the SEC’s website.

We also maintain a website at [www.oramed.com](http://www.oramed.com), through which you can access our SEC filings. The information set forth on our website is not part of this prospectus supplement.

### **Incorporation on Documents by Reference**

We are “incorporating by reference” certain documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information in the

documents incorporated by reference is considered to be part of this prospectus supplement. Statements contained in documents that we file with the SEC and that are incorporated by reference in this prospectus supplement will automatically update and supersede information contained in this prospectus supplement, including information in previously filed documents or reports that have been incorporated by reference in this prospectus supplement.

We have filed or may file the following documents with the SEC. These documents are incorporated herein by reference as of their respective dates of filing:

- Our Annual Report on Form 10-K for the fiscal year ended August 31, 2016, as filed with the SEC on November 25, 2016;
- Our Quarterly Reports on Form 10-Q for the quarters ended November 30, 2016 and February 28, 2017, as filed with the SEC on January 11, 2017 and April 5, 2017, respectively;
- Our Current Report on Form 8-K dated March 20, 2017, as filed with the SEC on March 21, 2017; and

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- The description of our common stock contained in our Registration Statement on Form 8-A filed with the SEC on February 7, 2013, including any amendments and reports filed for the purpose of updating such description.

All documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the common stock to which this prospectus supplement relates has been sold or the offering is otherwise terminated, except in each case for information contained in any such filing where we indicate that such information is being furnished and is not to be considered “filed” under the Exchange Act, will be deemed to be incorporated by reference in this prospectus supplement and the accompanying prospectus and to be a part hereof from the date of filing of such documents.

We will provide a copy of the documents we incorporate by reference, at no cost, to any person who receives this prospectus supplement. To request a copy of any or all of these documents, you should write or telephone us at Hi-Tech Park 2/4, Givat-Ram, PO Box 39098, Jerusalem 91390, Israel, Attention: Yifat Zommer, 972-2-566-0001.

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## **PROSPECTUS**



**\$100,000,000**

**COMMON STOCK  
WARRANTS  
UNITS**

We may from time to time sell common stock and warrants to purchase common stock, and units of such securities, in one or more offerings for an aggregate initial offering price of \$100,000,000. We refer to the common stock, the warrants to purchase common stock and the units collectively as the securities. This prospectus describes the general manner in which our securities may be offered using this prospectus. We may sell these securities to or through underwriters or dealers, directly to purchasers or through agents. We will set forth the names of any underwriters, dealers or agents in an accompanying prospectus supplement. You should carefully read this prospectus and any accompanying supplements before you decide to invest in any of these securities.

Our common stock is traded on the Nasdaq Capital Market, or Nasdaq, under the symbol "ORMP."

**Investing in the securities involves risks. See "*Risk Factors*" beginning on page 2 of this prospectus.**

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.**

The date of this prospectus is February 2, 2017.

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**You should rely only on the information contained in this prospectus, any prospectus supplement and the documents incorporated by reference, or to which we have referred you. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. This prospectus and any prospectus supplement does not constitute an offer to sell, or a solicitation of an offer to purchase, the securities offered by this prospectus and any prospectus supplement in any jurisdiction to or from any person to whom or from whom it is unlawful to make such offer or solicitation of an offer in such jurisdiction. You should not assume that the information contained in this prospectus, any prospectus supplement or any document incorporated by reference is accurate as of any date other than the date on the front cover of the applicable document.**

**Neither the delivery of this prospectus nor any distribution of securities pursuant to this prospectus shall, under any circumstances, create any implication that there has been no change in the information set forth or incorporated by reference into this prospectus or in our affairs since the date of this prospectus. Our business, financial condition, results of operations and prospects may have changed since such date.**

As used in this prospectus, the terms “we”, “us” and “our” 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.

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## **ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we are filing with the Securities and Exchange Commission, or the SEC, using a “shelf” registration process. Under this shelf registration process, we may, from time to time, sell any combination of the securities described in this prospectus in one or more offerings up to a total dollar amount of \$100,000,000. This prospectus describes the securities we may offer and the general manner in which our securities may be offered by this prospectus. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. We may also add, update or change in the prospectus supplement any of the information contained in this prospectus. To the extent there is a conflict between the information contained in this prospectus and the prospectus supplement, you should rely on the information in the prospectus supplement, provided that if any statement in one of these documents is inconsistent with a statement in another document having a later date—for example,

a document incorporated by reference in this prospectus or any prospectus supplement—the statement in the document having the later date modifies or supersedes the earlier statement.

## OUR COMPANY

*This summary highlights information contained in the documents incorporated herein by reference. Before making an investment decision, you should read the entire prospectus, and our other filings with the SEC, including those filings incorporated herein by reference, carefully, including the sections entitled “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Statements.”*

We are a pharmaceutical company currently engaged in the research and development of innovative pharmaceutical solutions, including an orally ingestible insulin capsule to be used for the treatment of individuals with diabetes, and the use of orally ingestible capsules or pills for delivery of other polypeptides.

**Oral insulin:** We are seeking to revolutionize the treatment of diabetes through our proprietary flagship product, an orally ingestible insulin capsule (ORMD-0801). Our technology allows insulin to travel from the gastrointestinal tract via the portal vein to the bloodstream, revolutionizing the manner in which insulin is delivered. It enables its passage in a more physiological manner than current delivery methods of insulin. Our technology is a platform that has the potential to deliver medications and vaccines orally that today can only be delivered via injection.

**Oral Glucagon-like peptide-1:** Our second pipeline product is an orally ingestible exenatide (GLP-1 analog) capsule, which aids in the balance of blood-sugar levels and decreases appetite. Glucagon-like peptide-1, or GLP-1, is an incretin hormone, which is a type of gastrointestinal hormone that stimulates the secretion of insulin from the pancreas. The incretin concept was hypothesized when it was noted that glucose ingested by mouth (oral) stimulated two to three times more insulin release than the same amount of glucose administered intravenously. In addition to stimulating insulin release, GLP-1 was found to suppress glucagon release (hormone involved in regulation of glucose) from the pancreas, slow gastric emptying to reduce the rate of absorption of nutrients into the blood stream, and increase satiety. Other important beneficial attributes of GLP-1 are its effects of increasing the number of beta cells (cells that manufacture and release insulin) in the pancreas and, possibly, protection of the heart. In addition to our flagship product, the insulin capsule, we are using our technology for an orally ingestible GLP-1 capsule (ORMD-0901).

**Combination of Oral Insulin and GLP-1 Analog:** Our third pipeline product is a combination of our two primary products, oral insulin and oral exenatide.

Our executive offices are located at Hi-Tech Park 2/4, Givat-Ram, PO Box 39098, Jerusalem 91390, Israel, our telephone number is 972-2-566-0001 and our website address is [www.oramed.com](http://www.oramed.com). The information on our website is not incorporated by reference in this prospectus and should not be considered to be part of this prospectus. Our website address is included in this prospectus as an inactive technical reference only.

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## RISK FACTORS

An investment in our securities involves significant risks. You should carefully consider the risk factors contained in any prospectus supplement and in our filings with the SEC, including our Annual Report on Form 10-K for the fiscal year ended August 31, 2016, as well as all of the information contained in this prospectus, any prospectus supplement and the documents incorporated by reference herein or therein, before you decide to invest in our securities. Our business, prospects, financial condition and results of operations may be materially and adversely affected as a result of any of such risks. The value of our securities could decline as a result of any of these risks. You could lose all or part of your investment in our securities. Some of our statements in sections entitled “*Risk Factors*” are forward-looking statements. The risks and uncertainties we have described are not the

only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business, prospects, financial condition and results of operations.

## **CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

*This prospectus, any prospectus supplement and the documents we incorporate by reference contain forward-looking statements within the meaning of the federal securities laws regarding our business, clinical trials, financial condition, expenditures, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “planned expenditures,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this prospectus, any prospectus supplement and the documents we incorporate by reference. Additionally, statements concerning future matters are forward-looking statements.*

Although forward-looking statements in this prospectus, any prospectus supplement and the documents we incorporate by reference reflect the good faith judgment of our management, such statements can only be based on facts and factors known by us as of such date. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the heading “Risk Factors” herein and in the documents we incorporate by reference, as well as those discussed elsewhere in this prospectus and any prospectus supplement. In addition, historic results of scientific research, clinical and preclinical trials do not guarantee that the conclusions of future research or trials would not suggest different results. Also, historic results could be interpreted differently in light of additional research, clinical and preclinical trial results. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this prospectus, any prospectus supplement or the respective documents incorporated by reference, as applicable. Except as required by law, we undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this prospectus, any prospectus supplement and the documents incorporated by reference, which attempt to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

## **USE OF PROCEEDS**

Unless we otherwise indicate in the applicable prospectus supplement, we currently intend to use the net proceeds from the sale of the securities for research and product development activities, clinical trial activities and for working capital and other general corporate purposes.

We may set forth additional information on the use of net proceeds from the sale of securities we offer under this prospectus in a prospectus supplement relating to the specific offering. Pending the application of the net proceeds, we intend to invest the net proceeds in bank deposits or investment-grade and interest-bearing securities subject to any investment policies our management may determine from time to time.

## **THE SECURITIES WE MAY OFFER**

The descriptions of the securities contained in this prospectus, together with any applicable prospectus supplement, summarize the material terms and provisions of the various types of securities that we may offer. We will describe in any applicable prospectus supplement relating to any securities the particular terms of the securities offered by that prospectus supplement. If we so indicate in any applicable prospectus supplement, the terms of the securities may differ from the terms we have

summarized below. We may also include in any prospectus supplement information, where applicable, about material U.S. federal income tax consequences relating to the securities, and the securities exchange or market, if any, on which the securities will be listed.

We may sell from time to time, in one or more offerings, one or more of the following securities:

- common stock;
- warrants to purchase common stock; and
- units of the securities mentioned above.

The total initial offering price of all securities that we may issue in these offerings will not exceed \$100,000,000.

## DESCRIPTION OF CAPITAL STOCK

*The following summary is a description of the material terms of our share capital. We encourage you to read our Certificate of Incorporation, as amended, and Amended and Restated By-laws which have been filed with the SEC, as well as the provisions of the Delaware General Corporation Law.*

### General

Our authorized capital stock currently consists of 30,000,000 shares of common stock, par value \$0.012 per share. As of January 10, 2017, we had outstanding 13,283,352 shares of common stock and no other class or series of capital stock has been established.

### Description of Common Stock

Upon our liquidation, dissolution or winding up, the holders of common stock are entitled to share ratably in all net assets available for distribution to security holders after payment to creditors. The common stock is not convertible or redeemable and has no preemptive, subscription or conversion rights. Each outstanding share of common stock is entitled to one vote on all matters submitted to a vote of security holders. There are no cumulative voting rights. The holders of outstanding shares of common stock are entitled to receive dividends out of assets legally available therefore at such times and in such amounts as our Board of Directors, or our Board, may from time to time determine. Holders of common stock will share equally on a per share basis in any dividend declared by our Board. We have not paid any dividends on our common stock and do not anticipate paying any cash dividends on such stock in the foreseeable future. In the event of a merger or consolidation, all holders of common stock will be entitled to receive the same per share consideration.

### Meetings of Stockholders

An annual meeting of our stockholders shall be held on the day and at the time as may be set by our Board, at which the stockholders shall elect the board of directors and transact such other business as may properly be brought before the meeting. All annual meetings of stockholders are to be held at our registered office in the State of Delaware or at such other place as may be determined by our Board.

Special meetings of our stockholders may be called for any purpose or purposes, unless otherwise prescribed by statute, by the majority of our Board. Business transacted at any special meeting of stockholders shall be confined to the purpose or purposes stated in the notice for such meeting.

## **Anti-Takeover Provisions**

### ***Delaware Law***

Section 203 of the Delaware General Corporation Law generally prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date the stockholder became an interested stockholder, unless:

- prior to such date, the board of directors approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are directors and also officers and by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual meeting or special meeting of stockholders and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an “interested stockholder” as any entity or person beneficially owning 15% or more of the outstanding voting stock of a corporation, or an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of a corporation at any time within three years prior to the time of determination of interested stockholder status; and any entity or person affiliated with or controlling or controlled by such entity or person.

The provisions of Section 203 may encourage persons interested in acquiring us to negotiate in advance with our Board, since the stockholder approval requirement would be avoided if a majority of the directors then in office approves either the business combination or the transaction which results in any such person becoming an interested stockholder. Such provisions also may have the effect of preventing changes in our management.

Since we have not elected to be exempt from the restrictions imposed under Section 203, we are subject to Section 203 because our shares of common stock are listed on a national securities exchange as of our listing on Nasdaq on February 11, 2013. Unless we adopt an amendment to our Certificate of Incorporation, as amended, by action of our stockholders expressly electing not to be governed by Section 203, we are generally subject to Section 203 of the Delaware General Corporation



Law, except that the restrictions contained in Section 203 would not apply if the business combination is with an interested stockholder who became an interested stockholder before the time that we listed on Nasdaq.

Section 214 of the Delaware General Corporation Law provides that stockholders are denied the right to cumulate votes in the election of directors unless our Certificate of Incorporation, as amended, provides otherwise. Our Certificate of Incorporation, as amended, does not provide for cumulative voting.

These Delaware statutory provisions could delay or frustrate the removal of incumbent directors or a change in control of us. They could also discourage, impede, or prevent a merger, tender offer, or proxy contest, even if such event would be favorable to the interests of our stockholders.

#### ***Authorized but Unissued Shares***

Our authorized but unissued shares of common stock will be available for future issuance without stockholder approval. We may use additional shares of common stock for a variety of purposes, including future offerings to raise additional capital or as compensation to third party service providers. The existence of authorized but unissued shares of common stock could render more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

#### ***Certificate of Incorporation, as amended, and Amended and Restated By-law Provisions***

Our Certificate of Incorporation, as amended, and Amended and Restated By-laws contain provisions that could have the effect of discouraging potential acquisition proposals or making a tender offer or delaying or preventing a change in control, including changes a stockholder might consider favorable. In particular, the Certificate of Incorporation, as amended, and/or Amended and Restated By-laws, as applicable, among other things:

- provide our Board with the exclusive authority to call special meetings of the stockholders;
- provide our Board with the ability to alter our Amended and Restated By-laws without stockholder approval;
- provide our Board with the exclusive authority to fix the number of directors constituting the whole Board; and
- provide that vacancies on our Board may be filled by a majority of directors in office, although less than a quorum.

Such provisions may have the effect of discouraging a third-party from acquiring us, even if doing so would be beneficial to our stockholders. These provisions are intended to enhance the likelihood of continuity and stability in the composition of our Board and in its policies, and to discourage some types of transactions that may involve an actual or threatened change in control of us. These provisions are designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage some tactics that may be used in proxy fights. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms. However, these provisions could have the effect of discouraging others from making tender offers for our shares of common stock and, as a consequence, they also may inhibit fluctuations in the market price of our shares of common stock that could result from actual or rumored takeover attempts. These provisions also may have the effect of preventing changes in our management.

## **Transfer Agent and Registrar**

The current transfer agent and registrar for our common stock is Continental Stock Transfer & Trust Company, 17 Battery Place, New York, NY 10004.

## **Listing**

Our common stock is traded on Nasdaq under the symbol “ORMP.”

## **DESCRIPTION OF WARRANTS**

The following description, together with the additional information we may include in any applicable prospectus supplement, summarizes the material terms and provisions of the warrants that we may offer under this prospectus and the related warrant agreements and warrant certificates. While the terms summarized below will apply generally to any warrants that we may offer, we will describe the particular terms of any series of warrants in more detail in the applicable prospectus supplement. If we so indicate in a prospectus supplement, the terms of any warrants offered under that prospectus supplement may differ from the terms we describe below. Specific warrant agreements will contain additional important terms and provisions and will be incorporated by reference as an exhibit to the registration statement of which this prospectus forms a part.

### **General**

We may issue warrants for the purchase of common stock in one or more series. We may issue warrants independently or together with common stock, and the warrants may be attached to or separate from the common stock.

We will evidence each series of warrants by warrant certificates that we will issue under a separate agreement or by warrant agreements that we will enter into directly with the purchasers of the warrants. If we evidence warrants by warrant certificates, we will enter into a warrant agreement with a warrant agent. We will indicate the name and address of the warrant agent, if any, in the applicable prospectus supplement relating to a particular series of warrants.

We will describe in the applicable prospectus supplement the terms of the series of warrants, including:

- the offering price and aggregate number of warrants offered;
- the currency for which the warrants may be purchased or exercised;
- if applicable, the terms of the common stock with which the warrants are issued and the number of warrants issued with such common stock;
- if applicable, the date on and after which the warrants and the related common stock will be separately transferable;
- the number of shares of common stock purchasable upon the exercise of one warrant and the price at which these shares may be purchased upon such exercise;
- the manner in which the warrants may be exercised, which may include by cashless exercise;
- the effect of any merger, consolidation, sale or other disposition of our business on the warrant agreement and the warrants;

- the terms of any rights to redeem or call the warrants;
- any provisions for changes to or adjustments in the exercise price or number of shares of common stock issuable upon exercise of the warrants;
- the dates on which the right to exercise the warrants will commence and expire;
- the manner in which the warrant agreement and warrants may be modified;
- the material U.S. federal income tax consequences of holding or exercising the warrants;
- the terms of the common stock issuable upon exercise of the warrants; and
- any other specific terms, preferences, rights or limitations of or restrictions on the warrants.

Before exercising their warrants, holders of warrants will not have any of the rights of holders of the common stock purchasable upon such exercise, including the right to receive dividends, if any, or payments upon our liquidation, dissolution or winding up or to exercise voting rights, if any.

## **Exercise of Warrants**

Each warrant will entitle the holder to purchase the number of shares of common stock that we specify in the applicable prospectus supplement at the exercise price that we describe in the applicable prospectus supplement. Unless we otherwise specify in the applicable prospectus supplement, holders of the warrants may exercise the warrants at any time up to 5:00 P.M., Eastern U.S. time, on the expiration date that we set forth in the applicable prospectus supplement. After the close of business on the expiration date, unexercised warrants will become void.

Holders of the warrants may exercise the warrants by delivering to the warrant agent or us the warrant certificate or warrant agreement representing the warrants to be exercised together with specified information, and by paying the required amount to the warrant agent or us in immediately available funds, as provided in the applicable prospectus supplement. We will set forth on the reverse side of the warrant certificate or in the warrant agreement and in the applicable prospectus supplement the information that the holder of the warrant will be required to deliver to the warrant agent or us in connection with such exercise.

Upon receipt of the required payment and the warrant certificate or the warrant agreement, as applicable, properly completed and duly executed at the corporate trust office of the warrant agent, if any, at our offices or at any other office indicated in the applicable prospectus supplement, we will issue and deliver the common stock purchasable upon such exercise. If fewer than all of the warrants represented by the warrant certificate or warrant agreement are exercised, then we will issue a new warrant certificate or warrant agreement for the remaining amount of warrants.

## **Enforceability of Rights by Holders of Warrants**

If we appoint a warrant agent, any warrant agent will act solely as our agent under the applicable warrant agreement and will not assume any obligation or relationship of agency or trust with any holder of any warrant. A single bank or trust company may act as warrant agent for more than one issue of warrants. A warrant agent will have no duty or responsibility in case of any default by us under the applicable warrant agreement or warrant, including any duty or responsibility to initiate any proceedings at law or otherwise, or to make any demand upon us. Any holder of a warrant may, without the consent of the related warrant agent or the holder of any other warrant, enforce by appropriate legal action its right to exercise, and receive the securities purchasable upon exercise of, its warrants.

## DESCRIPTION OF UNITS

We may issue, in one or more series, units consisting of common stock and warrants for the purchase of common stock. While the terms we have summarized below will apply generally to any units that we may offer under this prospectus, we will describe the particular terms of any series of units in more detail in the applicable prospectus supplement. The terms of any units offered under a prospectus supplement may differ from the terms described below.

We will file as exhibits to the registration statement of which this prospectus forms a part, or will incorporate by reference from reports that we file with the SEC, the form of unit agreement that describes the terms of the series of units we are offering, and any supplemental agreements, before the issuance of the related series of units. The following summary of material terms and provisions of the units is subject to, and qualified in its entirety by reference to, all the provisions of the unit agreement and any supplemental agreements applicable to a particular series of units. We urge you to read the applicable prospectus supplement related to the particular series of units that we may offer under this prospectus and the complete unit agreement and any supplemental agreements that contain the terms of the units.

Each unit will be issued so that the holder of the unit is also the holder of each security included in the unit. Thus, the holder of a unit will have the rights and obligations of a holder of each included security. The unit agreement under which a unit is issued may provide that the securities included in the unit may not be held or transferred separately, at any time or at any time before a specified date.

We will describe in the applicable prospectus supplement the terms of the series of units, including:

- the designation and terms of the units, including whether and under what circumstances the securities comprising the units may be held or transferred separately;
- any provisions of the governing unit agreement that differ from those described herein; and
- any provisions for the issuance, payment, settlement, transfer or exchange of the units or the securities comprising the units.

The provisions described in this section, as well as those described under “*Description of Capital Stock*” and “*Description of Warrants*,” will apply to each unit and to any common stock or warrant included in each unit, respectively.

We may issue units in such amounts and in such distinct series as we determine.

## PLAN OF DISTRIBUTION

We may sell the securities being offered hereby in one or more of the following ways from time to time:

- through agents to the public or to investors;
- to one or more underwriters for resale to the public or to investors;
- to the extent we are eligible, in “at the market offerings,” within the meaning of Rule 415(a)(4) of the Securities Act of 1933, as amended, or the Securities Act, to or through a market maker or into an existing trading market, on an exchange or otherwise;
- directly to investors in privately negotiated transactions;

- directly to a purchaser pursuant to what is known as an “equity line of credit” as described below;  
or
- through a combination of these methods of sale.

The securities that we distribute by any of these methods may be sold, in one or more transactions, at:

- a fixed price or prices, which may be changed;
- market prices prevailing at the time of sale;
- prices related to prevailing market prices; or
- negotiated prices.

The accompanying prospectus supplement will describe the terms of the offering of our securities, including:

- the name or names of any agents or underwriters;
- any securities exchange or market on which the common stock may be listed;
- the purchase price and commission, if any, to be paid in connection with the sale of the securities being offered and the proceeds we will receive from the sale;
- any options pursuant to which underwriters may purchase additional securities from us;
- any underwriting discounts or agency fees and other items constituting underwriters’ or agents’ compensation;
- any public offering price; and
- any discounts or concessions allowed or reallocated or paid to dealers.

If underwriters are used in the sale, they will acquire the securities for their own account and may resell the securities from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of the sale. The obligations of the underwriters to purchase the securities will be subject to the conditions set forth in the applicable underwriting agreement. We may offer the securities to the public through underwriting syndicates represented by managing underwriters or by underwriters without a syndicate. Subject to certain conditions, the underwriters will be obligated to purchase all the securities offered by the prospectus supplement. We may change from time to time the public offering price and any discounts or concessions allowed or reallocated or paid to dealers.

If we use a dealer in the sale of the securities being offered pursuant to this prospectus or any prospectus supplement, we will sell the securities to the dealer, as principal. The dealer may then resell the securities to the public at varying prices to be determined by the dealer at the time of resale. The names of the dealers and the terms of the transaction will be specified in a prospectus supplement.

We may sell the securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of securities and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, any agent will act on a best-efforts basis for the period of its appointment.

We may also sell securities pursuant to an “equity line of credit”. In such event, we will enter into a common stock purchase agreement with the purchaser to be named therein, which will be described in a Current Report on Form 8-K that we will file with the SEC. In that Form 8-K, we will describe the total amount of securities that we may require the purchaser to purchase under the purchase agreement and the other terms of purchase, and any rights that the purchaser is granted to purchase securities from us. In addition to our issuance of shares of common stock to the equity line purchaser pursuant to the purchase agreement, this prospectus (and the applicable prospectus supplement or post-effective amendment to the registration statement of which this prospectus forms a part) also covers the resale of those shares from time to time by the equity line purchaser to the public. The equity line purchaser will be considered an “underwriter” within the meaning of Section 2(a)(11) of the Securities Act. Its resales may be effected through a number of methods, including without limitation, ordinary brokerage transactions and transactions in which the broker solicits purchasers and block trades in which the broker or dealer so engaged will attempt to sell the shares as agent, but may position and resell a portion of the block as principal to facilitate the transaction. The equity line purchaser will be bound by various anti-manipulation rules of the SEC and may not, for example, engage in any stabilization activity in connection with its resales of our securities and may not bid for or purchase any of our securities or attempt to induce any person to purchase any of our securities other than as permitted under the Securities Exchange Act of 1934, as amended, or the Exchange Act.

We may sell our securities directly or through agents we designate from time to time. We will name any agent involved in the offering and sale of our common stock, and we will describe any commissions we will pay the agent in the prospectus supplement. Unless the prospectus supplement states otherwise, our agent will act on a best-efforts basis for the period of its appointment.

We may provide underwriters and agents with indemnification against civil liabilities related to offerings pursuant to this prospectus, including liabilities under the Securities Act, or contribution with respect to payments that the underwriters or agents may make with respect to these liabilities. Underwriters and agents may engage in transactions with, or perform services for, us in the ordinary course of business. We will describe such relationships in the prospectus supplement naming the underwriter or agent and the nature of any such relationship.

Rules of the SEC may limit the ability of any underwriters to bid for or purchase securities before the distribution of the shares of common stock is completed. However, underwriters may engage in the following activities in accordance with the rules:

- *Stabilizing transactions* — Underwriters may make bids or purchases for the purpose of pegging, fixing or maintaining the price of the shares, so long as stabilizing bids do not exceed a specified maximum.
- *Options to purchase additional stock and syndicate covering transactions* — Underwriters may sell more shares of our common stock than the number of shares that they have committed to purchase in any underwritten offering. This creates a short position for the underwriters. This short position may involve either “covered” short sales or “naked” short sales. Covered short sales are short sales made in an amount not greater than the underwriters’ option to purchase additional shares in any underwritten offering. The underwriters may close out any covered short position either by exercising their option or by purchasing shares in the open market. To determine how they will close the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market, as compared to the price at which they may purchase shares through their option. Naked short sales are short sales in excess of the option. The underwriters must close out any naked position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that, in the open market after pricing, there may be downward pressure on the price of the shares that could adversely affect investors who purchase shares in the offering.
- *Penalty bids* — If underwriters purchase shares in the open market in a stabilizing transaction or syndicate covering transaction, they may reclaim a selling concession from other underwriters and selling group members who sold those shares as part of the offering.

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Similar to other purchase transactions, an underwriter's purchases to cover the syndicate short sales or to stabilize the market price of our common stock may have the effect of raising or maintaining the market price of our common stock or preventing or mitigating a decline in the market price of our common stock. As a result, the price of the shares of our common stock may be higher than the price that might otherwise exist in the open market. The imposition of a penalty bid might also have an effect on the price of shares if it discourages resales of the shares.

If commenced, the underwriters may discontinue any of these activities at any time.

Our common stock is traded on Nasdaq. One or more underwriters may make a market in our common stock, but the underwriters will not be obligated to do so and may discontinue market making at any time without notice. We cannot give any assurance as to liquidity of the trading market for our common stock.

Any underwriters who are qualified market makers on Nasdaq may engage in passive market making transactions in that market in the common stock in accordance with Rule 103 of Regulation M, during the business day prior to the pricing of the offering, before the commencement of offers or sales of the common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as passive market makers. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid for such security; if all independent bids are lowered below the passive market maker's bid, however, the passive market maker's bid must then be lowered when certain purchase limits are exceeded.

In compliance with guidelines of the Financial Industry Regulatory Authority, or FINRA, the maximum commission or discount to be received by any FINRA member or independent broker dealer may not exceed 8% of the aggregate amount of the securities offered pursuant to this prospectus and any applicable prospectus supplement.

## **LEGAL MATTERS**

Zysman, Aharoni, Gayer and Sullivan & Worcester LLP, New York, New York, passed upon the validity of the securities offered hereby.

## **EXPERTS**

The financial statements incorporated in this prospectus by reference to the Annual Report on Form 10-K for the year ended August 31, 2016 have been so incorporated in reliance on the report of Kesselman & Kesselman - CPA. (Isr), a member firm of PricewaterhouseCoopers International Limited, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

## **WHERE YOU CAN FIND MORE INFORMATION**

We are subject to the reporting and information requirements of the Exchange Act and as a result file periodic reports and other information with the SEC. These periodic reports and other information will be available for inspection and copying at the SEC's public reference room and the website of the SEC referred to below. We also make available on our website under "Investors/SEC Filings," free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after we electronically file such materials with or furnish them to the SEC. Our website address is [www.oramed.com](http://www.oramed.com). This reference to our website is an inactive textual reference only, and is not a hyperlink. The contents of our website are not part of this prospectus, and you should not consider the contents of our website in making an investment decision with respect to the securities.

We are filing a registration statement on Form S-3 under the Securities Act with the SEC with respect to the shares of our common stock, warrants and units offered through this prospectus. This prospectus is filed as a part of that registration statement and does not contain all of the information contained in the registration statement and exhibits. We refer you to our registration statement and each exhibit attached to it for a more complete description of matters involving us, and the statements we have made in this prospectus are qualified in their entirety by reference to these additional materials.

You may read and copy the reports and other information we file with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington D.C. 20549, on official business days during the hours of 10:00 am to 3:00 pm. You may also obtain copies of this information by mail from the public reference section of the SEC, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. You may obtain information regarding the operation of the public reference room by calling the SEC at 1 (800) SEC-0330. The SEC also maintains a website that contains reports and other information about issuers, like us, who file electronically with the SEC. The address of that website is <http://www.sec.gov>. This reference to the SEC's website is an inactive textual reference only, and is not a hyperlink.

### **INCORPORATION OF DOCUMENTS BY REFERENCE**

We are "incorporating by reference" certain documents we file with the SEC, which means that we can disclose important information to you by referring you to those documents. The information in the documents incorporated by reference is considered to be part of this prospectus. Statements contained in documents that we file with the SEC and that are incorporated by reference in this prospectus will automatically update and supersede information contained in this prospectus, including information in previously filed documents or reports that have been incorporated by reference in this prospectus, to the extent the new information differs from or is inconsistent with the old information.

We have filed or may file the following documents with the SEC. These documents are incorporated herein by reference as of their respective dates of filing:

- (1) Our Annual Report on Form 10-K for the fiscal year ended August 31, 2016, as filed with the SEC on November 25, 2016;
- (2) Our Quarterly Report on Form 10-Q for the quarter ended November 30, 2016, as filed with the SEC on January 11, 2017; and
- (3) The description of our common stock contained in our Registration Statement on Form 8-A filed with the SEC on February 7, 2013, including any amendments and reports filed for the purpose of updating such description.

All documents filed by us pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act until all of the securities to which this prospectus relates has been sold or the offering is otherwise terminated, except in each case for information contained in any such filing where we indicate that such information is being furnished and is not to be considered "filed" under the Exchange Act, will be deemed to be incorporated by reference in this prospectus and any accompanying prospectus supplement and to be a part hereof from the date of filing of such documents.

We will provide a copy of the documents we incorporate by reference, at no cost, to any person who receives this prospectus. To request a copy of any or all of these documents, you should write or telephone us at Hi-Tech Park 2/4, Givat-Ram, PO Box 39098, Jerusalem 91390, Israel, Attention: Yifat Zommer, 972-2-566-0001.





**Common Stock**

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**PROSPECTUS SUPPLEMENT**

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**FBR**

April 5, 2017

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

**FORM 8-K**

**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d) of**  
**the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **April 5, 2017**

**ORAMED PHARMACEUTICALS INC.**

(Exact name of registrant as specified in its charter)

<b>DELAWARE</b>	<b>001-35813</b>	<b>98-0376008</b>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
<b>Hi-Tech Park 2/4 Givat Ram, PO Box 39098, Jerusalem, Israel</b>	<b>91390</b>	
(Address of Principal Executive Offices)	(Zip Code)	

**+972-2-566-0001**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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### **Item 8.01. Other Events.**

As previously disclosed, Oramed Pharmaceuticals Inc. (the “Company”) and FBR Capital Markets & Co. (“FBR”) are parties to an at market issuance sales agreement dated April 2, 2015, as amended (the “Sales Agreement”). Pursuant to the Sales Agreement, the Company may issue and sell shares of its common stock having an aggregate offering price of up to \$25 million from time to time, at its option, through FBR as its sales agent, subject to certain terms and conditions. Any shares sold will be sold pursuant to the Company’s effective shelf registration statement on Form S-3 (Registration No. 333-215525), including a prospectus dated February 2, 2017, as supplemented by a prospectus supplement dated April 5, 2017. The Company will pay FBR a commission of 3.0% of the gross proceeds of the sale of any shares sold through FBR. The Company is not obligated to utilize any of the \$25 million available under the Sales Agreement and, to date, no shares have been sold under the Sales Agreement.

This Current Report on Form 8-K shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any state or jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

### **Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

- |      |   |
|------|---|
| 5.1  | Opinion of Zysman, Aharoni, Gayer and Sullivan & Worcester LLP.   |
| 10.1 | At-the-Market Issuance Sales Agreement, dated April 2, 2015, by and between the Company and MLV & Co. LLC. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended February 28, 2015.)  |
| 10.2 | Amendment No. 1 to At-the-Market Issuance Sales Agreement, dated April 5, 2017, by and among the Company, MLV & Co. LLC and FBR Capital Markets & Co. (Incorporated by reference to the Company’s Quarterly Report on Form 10-Q for the quarter ended February 28, 2017.) |
| 23.1 | Consent of Zysman, Aharoni, Gayer and Sullivan & Worcester LLP (contained in Exhibit 5.1).  |

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### **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 hereunto duly authorized.

### **ORAMED PHARMACEUTICALS INC.**

By: /s/ Nadav Kidron

\_\_\_\_\_  
Name: Nadav Kidron

Title: President and CEO

April 7, 2017

**Exhibit 5.1**



ZAG/S&W  
One Post Office Square  
Boston, MA 02109

T +617 457 3800  
F +617 338 2880  
[www.zag-sw.com](http://www.zag-sw.com)

April 5, 2017

Oramed Pharmaceuticals Inc.  
Hi-Tech Park 2/4  
Givat-Ram  
PO Box 39098  
Jerusalem 91390, Israel

Re: Sale of Common Stock pursuant to Registration Statement on Form S-3

Ladies and Gentlemen:

This opinion is furnished to you in connection with a Registration Statement on Form S-3 (Registration No. 333-215525, the "Registration Statement"), the prospectus included therein and the related prospectus supplement (such prospectus, as supplemented by such prospectus supplement, the "Prospectus Supplement") filed with the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Securities Act"), with respect to the sale of shares of your common stock (the "Shares") having an aggregate offering price of up to \$25,000,000 from time to time pursuant to that certain At the Market Issuance Sales Agreement dated April 2, 2015, as amended (the "Sales Agreement"), between you and FBR Capital Markets & Co. You are a Delaware corporation and are referred to herein as the "Company."

We are acting as counsel for the Company in connection with the registration and sale of the Shares. We have examined copies of the Registration Statement and Prospectus Supplement filed with the Commission. We have also examined and relied upon minutes of meetings of the Board of Directors of the Company as provided to us by the Company, the Certificate of Incorporation and By-Laws of the Company, each as restated and/or amended to date, and such other documents as we have deemed necessary for purposes of rendering the opinions hereinafter set forth.

In our examination of the foregoing documents, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as copies, the authenticity of the originals of such latter documents and the legal competence of all signatories to such documents.

Other than our examination of the documents indicated above, we have made no other examination in connection with this opinion. This opinion is limited to the General Corporation Law of Delaware, and we express no opinions with respect to the laws of any other jurisdiction. We express no opinion herein concerning any state securities or blue sky laws.

Based upon and subject to the foregoing, we are of the opinion that when issued and paid for in accordance with the terms and conditions of the Sales Agreement, the Shares will be validly issued, fully paid and nonassessable.

Please note that we are opining only as to the matters expressly set forth herein, and no opinion should be inferred as to any other matters. This opinion is based upon currently existing statutes, rules,

regulations and judicial decisions, as further limited above, and we disclaim any obligation to advise you of any change in any of these sources of law or subsequent legal or factual developments which might affect any matters or opinions set forth herein.

**Zysman, Aharoni, Gayer and Sullivan & Worcester LLP**  
An International Joint Venture Law Firm

**BOSTON NEW YORK TEL AVIV WASHINGTON, DC**

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Oramed Pharmaceuticals Inc.

April 5, 2017

Page 2 of 2

This opinion is rendered to you in connection with the Registration Statement. This opinion may not be relied upon for any other purpose, or furnished to, quoted or relied upon by any other person, firm or corporation for any purpose, without our prior written consent, except that (A) this opinion may be furnished or quoted to judicial or regulatory authorities having jurisdiction over you, and (B) this opinion may be relied upon by purchasers and holders of the Shares currently entitled to rely on it pursuant to applicable provisions of federal securities law.

We hereby consent to the filing of this opinion with the Commission as an exhibit to the Current Report on Form 8-K of the Company being filed on the date hereof and to the reference to our firm in the Prospectus Supplement and the Registration Statement. In giving such consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission.

Very truly yours,

/s/ Zysman, Aharoni, Gayer and Sullivan & Worcester LLP

Zysman, Aharoni, Gayer and Sullivan & Worcester LLP

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

**FORM 8-K**

**CURRENT REPORT  
Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934**

Date of report (Date of earliest event reported): **June 5, 2017**

**ORAMED PHARMACEUTICALS INC.**

(Exact name of registrant as specified in its charter)

<b>DELAWARE</b>	<b>001-35813</b>	<b>98-0376008</b>
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)
<b>Hi-Tech Park 2/4 Givat Ram, PO Box 39098, Jerusalem, Israel</b>	<b>91390</b>	
(Address of Principal Executive Offices)	(Zip Code)	

**+972-2-566-0001**  
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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**Item 7.01. Regulation FD Disclosure.**

On June 5, 2017, the Board of Directors of Oramed Pharmaceuticals Inc. (the “Company”) authorized the Company to apply for the listing of the Company’s shares of common stock, \$0.012 par value per share (the “Common Stock”), on the Tel-Aviv Stock Exchange (the “TASE”). The Company is seeking approval from the Israel Securities Authority (the “ISA”) and expects that the Common Stock will begin trading on the TASE during the fourth quarter of the fiscal year ending August 31, 2017. The Common Stock will continue to trade on The NASDAQ Stock Market LLC under the symbol “ORMP”.

**Warning Concerning Forward Looking Statements**

This Current Report on Form 8-K contains statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and other securities laws. These forward looking statements are based upon the Company’s present intent, beliefs or expectations, but forward looking statements are not guaranteed to occur and may not occur for various reasons, including some reasons which are beyond the Company’s control. For example, this Report states that the Company is seeking approval from the ISA and expects that the Common Stock will begin trading on the TASE during the fourth quarter of the fiscal year ending August 31, 2017. However, the Company may not receive approval from the ISA and the commencement of trading of the Common Stock on the TASE may be delayed or may not occur. For these reasons, among others, you should not place undue reliance upon the Company’s forward looking statements. Except as required by law, the Company undertakes no obligation to revise or update any forward looking statements in order to reflect any event or circumstance that may arise after the date of this Report.

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**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 hereunto duly authorized.

June 8, 2017