Orgenesis Inc.
Form 10-Q
April 15, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended **February 28, 2013**

[ ] Transition Report pursuant to 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period __________________to ______________________

Commission File Number: **000-54329**

ORGENESIS INC.
(Exact name of registrant as specified in its charter)

NEVADA	98-0583166
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

21 Sparrow Circle, White Plains, NY, 10605
(Address of principal executive offices)

845.591.3144
(Registrant s telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

[**X**] 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).

[**X**] Yes [ ] No

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

Large accelerated filer [ ]	Accelerated filer [ ]
Non-accelerated filer [ ] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

[ ] Yes [**X**] No

State the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date: As of April 15, 2013, there were 49,617,903 shares of common stock, par value $0.0001 outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the SEC instructions to Form 10-Q. In the opinion of management, all adjustments considered necessary for a fair statement have been included. Operating results for the interim period ended February 28, 2013 are not necessarily indicative of the results that can be expected for the full year.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
AS OF FEBRUARY 28, 2013

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ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars

		February 28, 2013 Unaudited		November 30, 2012 Audited
Assets				
CURRENT ASSETS:				
Cash and cash equivalents	$	50,015	$	347
Short term deposits		10,002		10,002
Prepaid expenses and Accounts receivable		22,525		28,249
Total current assets	$	82,542	$	38,598
FUNDS IN RESPECT OF RETIREMENT BENEFIT OBLIGATIONS	$	1,925	$	1,296
PROPERTY AND EQUIPMENT, NET	$	13,363	$	8,273
Total assets	$	97,830	$	48,167
Liabilities net of Stockholders' deficiency				
CURRENT LIABILITIES:				
Accounts payable	$	134,844	$	135,791
Accrued expenses		129,272		73,138
Employees and related payables		49,110		75,879
Related parties		42,362		42,362
Total current liabilities	$	355,588	$	327,170
RETIREMENT BENEFIT OBLIGATIONS	$	2,191	$	1,553
Commitments (Note 2)				
Total liabilities	$	357,779	$	328,723
STOCKHOLDERS' DEFICIENCY:				
Common stock of $0.0001 par value - authorized: 1,750,000,000 shares at February 28, 2013 and November 30, 2012; issued and outstanding: 49,617,903 and 49,117,903 shares at February 28, 2012 and November 30, 2012, respectively		4,962		4,912
Additional paid-in capital		6,200,698		4,850,348
Deficit accumulated during the development stage		(6,465,609)		(5,135,816)
Total Stockholders' deficiency		(259,949)		(280,556)
Total liabilities net of Stockholders' deficiency	$	97,830	$	48,167

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

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)
U.S. dollars

	Three months ended February 28, 2013	Three months ended February 29, 2012	Period from June 5, 2008 (inception date) through February 28, 2013
RESEARCH AND DEVELOPMENT EXPENSES	$ 485,261	$ 719,671	$ 2,794,072
GENERAL AND ADMINISTRATIVE EXPENSES	835,094	134,091	3,652,515
OPERATING LOSS	$ 1,320,355	$ 853,762	$ 6,446,587
FINANCIAL EXPENSES, NET	9,438	99	19,022
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	$ 1,329,793	$ 853,861	$ 6,465,609
BASIC AND DILUTED LOSS PER COMMON STOCK	$ 0.03	$ 0.01	
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF BASIC AND DILUTED LOSS PER COMMON STOCK:	49,606,667	69,839,301	

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

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ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC.)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS
OF CHANGES IN STOCKHOLDERS' CAPITAL DEFICIENCY
(UNAUDITED)
U.S. dollars

	Common Stock Shares	Common Stock $	Additional paid-in capital	Deficit accumulated during the development stage	Total stockholders' Deficit
Balance at June 5, 2008 (inception)	-	$ -	$ -	$ -	$ -
Changes during the period from June 5, 2008 through November 30, 2010					
Shares issued to founder on June 5, 2008 $0.000357 Per Share	56,000,000	$ 5,600	14,400	-	20,000
Private Placement at 0.00143$ Per Share	24,500,000	2,450	32,550	-	35,000
Net Loss for the period-Comprehensive loss	-	-	-	(65,321)	(65,321)
Balance as of November 30, 2010	80,500,000	8,050	46,950	(65,321)	(10,321)
Net Loss for the year-Comprehensive loss	-	-	-	(72,352)	(72,352)
Balance as of November 30, 2011	80,500,000	8,050	46,950	(137,673)	(82,673)
Shares cancelled	(33,873,049)	(3,387)	3,387	-	-
Warrants and shares issued for cash, net of issuance expenses	1,100,000	110	1,071,551	-	1,071,661
Stock-based compensation expenses related to options granted to employees	-	-	2,976,922	-	2,976,922
Stock-based compensation expenses related to options granted to consultant	-	-	242,055	-	242,055
Shares issued for services	1,390,952	139	509,483	-	509,622
Net loss for the year-Comprehensive loss				(4,998,143)	(4,998,143)
Balance as of November 30, 2012	49,117,903	$ 4,912	$ 4,850,348	$ (5,135,816)	$ (280,556)
Changes during the three month period ended February 28, 2013 (Unaudited)					
Warrants and shares issued for cash	500,000	50	499,950	-	500,000

Stock based compensation related to options granted to employees	-	-	797,584	-	797,584
Stock-based compensation related to options granted to consultants	-	-	52,816	-	52,816
Net loss for the period-Comprehensive loss				(1,329,793)	(1,329,793)
Balance as of February 28, 2013	49,617,903	4,962$	$ 6,200,698	$ (6,465,609)	($ 259,949)

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

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
U.S. dollars

	Three months ended		Period from June 5, 2008 (inception date) through
	February 28, 2013	**February 29, 2012**	**February 28, 2013**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	(1,329,793)	(853,861)	(6,465,609)
Adjustments required to reconcile net loss to net cash used in operating activities:			
Write-off of website development costs	-	-	15,000
Stock-based compensation related to options granted to employees	797,584	149,335	3,774,506
Stock-based compensation related to options granted to consultants	52,816	-	294,871
Changes in retirement benefit obligations	638	-	2,191
Depreciation	810	-	2,216
Shares issued for services rended		509,622	509,622
Changes in operating assets and liabilities:			
Decrease in prepaid expenses and accounts receivable	5,724	1,052	(22,525)
Decrease in accounts payable	(947)	(27,563)	134,844
Increase in accrued expenses	56,134	56,273	129,272
Related parties	-	10,000	42,362
Increase (Decrease) in employees and related payables	(26,769)	35,987	49,110
Net cash used in operating activities	(443,803)	(119,155)	(1,534,140)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed assets	(5,900)	-	(15,579)
Website development costs	-	-	(15,000)
Investment in short term deposits	-	-	(10,002)
Amounts funded in respect of retirement benefit obligations	(629)	-	(1,925)
Net cash used in investing activities	(6,529)	-	(42,506)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from Warrants and shares issued for cash	500,000	471,661	1,626,661
Net cash provided by financing activities	500,000	471,661	1,626,661
INCREASE IN CASH AND CASH EQUIVALENTS	49,668	352,506	50,015
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	347	1,275	-
	50,015	353,781	50,015

CASH AND CASH EQUIVALENTS AT END OF PERIOD	

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

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES:

a. General:

Orgenesis Inc. (formerly Business Outsourcing Services, Inc.) (the Company), incorporated in the state of Nevada on June 5, 2008 is currently developing a new technology for regeneration of functional insulin-producing cells, thus, enabling normal glucose regulated insulin secretion, via cell therapy.

On August 31, 2011, the Company changed its name from Business Outsourcing Services, Inc. to Orgenesis Inc. , by way of merger with its wholly-owned subsidiary Orgenesis Inc., which was formed solely for the change of name.

On October 11, 2011, the Company incorporated a wholly-owned subsidiary in Israel, Orgenesis Ltd. (the "Subsidiary"), which is engaged in research and development. Unless the context indicates otherwise, the term Group refers to Orgenesis Inc. and its Israeli subsidiary, Orgenesis Ltd (the Subsidiary).

On February 2, 2012, the Subsidiary entered into an agreement with Tel Hashomer Medical Research, Infrastructure and Services Ltd (the "Licensor"). The Subsidiary was granted a worldwide royalty bearing, exclusive license to certain information regarding a molecular and cellular approach directed at converting liver cells into functional insulin producing cells, as treatment for diabetes.

The Group is engaged in research and development in the biotechnology field and is considered a development stage company in accordance with ASC Topic 915 Development Stage Entities .

b. Basis Of Presentation

The accompanying unaudited interim condensed consolidated financial statements as of February 28, 2013 have been prepared in accordance with accounting principles generally accepted in the United States. Accordingly, they do not include all the information and footnotes required for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair statement have been included. The accounting principles applied in the preparation of the interim statements are consistent with those applied in the preparation of the annual financial statements; however, the interim statements do not include all the information and explanations required for the annual financial statements. The condensed consolidated balance sheet data as of November 30, 2012 was derived from the Company s audited financial statements, but does not include all disclosures required by generally accepted accounting principles. For additional information, including the Company s significant accounting policies, refer to the consolidated financial statements and related footnotes in the Company s fiscal 2012 Annual Report on Form 10-K. Operating results for the three months ended February 28, 2013, are not necessarily indicative of the results that may be expected for the year ending November 30, 2013.

c. Research and development

Research and development expenses include costs directly attributable to the conduct of research and development programs, including the cost of salaries, payroll taxes and employee benefits, lab expenses, consumable equipment and consulting fees. All costs associated with research and developments are expensed as incurred.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

d. Principles of consolidation

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

e. Functional currency

The currency of the primary economic environment in which the operations of the Company and Subsidiary are conducted is the US dollar ($ or dollar).

Most of the Group's expenses are incurred in dollars and source of the Group's financing has been provided in dollars. Thus, the functional currency of the Company and the 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.

f. Going concern considerations

The accompanying unaudited interim condensed consolidated financial statements have been prepared assuming that the Company will continue as a going concern. The Company has net losses for the period from inception (June 5, 2008) through February 28, 2013, of $6,465,609 as well as a negative cash flow from operating activities. Presently, the Company does not have sufficient cash resources to meet its plans in the twelve months following February 28, 2013. These factors raise substantial doubt about the Company's ability to continue as a going concern. Management is in the process of evaluating various financing alternatives, as the Company will need to finance future research and development activities and general and administrative expenses through fund raising in the public or private equity markets. Although there is no assurance that the Company will be successful with those initiatives, management believes that it will be able to secure the necessary financing as a result of ongoing financing discussions with third party investors and existing shareholders.

These consolidated financial statements do not include any adjustments that may be necessary should the Company be unable to continue as a going concern. The Company's continuation as a going concern is dependent on its ability to obtain additional financing as may be required and ultimately to attain profitability.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

g. Income Taxes

1. Income taxes are computed using the asset and liability method. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities and are measured using the currently enacted tax rates and laws. A valuation allowance is recognized to the extent that it is more likely than not that the deferred taxes will not be realized in the foreseeable future.. It is the Company s policy to classify interest and penalties on income taxes as interest expense or penalties expense.

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 available evidence indicates that it is more likely than not that the position will be sustained on examination. If this threshold is met, the second step is to measure the tax position as the largest amount that is greater than 50% likely of being realized upon ultimate settlement.

3. Taxes that would apply in the event of disposal of investment in Subsidiary have not been taken into account in computing the deferred income taxes, as it is the Company s intent and ability to hold this investment.

h. Stock-Based Compensation

The Company accounts for employee stock-based compensation in accordance with the guidance of ASC Topic 718, Compensation which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their grant date fair values. The fair value of the equity instrument is charged to compensation expense and credited to additional paid-in capital over the period during which services are rendered.

The Company follows ASC Topic 505-50, formerly EITF 96-18, Accounting for Equity Instruments that are Issued to Other than Employees for Acquiring, or in Conjunction with Selling Goods and Services, for stock options and warrants issued to consultants and other non-employees. In accordance with ASC Topic 505-50, these stock options and warrants issued as compensation for services provided to the Company are accounted for based upon the fair value of the options. 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.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
(A development stage company)
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued):

i. i. Newly issued and recently adopted Accounting Pronouncements

1. In June 2011, the Financial Accounting Standards Board (the "FASB") issued an update to ASC No. 220, "Presentation of Comprehensive Income," which eliminates the option to present other comprehensive income and its components in the statement of shareholders' equity. The Company can elect to present the items of net income and other comprehensive income in a single continuous statement of comprehensive income or in two separate, but consecutive, statements. Under either method the statement would need to be presented with equal prominence as the other primary financial statements. The amended guidance, which must be applied retroactively, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, with earlier adoption permitted. In December 2011, the FASB issued another update on the topic, which deferred the effective date pertaining only to the presentation of reclassification adjustments on the face of the financial statements. The Company adopted the pronouncement in the annual financail statements as of November 30, 2013.

2. In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income ("ASU 2013-02"). This update requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, ASU 2013-02 requires presentation, either on the face of the income statement or in the notes, of significant amounts reclassified out of accumulated other comprehensive income by respective line items of net income, but only if the amounts reclassified are required to be reclassified in their entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about these amounts. The amendments in ASU 2013-02 will be effective prospectively for annual reporting periods beginning after December 15, 2012, and interim periods within those annual periods. ASU 2013-02 is effective for the Company on November, 30, 2013. The Company does not expect the adoption of ASU 2013-02 to have a material effect on the consolidated financial statement presentation.

ORGENESIS INC.
(FORMERLY BUSINESS OUTSOURCING SERVICES, INC)
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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 COMMITMENTS

1. On February 2, 2012 the Subsidiary entered into a licensing agreement with the Licensor. According to the agreement, the Subsidiary was granted a worldwide royalty bearing, exclusive license to certain information regarding a molecular and cellular approach directed at converting liver cells into functional insulin producing cells, as treatment for diabetes.

As consideration for the licensed information, the Subsidiary will pay the following to the Licensor:

a. A royalty of 3.5% of net sales.
b. 16% of all sublicensing fees received.
c. An annual license fee of $15,000, which commenced on January 1, 2012 and shall be paid once every year thereafter (the "Annual Fee").The Annual Fee is non-refundable, but it shall be credited each year due, against the royalty noted above, to the extent that such are payable, during that year.
d. Milestone payments as follows:

   1. $50,000 on the date of initiation of phase I clinical trials in human subjects;
   2. $50,000 on the date of initiation of phase II clinical trials in human subjects;
   3. $150,000 on the date of initiation of phase III clinical trials in human subjects;
   4. $750,000 on the date of initiation of issuance of an approval for marketing of the first product by the FDA.
   5. $2,000,000, when worldwide net sales of Products have reached the amount of $150,000,000 for the first time, (The "Sales Milestone").

In the event of closing of an acquisition of all of the issued and outstanding share capital of the Subsidiary of the Company and/or consolidation of the Subsidiary or the Company into or with another corporation ("Exit"), the Licensor shall be entitled to choose whether to receive from the Company a one-time payment based, as applicable, on the value of either 5,563,809 shares of Common Stock of the Company at the time of the Exit or the value of 1,000 shares of common stock of the Subsidiary at the time of the Exit.

2. On February 2, 2012 the Company entered into an agreement with Mintz, Levin, Ferris, Glovsky and Popeo, P.c. for professional services related to the patent registration. In addition to an amount of $80,000 paid to this service provider, the Company issued 1,390,952 shares of common stock that will be held in escrow for two years. As a result of the escrow, the fair value of these shares issued for services were $509,622 based on a 34.57% discount calculated, on the price per share on February 2, 2012. The Company will pay an additional $50,000 upon consummation of the earlier of:

1. The purchase of all the Company's common shares and/or amalgamation of the Company or the Subsidiary into or with another corporation.

2. The Company sublicensing the technology to a non-affiliate of the Company.

3. $20,000 upon each of the following milestones (but in any event no more than $50,000 in total):

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 COMMITMENTS (continued):

1. Initiation by the Company of phase I clinical trials for the Company's product in human subjects.

2. Initiation by the Company of phase II clinical trials in human subjects.

3. Initiation by the Company of phase III clinical trials in human subjects.

3. On February 2, 2012, the Company entered into a consultancy agreement with Weinberg Dalyo Inc, for financial consulting services for a consideration of $3,000 per month. During the period of this agreement, if the consultant locates an investor, which the Company enters into a binding investment agreement, the consultant is entitled to a bonus of 1.5% from the total investment in cash.

4. On February 2, 2012, we entered into an employment agreement (the Ferber Employment Agreement) with Prof. Sarah Ferber. Pursuant to the Ferber Employment Agreement, Prof. Ferber agrees to serve as our Chief Scientific Officer. Prof. Ferber will be paid a gross salary of NIS (Israeli shekel) 36,000 per month, which is approximately $9,708 based on an exchange rate of 1 NIS equals $0.2696 as of February 28, 2013. In the event we complete a financing of at least $1,000,000 (in addition to the $1.5 million private placement in February 2012), Prof. Ferber s salary will double.

5. On February 2, 2012, we entered into a compensation agreement (the Caplan Compensation Agreement) with Ms. Caplan. Pursuant to the Caplan Compensation Agreement, Ms. Caplan agrees to serve as a director of our company. Ms. Vered will be paid a gross salary of NIS (Israeli shekel) 10,000 per month, which is approximately $2,696 based on an exchange rate of 1 NIS equals $0.2696 as of February 28, 2013. In the event we complete a financing of at least $ 2,000,000, Ms. Vered will be paid a onetime bonus of $100,000.

6. On March 22, 2012 the Subsidiary entered into a research service agreement with the Licensor. According to the agreement, the Licensor will perform a study at the facilities and use the equipment and personnel of the Chaim Sheba Medical Center (the "Hospital"), for the total consideration of approximately $74,000 for a year.

7. On April 2, 2012 the Company entered into an agreement with Guy Yachin to serve as a director in the Company's board of directors for a consideration of $2,500 per month and an additional payment for every board meeting on an hourly basis. See also note 4 (4).

8. On April 6, 2012 the Company entered into an agreement with Etti Hanochi to serve as a director in the Company's board of directors for a consideration of $300 the first hour of attendance in at Board meetings, and $200 per each additional hour. See also note 4(7).

9. On April 17, 2012 the Company entered into an agreement with Yaron Adler to serve as a director in the Company's board of directors for a consideration for every board meeting on an hourly basis. In the event the Company receives an aggregate financing of at least $3,000,000 he will be entitled to a one-time payment in the amount of $15,000. See also note 4(5).

10. On April 24, 2012 the company entered into an agreement with Granzer Regulatory Consulting&services (Granzer) to provide services with regard to regulatory and development aspects in connection with pharmaceutical products in the area of chemistry and pharmacy toxilog, clinical and regulatory.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 2 COMMITMENTS (continued):

The company shall pay for services of Granzer range of 125-300 Euro per hour or 2,400 Euro per day.

11. On October 18, 2012 the company entered into an agreement with Fraunhofer IGB to perform experiment and studies on transplants of liver cells in order to develop the manufacturing process in standards that will enable Orgenesis to use it in clinical trials. According to the agreement the company should pay per achieved phase which are defined in the agreement a total consideration of 260,000 Euro for all services. Under the terms of the agreement it's the company's discretion whether to conclude all the phases or only part of them.

12. On January 7, 2013 the Company appointed a new CEO to the Company, whose compensation will consist of an annual gross salary of $180,000 and the eligibility to receive stock options, performance shares and an annual bonus at the discretion of our board of directors upon the performance as follow:

a. 982,358 Performance Shares (2%) will be issued upon the completion of a fundraising;

b. 1,473,537 Performance Shares (3%) will be issued as to 25% on each of the first, second, third and fourth anniversaries of the date of the employment agreement.

OTE 3 STOCKHOLDERS' DEFICIENCY:

1. Share capital

The Company s shares are traded on the Over-The-Counter Bulletin Board.

The share capital is composed of common stock of $0.0001 par value each: 1,750,000,000 shares authorized at February 28, 2013 and November 30, 2012; 49,617,903 and 49,117,903 shares issued and outstanding at February 28, 2013 and November 30, 2012, respectively.

On August 31, 2011, the Company affected a 35 to 1 share split. As a result the issued and outstanding capital of the Company has been increased from 2,300,000 to 80,500,000 shares of common stock with par value of $0.0001per share. Share data and Per share data has been adjusted to reflect the stock split.

On February 2, 2012, two of the Company's shareholders have cancelled 33,873,049 shares of common stock of the Company held by them in connection with the capital raising and other changes in the capital.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

OTE 3 STOCKHOLDERS' DEFICIENCY (continued):

2. Financing:

In February 2012, the Company entered into a subscription agreement with Derby Management LLC ("Derby") for the sale of 500,000 shares of the Company's common stock at a purchase price of $1.00 per share, for total consideration of $500,000. Under the agreement the subscribers committed to purchase additional 1,000,000 shares of the Company's common stock at a purchase price of $1.00 per share (the February Warrants). The terms of the warrants to be issued based on the following criteria. 500,000 shares will be issued for an additional consideration of $500,000, upon the earlier of: (i) the Company or its Subsidiary signing an agreement with a clinical center, and (ii) 6 months following the closing of the placement of shares. The remaining 500,000 shares will be issued for an additional consideration of $500,000 upon the feasibility of enhancement of cell propagation capability if achieved prior to February 2, 2015.

In April 2012, the Company completed a private placement of $100,000 with Derby for 100,000 shares of common stock and 100,000 common stock warrants at a purchase price of $1.00 per share (the “April Warrants”). The fair value of the April Warrants of the total consideration as of the date of grant was $35,315.

In July 2012, the Company entered into a subscription agreement with Derby for an additional 500,000 common stock and 500,000 common stock warrants at a purchase price of $1.00 per share (the July Warrants) for total consideration of $1.00. In connection with this agreement, the February Warrants were cancelled.

In December 2012, the Company entered into a subscription agreement with Derby for the issuance of 500,000 units for a total consideration of $500,000. Each unit is comprised of one share of the Company's Common Stock and two non-transferable Common Stock warrants. Each Common Stock warrant ("December Warrants") can be exercised at a purchase price of $ 0.50 per warrant and is exercisable until December 2, 2014. The fair value of the December Warrants of the total consideration as of the date of grant was $278,036.

In connection with this agreement, the July Warrants were cancelled.

As of February 28, 2013, Derby has common stock warrants of 1,100,000 shares, comprised of the December Warrants and the April Warrants.

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NOTE 4 STOCK BASED COMPENSATION

1. Global Share Incentive Plan:

   On May 23, 2012 the Company's board of directors adopted the global share incentive plan (2012) ("Global Share Incentive Plan (2012)"). Under the Global Share Incentive Plan (2012) 12,000,000 shares of common stock have been reserved for the grant of options, 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 the vesting schedule which will be determined by the Company's board of directors for each grant. The maximum contractual life term of the options is 10 years.

   The fair value of each stock option grant is estimated at the date of grant using the Black and Scholes option pricing model. The volatility is based on historical volatilities of companies in comparable stages as well as companies in the industry historical volatility, by statistical analysis of the daily share pricing model. The expected term is equal to the contractual life, based on management estimation for the expected dates of exercising of the options.

2. On February 2, 2012, 2,781,905 options were granted to Prof. Sara Ferber, the Company's Chief Scientific Officer, at an exercise price of $0.0001 per share. The options vest in twelve equal monthly installments from the date of grant and expire on February 2, 2022 .The fair value of these options on the date of grant was $1,557,867 using the Black and Scholes option-pricing model.

3. On February 2, 2012, 2,781,905 options were granted to Mr Jacob BenArie, the CEO of Orgenesis Ltd, at an exercise price of $0.69 per share, the options vest in twelve equal quarterly installments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant was $1,404,819 using the Black and Scholes option-pricing model.

4. On June 4, 2012, 471,200 options were granted to Mr. Guy Yachin, the Company's member of the board of directors, at an exercise price of $0.85 per share, the options vest in five equal annual instalments from the date of grant and expire on June 4, 2022. The fair value of these options as of the date of grant was $363,478 using the Black and Scholes option-pricing model.

5. On July 8, 2012, 706,890 options were granted to Mr. Yaron Adler, the Company's member of the board of directors, at an exercise price of $0.79 per share, the options vest in five equal annual instalments from the date of grant and expire on July 8, 2022. The fair value of these options as of the date of grant was $506,635 using the Black and Scholes option-pricing model.

6. On July 10, 2012, 3,338,285 options were granted to Ms. Caplan, the Company's Chairperson of the Board at an exercise price of $0.001 per share, the options vest in two equal annual instalments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant was $2,935,496 using the Black and Scholes option-pricing model.

7. On July 8, 2012, 235,630 options were granted to Ms. Etti Hanochi, the Company's member of the board of directors, at an exercise price of $0.79 per share, the options vest in five equal annual instalments from the date of grant and expire on July 8, 2022. The fair value of these options as of the date of grant was $ 171,207 using the Black and Scholes option-pricing model.

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NOTE 4 STOCK BASED COMPENSATION (continued):

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 during the year ended November 30, 2012
Expected option life (years)	10.0
Expected stock price volatility (%)	104- 105
Risk free interest rate (%)	1.53-1.86
Expected dividend yield (%)	0.0

A summary of the Company's stock option granted to employees and directors as of February 28, 2013 is presented below:

	Three months ended			
	February 28 2013		February 29 2012	
	Number of options	Weighted Average exercise price $	Number of options	Weighted Average exercise price $
Options outstanding at the beginning of the period	10,315,815	0.297	-	-
Changes during the period:				
Granted - at market price Expired	-	-	5,563,810	0.345
Options outstanding at end of the period	10,315,815	0.297	5,563,810	0.345
Options exercisable at end of the period	3,709,207	0.06	-	-

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NOTE 4 STOCK BASED COMPENSATION (continued):

Costs incurred in respect of stock based compensation for employees and directors, for the three months ended February 28, 2013 and February 29, 2012 was $ 797,584 and 149,335 respectively. The weighted average period of the remaining unearned compensation of $3,164,996 at February 28, 2013 will be recorded over 2.2 years.

The following table presents summary information concerning the options granted to employees and directors outstanding as of February 28, 2013:

Exercise prices	Number of outstanding options	Weighted average remaining contractual Life	Weighted average Exercise price	Aggregate intrinsic value
$		Years	$	$
0.0001	2,781,905	8.93	0.0001	1,947,055
0.001	3,338,285	8.93	0.001	2,333,461
0.69	2,781,905	8.93	0.69	27,819
0.79	942,520	9.36	0.79	-
0.85	471,200	9.26	0.85	-
	10,315,815	8.98	0.297	4,308,335

The following table presents summary of information concerning the options exercisable as of February 28, 2013:

Exercise prices	Number of exercisable options	Total Exercise value
$		$
0.0001	2,781,905	278
0.69	927,302	639,838
	3,709,207	640,116

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NOTE 4 STOCK BASED COMPENSATION (continued):

Options granted to non employees:

1. On April 14, 2012, 471,200 options were granted to Dr. G. Alexander (Zan) Fleming, the Company's advisor, at an exercise price of $1.40 per share, the options vest five equal annual instalments from the date of grant and expire on April 14, 2022. The fair value of these options as of the date of grant is $564,907 using the Black and Scholes option-pricing model.

2. On June 4, 2012, 706,904 options were granted to Mr. Dov Weinberg, the Company's CFO, at an exercise price of $0.69 per share, the options vest in four equal semi - annual installments from the date of grant and expire on February 2, 2022. The fair value of these options as of the date of grant is $500,678 using the Black and Scholes option-pricing model .

3. On November 21, 2012, 100,000 options were granted to Camillo Ricordi, a consultant for the Company, at an exercise price of $0.61 per share, the options vest in five equal annual installments from the date of grant and expire on November 21, 2022. The fair value of these options as of the date of grant is $64,513 using the Black and Scholes option-pricing model.

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 during the year ended November 30, 2012
Expected option life (years)	10.0
Expected stock price volatility (%)	104- 110
Risk free interest rate (%)	1.51-1.62
Expected dividend yield (%)	0.0

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NOTE 4 STOCK BASED COMPENSATION (continued):

A summary of the status of the stock options granted to non employees as of February 28, 2013 and changes for period ended is presented below:

	Three months ended			
	February 28 2013		February 29 2012	
	Number of options	Weighted Average exercise price $	Number of options	Weighted Average exercise price $
Options outstanding at the beginning of the period	1,278,104	0.95	-	-
Changes during the period:				
Granted - at market price Expired	-	-	-	-
Options outstanding at end of the period	1,278,104	0.95	-	-
Options exercisable at end of the period	353,452	0.69	-	-

Costs incurred in respect of stock based compensation for consultants, for the three months ended February 28, 2013 and February 29, 2012 was $52,816 and $0, respectively. The weighted average period of the remaining unearned compensation of $506,364 at February 28, 2013 will be recorded over 2.52 years.

The following table presents summary information concerning the options granted to non employees outstanding as of February 28, 2013:

Exercise prices	Number of outstanding options	Weighted average remaining contractual Life	Weighted average Exercise price	Aggregate intrinsic value
$		Years		$
1.4	471,200	9.12	1.4	-
0.69	706,904	8.93	0.69	7,069
0.61	100,000	9.73	0.61	9,000
	1,278,104	9.06	0.95	16,069

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NOTE 4 STOCK BASED COMPENSATION (continued):

The following table presents summary of information concerning the options exercisable as of February 28, 2013:

Exercise prices	**Number of exercisable options**	**Total Exercise price**
$		**$**
0.69	353,452	243,882
	353,452	243,882

NOTE 5 TAXES ON INCOME

1. **Corporate taxation in the U.S.**

   The applicable corporate tax rate for the Company is 34%.

2. **Corporate taxation in Israel:**

   The Subsidiary is taxed in accordance with Israeli tax laws. The regular corporate tax rate in Israel for 2013 is 25%.

3. **Deferred income taxes:**

	February 28, 2013	**November 30 2012**
In respect of:		
Net operating loss carry forward	$ 459,234	$ 344,307
R&D expenses	76,747	57,344
Holiday and recreation pay	6,115	3,968
Severance pay accruals	547	402
Less Valuation allowance	$ 542,643	$ 406,021
Net deferred tax assets	-	-

Realization of deferred tax assets is dependent upon sufficient future taxable income during the period that deductible temporary differences and carry forward losses 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.

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NOTE 6 - SUBSEQUENT EVENTS:

1. On March 22, 2013, we entered into a subscription agreement with Mediapark A.G., a Marshall Islands company, pursuant to which Mediapark purchased an 8% unsecured convertible debenture (the Debenture) in the aggregate principal amount of US $250,000 and we issued to Mediapark 100,000 warrants (the Warrant). Each Warrant carries the right to purchase one share of common stock for a period of 24 months from issuance of the Warrant.

   The Debenture matures 90 days from the date of issuance of the Debenture, but the loan must be repaid earlier if we close a financing of $1,000,000 or more. Interest is calculated on the basis of a 360-day year and accrues daily commencing on the date the Debenture is issued until payment in full of the principal amount, together with all accrued and unpaid interest. We may extend the maturity date for a period of up to 90 days provided we issue an equal number of Warrants to the number issued to the investor on initial closing.

   If the Debenture is not repaid at the maturity date, the holder may convert the loan and any accrued and unpaid interest into shares of our common stock at the lower of $0.75 per share and the 5 day VWAP of our common shares trading price for the 5 days prior to conversion. The investor is under no obligation to convert and may take realization process to recover funds, interest and expenses of collection**.**

2. On April 9, 2013, we executed a consulting agreement with Professor Jay Skyler. Prof. Skyler has agreed to be appointed to our Board of Advisors committee, and we will pay Prof. Skyler an hourly fee for attending in person meetings and meetings via conference call. We granted Prof. Skyler 100,000 stock options at market price exercisable in five equal installments during the next 5 years.

3. On March 27, 2013, we signed an agreement with Mintz Levin, our patent attorneys, in which 16% of the fees will be converted to shares of the Company at market price. As of February 28, 2013 $6,144 will be converted into common shares.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This report contains forward-looking statements. Forward-looking statements are projections in respect of future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential" or "continue" or the negative of these terms or other comparable terminology. Forward-looking statements made in this quarterly report on Form 10-Q includes statements about:

* our plans to identify and acquire products that we believe will be prospective for acquisition and development;
* our intention to develop to the clinical stage a new technology for regeneration of functional insulin- producing cells, thus enabling normal glucose regulated insulin secretion, via cell therapy;
* our belief that our treatment seems to be safer than other options;
* our belief that our major competitive advantage is in our cell transformation technology;
* our marketing plan;
* our plans to hire industry experts and expand our management team;
* our belief that Diabetes Mellitus will be one of the most challenging health problems in the 21st century and will have staggering health, societal and economic impact;
* our beliefs regarding the future of our competitors;
* our expectation that the demand for our products will eventually increase; and
* our expectation that we will be able to raise capital when we need it.

These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled "Risk Factors" and the risks set out below, any of which may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. These risks include, by way of example and not in limitation:

* general economic and business conditions;
* substantial doubt about our ability to continue as a going concern;
* we may need to raise additional funds in the future which may not be available on acceptable terms or at all;
* if we are unable to successfully recruit and retain qualified personnel, we may not be able to continue our operation;
* we may not be able to successfully implement our business plan;
* conditions in Israel and the surrounding Middle East may materially adversely affect our subsidiary's operations and personnel;

* the ability of our subsidiary to pay dividends is subject to limitations under Israeli law and dividends paid and loans extended by our subsidiary may be subject to taxes;

* THM may cancel the License Agreement;

* if we are unable to successfully acquire, develop or commercialize new products, our operating results will suffer;

* our expenditures may not result in commercially successful products;

* third parties may claim that we infringe their proprietary rights and may prevent us from manufacturing and selling some of our products;

* extensive industry regulation has had, and will continue to have, a significant impact on our business, especially our product development, manufacturing and distribution capabilities; and

* other factors discussed under the section entitled "Risk Factors".

These risks may cause our company's or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward looking statements.

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

As used in this quarterly report on Form 10-Q and unless otherwise indicated, the terms "we", "us", "our", or the “Company” refer to Orgenesis Inc. and our wholly owned subsidiary, Orgenesis Ltd., an Israeli corporation (the "Subsidiary"). Unless otherwise specified, all dollar amounts are expressed in United States dollars.

Corporate Overview

We were incorporated in the state of Nevada on June 5, 2008, under the name Business Outsourcing Services, Inc.

Effective August 31, 2011, we completed a merger with our subsidiary, Orgenesis Inc., a Nevada corporation which was incorporated solely to effect a change in our name. As a result, we changed our name from "Business Outsourcing Services, Inc." to "Orgenesis Inc."

Effective August 31, 2011 we effected a 35 to one forward stock split of our authorized and issued and outstanding common stock. As a result, our authorized capital has increased from 50,000,000 shares of common stock with a par value of $0.0001 to 1,750,000,000 shares of common stock with a par value of $0.0001. Unless otherwise noted, all references in this quarterly report to number of shares, price per share or weighted average number of shares outstanding have been adjusted to reflect the stock split on a retroactive basis.

Our Current Business

On August 5, 2011, we entered into a letter of intent with Prof. Sarah Ferber and Ms. Vered Caplan according to which, inter alia, Prof. Ferber has agreed to use commercially reasonable efforts to cause Tel Hashomer Medical Research, Infrastructure and Services Ltd to license us all of the assets associated with "Methods Of Inducing Regulated Pancreatic Hormone Production" and "Methods Of Inducing Regulated Pancreatic Hormone Production In Non-Pancreatic Islet Tissues".

On October 11, 2011 we incorporated Orgenesis Ltd. as our wholly-owned subsidiary under the laws of Israel. On February 2, 2012, Orgenesis Ltd. signed and closed a definitive agreement (the “License Agreement”) to license patents and knowhow related to the development of AIP (Autologous Insulin Producing) cells.

Based on the licensed know how and patents, our intention is to develop to the clinical stage a new technology for regeneration of functional insulin-producing cells, thus enabling normal glucose regulated insulin secretion, via cell therapy. By using a therapeutic agent (i.e., PDX-1, or additional pancreatic transcription factors in adenovirus-vector) that efficiently converts a sub-population of liver cells into pancreatic islets phenotype and function, this approach allows the diabetic patient to be the donor of his own therapeutic tissue. The development of AIP cells is based on the licensed patents and knowhow. We believe that our major competitive advantage is in our cell transformation technology.

This technology was licensed based on the published work of Prof. Ferber. Prof. Ferber has developed this technology, as a researcher in Tel Hashomer, and has established a proof of concept that demonstrates the capacity to induce a shift in the developmental fate of cells in liver and convert them into `pancreatic beta cell like' cells. Furthermore, those cells were found to be resistant to the autoimmune attack.

We intend to develop our business by further developing the technology to a clinical stage. We intend to dedicate most of our capital to research and development with no expectation of revenue from product sales in the foreseeable future.

Recent Corporate Developments

Since the commencement of our first quarter ended February 28, 2013, we experienced the following corporate developments:

In December 2012, the Company entered into a subscription agreement with Derby for the issuance of 500,000 units for a total consideration of $500,000. Each unit is comprised of one share of the Company's Common Stock and two non-transferable Common Stock warrants. Each Common Stock warrant ("December Warrants") can be exercised at a purchase price of $ 0.50 per warrant and is exercisable until December 2, 2014

On March 22, 2013, we entered into a subscription agreement with Mediapark A.G., a Marshall Islands company, pursuant to which Mediapark purchased an 8% unsecured convertible debenture (the Debenture) in the aggregate principal amount of US $250,000 and we issued to Mediapark 100,000 warrants (the Warrant). Each Warrant carries the right to purchase one share of common stock for a period of 24 months from issuance of the Warrant, on terms set out in the Warrant Certificate attached to this 8-K.

The Debenture matures 90 days from the date of issuance of the Debenture, but the loan must be repaid earlier if we close a financing of $1,000,000 or more. Interest is calculated on the basis of a 360-day year and accrues daily commencing on the date the Debenture is issued until payment in full of the principal amount, together with all accrued and unpaid interest. We may extend the maturity date for a period of up to 90 days provided we issue an equal number of Warrants to the number issued to the investor on initial closing.

If the Debenture is not repaid at the maturity date, the holder may convert the loan and any accrued and unpaid interest into shares of our common stock at the lower of $0.75 per share and the 5 day VWAP of our common shares trading price for the 5 days prior to conversion. The investor is under no obligation to convert and may take realization process to recover funds, interest and expenses of collection.

On April 9, 2013, we executed a consulting agreement with Professor Jay Skyler. Prof. Skyler has agreed to be appointed to our Board of Advisors committee, and we will pay Prof. Skyler an hourly fee for attending in person meetings and meetings via conference call. We granted Prof. Skyler 100,000 stock options exercisable at market price. The options are subject to our stock option plan and will have vesting provisions. Prof. Skyler will also be reimbursed for out of pocket expenses incurred for carrying out consulting business.

The agreement is for an indefinite period unless terminated by either party with 30 days advance written notice to the other party.

Results of Operations

The following summary of our results of operations should be read in conjunction with our condensed financial statements for the three month ended February 28, 2013.

Revenue

We have not earned any revenues since our inception and we do not anticipate earning revenues in the foreseeable future.

Expenses

Our expenses for the three months ended February 28, 2013 are summarized as follows in comparison to our expenses for the three months ended February 29, 2012:

	Three Months Ended	
	February 28, 2013	February 29, 2012
Research and development expenses	$ 485,261	$ 719,671
Business Development expenses	$ 394,224	$ -

General and Administration expenses [1]	$	440,870	$	134,091
Net loss including financial expenses	$	1,329,793	$	853,861

[1] This classification is not the same as the classification in the financial statements.

Research and development expenses

	Three Months Ended			
		February 28, 2013		February 29, 2012
Patents Registrations	$	41,806	$	589,622(1)
Salaries and related expenses	$	319,994	$	127,549
Professional fees and consulting services		23,923		
Research and Lab expenses	$	92,043	$	2,500
Other	$	7,495	$	-
Total	$	485,261	$	719,671

(1) The patent registration cost in the three month ended February 2012 was $80,000 in cash & the rest in stock based as a onetime compensation for filing of all patents worldwide till the end of this period.

The increase in our expenses, excluding stock issued in connection with patent registration, compared to the same period last year is due to the fact that those expenses in the comparison to the same quarter of last year represented only one month of operation unlike a full quarter of operations in 2013.

Business development expenses

	Three Months Ended			
		February 28, 2013		February 29, 2012
Salaries and related expenses	$	371,260	$	-
Promotions	$	20,943		-
Others	$	2,021		-
Total	$	394,224	$	-

The increase in our expenses compared to the same period last year is due to the fact that we initiated those expenses after Q1 of 2012. These expenses are part of our general and administrative expenses in the Financial Statements.

General and Administrative Expenses