SENESCO TECHNOLOGIES INC
Form 10-Q
February 14, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2012

or

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

For the transition period from _____ to _____

Commission File No. 001-31326

SENESCO TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware	**84-1368850**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

721 Route 202/206, Suite 130
Bridgewater, New Jersey 08807
(Address of principal executive offices)

(908) 864-4444
(Registrant's telephone number, including area code)

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

Yes:x 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: x 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 definitions of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer ¨

Non-accelerated filer ¨ 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: ¨ No:x

146,975,283 shares of the issuer's common stock, par value $0.01 per share, were outstanding as of January 31, 2013.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

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PART I. FINANCIAL INFORMATION.

Item 1. Financial Statements (Unaudited).

Certain information and footnote disclosures required under United States generally accepted accounting principles have been condensed or omitted from the following consolidated financial statements pursuant to the rules and regulations of the Securities and Exchange Commission. However, Senesco Technologies, Inc., a Delaware corporation, and its wholly owned subsidiary, Senesco, Inc., a New Jersey corporation (collectively, "Senesco" or the "Company"), believe that the disclosures are adequate to assure that the information presented is not misleading in any material respect.

The results of operations for the interim periods presented herein are not necessarily indicative of the results to be expected for the entire fiscal year.

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

	December 31, 2012	June 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$640,125	$2,001,325
Prepaid research supplies and expenses	1,295,548	1,548,524
Total Current Assets	1,935,673	3,549,849
Equipment, furniture and fixtures, net	5,846	5,857
Intangibles, net	3,517,097	3,393,992
Deferred income tax assets, net	-	-
Security deposit	5,171	5,171
TOTAL ASSETS	$5,463,787	$6,954,869
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$1,085,629	$594,514
Accrued expenses	468,048	369,695
Line of credit	2,199,108	2,199,108
Total Current Liabilities	3,752,785	3,163,317
Warrant liabilities	30,299	238,796
Grant payable	99,728	99,728
TOTAL LIABILITIES	3,882,812	3,501,841
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.01 par value, authorized 5,000,000 shares Series A 10,297 shares issued and 995 and 3,379 shares outstanding, respectively (liquidation preference of $1,019,876 and $3,463,475 at December 31, 2012 and June 30, 2012, respectively)	10	34

Series B 1,200 shares issued and 0 and 1,200 outstanding, respectively (liquidation preference of $0 and $1,230,000 at December 31, 2012 and June 30, 2012, respectively)	-	12
Common stock, $0.01 par value, authorized 350,000,000 shares, issued and outstanding 116,975,283 and 94,112,483, respectively	1,169,753	941,125
Capital in excess of par	71,855,001	69,952,152
Deficit accumulated during the development stage	(71,443,789)	(67,440,295)
Total Stockholders' Equity	1,580,975	3,453,028
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$5,463,787	$6,954,869

See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

(unaudited)

	Three months ended December 31,		Six months ended December 31,		Cumulative Amounts from Inception
	2012	2011	2012	2011	
Revenue	$ -	$ 200,000	$ -	$ 200,000	$ 1,790,000
Operating expenses:					
General and administrative	708,968	904,621	1,441,688	1,550,580	33,056,365
Research and development	591,079	751,517	1,104,512	1,385,703	22,340,117
Total operating expenses	1,300,047	1,656,138	2,546,200	2,936,283	55,396,482
Loss from operations	(1,300,047)	(1,456,138)	(2,546,200)	(2,736,283)	(53,606,482)
Other non-operating income (expense)					
Grant income	-	-	-	-	244,479
Fair value – warrant liability	64,440	(39,392)	44,292	232,311	8,374,422
Sale of state income tax loss – net	-	-	-	-	586,442
Other noncash (expense) income, net	-	-	-	-	205,390
Loss on extinguishment of debt	-	-	(785,171)	-	(1,147,048)
Write-off of patents abandoned	-	-	-	-	(1,909,224)
Amortization of debt discount and financing costs	-	-	-	-	(11,227,870)
Interest expense – convertible notes	-	-	-	-	(2,027,930)
Interest (expense) income - net	(34,278)	(32,041)	(68,260)	(62,582)	215,728

Net loss	(1,269,885)	(1,527,571)	(3,355,339)	(2,566,554)	(60,292,093)
Preferred dividends	(23,986)	(127,614)	(648,155)	(1,036,460)	(11,151,696)
Loss applicable to common shares	$ (1,293,871)	$ (1,655,185)	$ (4,003,494)	$ (3,603,014)	$ (71,443,789)
Basic and diluted net loss per common share	$ (0.01)	$ (0.02)	$ (0.04)	$ (0.05)	
Basic and diluted weighted-average number of common shares outstanding	116,975,283	80,832,267	112,212,297	80,061,012	

See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

(unaudited)

	Preferred Stock		Common Stock		Capital in Excess	Deficit Accumulated During the Development	Stockholders' Equity
	Shares	Amount	Shares	Amount	of Par Value	Stage	(Deficiency)
Balance at June 30, 2012	4,579	$ 46	94,112,483	$941,125	$ 69,952,152	$(67,440,295)	$3,453,028
Issuance of common stock at $0.26 per share	-	-	353,895	3,539	97,031	-	100,570
Commissions and other fees related to the issuance of common stock	-	-	-	-	(6,387)	-	(6,387)
Preferred stock converted into common stock	(3,584)	(36)	13,784,615	137,846	(137,810)	-	-
Issuance of common stock in lieu of cash payment for dividends	-	-	1,822,098	18,221	478,641	(382,388)	114,474
Issuance of common stock in exchange for warrants	-	-	6,902,192	69,022	(69,022)	-	-
Deemed dividend - preferred stock	-	-	-	-	240,891	(240,891)	-
	-	-	-	-	785,171	-	785,171

Loss on extinguishment of debt							
Reclassification of warrant liability	-	-	-	-	164,205	-	164,205
Fair market value of options and warrants vested	-	-	-	-	350,129	-	350,129
Dividends accrued and upaid at December 31, 2012	-	-	-	-	-	(24,876)	(24,876)
Net loss	-	-	-	-	-	(3,355,339)	(3,355,339)
Balance July 1, 1998 (inception) through December 31, 2012	995	$ 10	116,975,283	$1,169,753	$ 71,855,001	$(71,443,789)	$1,580,975

See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six months ended December 31, 2012	2011	Cumulative Amounts from Inception
Cash flows from operating activities:			
Net loss	$ (3,355,339)	$ (2,566,554)	$ (60,292,093)
Adjustments to reconcile net loss to net cash used in operating activities:			
Noncash capital contribution	-	-	85,179
Noncash conversion of accrued expenses into equity	-	-	131,250
Noncash income related to change in fair value of warrant liability	(44,292)	(232,311)	(8,695,681)
Noncash charge for change in warrant terms	-	-	115,869
Issuance of common stock and warrants for interest	-	-	2,003,386
Issuance of common stock for services	-	-	53,800
Stock-based compensation expense	350,129	408,028	12,456,082
Depreciation and amortization	130,420	118,986	1,230,725
Write-off of intangibles	-	-	1,909,224
Amortization of convertible note discount	-	-	10,000,000
Amortization of deferred financing costs	-	-	1,227,869
Loss on extinguishment of debt	785,171	-	1,147,048
(Increase) decrease in operating assets:			
Prepaid expenses and other current assets	252,976	(211,076)	(1,295,548)
Security deposit	-	7,187	(5,171)
Increase (decrease) in operating liabilities:			
Accounts payable	491,115	(115,773)	1,085,629
Accrued expenses	187,951	293,628	618,173
Net cash (used in) operating activities	(1,201,869)	(2,297,885)	(38,224,259)
Cash flows from investing activities:			
Patent costs	(252,233)	(227,929)	(6,476,945)
Purchase of equipment, furniture and fixtures	(1,281)	(4,461)	(185,947)
Net cash (used in) provided by investing activities	(253,514)	(232,390)	(6,662,892)
Cash flows from financing activities:			
Proceeds from grant	-	-	99,728
Proceeds from draw-down on line of credit	-	-	2,199,108
Proceeds from issuance of bridge notes	-	-	525,000
Proceeds from issuance of preferred stock and warrants, net	-	-	10,754,841
Redemption of convertible notes and warrants	-	-	(2,160,986)

Proceeds from issuance of convertible notes	-	-	9,340,000
Deferred financing costs	-	-	(651,781)
Proceeds from issuance of common stock and warrants, net and exercise of warrants and options	94,183	473,219	25,421,366
Net cash provided by financing activities	94,183	473,219	45,527,276
Net (decrease) increase in cash and cash equivalents	(1,361,200)	(2,057,056)	640,125
Cash and cash equivalents at beginning of period	2,001,325	3,609,954	-
Cash and cash equivalents at end of period	$ 640,125	$ 1,552,898	$ 640,125
Supplemental disclosure of non-cash transactions:			
Conversion of convertible note into common stock	$ -	$ -	$ 10,000,000
Conversion of bridge notes into common stock	-	-	534,316
Conversion of preferred stock into common stock	137,810	1,555	356,924
Allocation of preferred stock proceeds to warrants and beneficial conversion feature	-	-	8,526,135
Allocation of convertible debt proceeds to warrants and beneficial conversion feature	-	-	9,340,000
Warrants issued for financing costs	-	-	690,984
Issuance of common stock for interest payments on convertible notes	-	-	2,003,386
Issuance of common stock for dividend payments on preferred stock	496,862	259,587	4,118,805
Issuance of common stock in settlement of accounts payable	-	-	175,000
Dividends accrued on preferred stock	(89,598)	(1,127)	24,876
Supplemental disclosure of cash flow information:			
Cash paid for interest	69,776	66,788	441,459

See Notes to Condensed Consolidated Financial Statements

SENESCO TECHNOLOGIES, INC. AND SUBSIDIARY

(A DEVELOPMENT STAGE COMPANY)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

Note 1 - Basis of Presentation:

The financial statements included herein have been prepared by Senesco Technologies, Inc. (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with United States generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2012, as amended.

In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting solely of those which are of a normal recurring nature, necessary to present fairly its financial position as of December 31, 2012, the results of its operations and cash flows for the three months and six months ended December 31, 2012 and 2011.

Interim results are not necessarily indicative of results for the full fiscal year.

Note 2 – Liquidity:

As shown in the accompanying condensed consolidated financial statements, the Company has a history of losses with a deficit accumulated during the development stage from July 1, 1998 (inception) through December 31, 2012 of $71,443,789. Additionally, the Company has generated minimal revenues by licensing its technology for certain crops to companies willing to share in its development costs. In addition, the Company's technology may not be ready for commercialization for several years. The Company expects to continue to incur losses for the next several years because it anticipates that its expenditures on research and development and administrative activities will significantly exceed its revenues during that period. The Company cannot predict when, if ever, it will become profitable.

As of December 31, 2012, the Company had cash and cash equivalents in the amount of $640,125, which consisted of checking accounts and money market funds. In January 2013, the Company completed a placement of common stock and warrants for net proceeds in the amount of approximately $2,300,000, after deducting $600,000 in connection with investor relations agreements. The Company estimates that its cash and cash equivalents as of December 31, 2012 and the net proceeds from an equity placement in January 2013 will cover its expenses through July 2013. In order to provide the Company with the cash resources necessary to fund operations through at least December 31, 2013, the Company will need to raise additional capital through a private or public placement of its Common Stock.

The Company will need additional capital and plans to raise additional capital through the placement of debt instruments or equity or both. However, the Company may not be able to obtain adequate funds for its operations when needed or on acceptable terms. If the Company is unable to raise additional funds, it will need to do one or more of the following:

- delay, scale-back or eliminate some or all of its research and product development programs;
- license third parties to develop and commercialize products or technologies that it would otherwise seek to develop and commercialize itself;
- seek strategic alliances or business combinations;
- attempt to sell the Company;
- cease operations; or
- declare bankruptcy.

Note 3 – Intangible Assets:

The Company conducts research and development activities, the cost of which is expensed as incurred, in order to generate patents that can be licensed to third parties in exchange for license fees and royalties. Because the patents are the basis of the Company's future revenue, the patent costs are capitalized. The capitalized patent costs represent the outside legal fees incurred by the Company to submit and undertake all necessary efforts to have such patent applications issued as patents.

The length of time that it takes for an initial patent application to be approved is generally between four to six years. However, due to the unique nature of each patent application, the actual length of time may vary. If a patent application is denied, the associated cost of that application would be written off. However, the Company has not had any patent applications denied as of December 31, 2012. Additionally, should a patent application become impaired during the application process, the Company would write down or write off the associated cost of that patent application.

Issued patents and agricultural patent applications pending are being amortized over a period of 17 years from inception, the expected economic life of the patent.

The Company assesses the impairment in value of intangible assets whenever events or circumstances indicate that their carrying value may not be recoverable. Factors the Company considers important which could trigger an impairment review include the following:

- significant negative industry trends;
- significant underutilization of the assets;
- significant changes in how the Company uses the assets or its plans for their use; and
- changes in technology and the appearance of competing technology.

If a triggering event occurs and the Company's review determines that the future undiscounted cash flows related to the groups, including these assets, will not be sufficient to recover their carrying value, the Company will reduce the carrying values of these assets down to its estimate of fair value and continue amortizing them over their remaining useful lives. To date, except for certain patents and patents pending that the Company abandoned during the fiscal years ended June 30, 2012 and 2011, the Company has not recorded any impairment of intangible assets.

Note 4 - Loss Per Share:

Basic earnings (loss) per share is computed by dividing net income (loss) available to common shareholders by the weighted average number of common shares assumed to be outstanding during the period of computation. Diluted earnings per share is computed similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive.

For all periods presented, basic and diluted loss per share are the same, as any additional Common Stock equivalents would be anti-dilutive. Potentially dilutive shares of Common Stock have been excluded from the calculation of the weighted average number of dilutive common shares.

As of December 31, 2012, there were 56,898,202 additional potentially dilutive shares of Common Stock. These additional shares include 3,826,923 shares issuable upon conversion of the Preferred Stock, and 53,071,279 shares issuable upon the exercise of outstanding options and warrants. As of December 31, 2011, there were 87,237,290 additional potentially dilutive shares of Common Stock. These additional shares included 17,944,444 shares issuable upon conversion of Preferred Stock and 69,292,846 shares issuable upon the exercise of outstanding options and warrants.

Note 5 – Stock-Based Transactions:

The terms and vesting schedules for share-based awards vary by type of grant and the employment status of the grantee. Generally, the awards vest based upon time-based conditions or achievement of specified goals and milestones.

On November 16, 2012, the Company issued 3,705,000 options that are subject to vesting first based upon specified goals and milestones and then based upon time-based conditions. Such options had an aggregate Black-Scholes value of $489,060. As of December 31, 2012, the Company reviewed the specified goals and milestones on an employee by employee basis. Based upon the review, the Company has estimated that it was probable that, on average, the employees would achieve 50% of the target goals. As a result, the Company is recognizing 50% of the aggregate fair value of the options ratably over the time-based vesting period.

The fair value of each stock option and warrant granted or vesting has been determined using the Black-Scholes model. The material factors incorporated in the Black-Scholes model in estimating the value of the options and

warrants granted during the three months ended December 31, 2012 and 2011 include the following:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Warrants granted	None	None	None	None
Options granted	6,701,210	647,500	6,701,210	4,860,500
Estimated life in years (1)	2.5-10.0	3.0-5.5	2.5-10.0	3.0-10.0
Risk-free interest rate (2)	0.3%-1.6%	0.4%-0.9%	0.3%-1.6%	0.4% – 1.9%
Volatility	70%-102%	91%-104%	70%-102%	91%-105%
Dividend paid	None	None	None	None

(1) Expected life for employee based stock options was estimated using the “simplified” method, as allowed under the provisions of the Securities and Exchange Commission Staff Accounting Bulletin No.110.

(2) Represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the option or warrant term.

The economic values of the options will depend on the future price of the Company's Common Stock, which cannot be forecast with reasonable accuracy.

Stock option activity under the Company’s 2008 Plan and 1998 Plan for the six months ended December 31, 2012 is summarized as follows:

	Number of Options	Weighted-Average Exercise Price
Outstanding at July 1, 2012	15,647,742	$ 0.50
Granted	6,701,210	0.17
Exercised	—	—
Forfeited	1,152,450	0.23
Expired	22,500	1.65
Outstanding at December 31, 2012	21,174,002	$ 0.40
Exercisable at December 31, 2012	13,921,231	$ 0.51
Not Exercisable at December 31, 2012	7,252,771	$ 0.21

The weighted average grant date fair value of options granted during the six months ended December 31, 2012 and 2011 was $0.13 and $0.17, respectively.

As of December 31, 2012, the aggregate intrinsic value of stock options outstanding was $0, with a weighted-average remaining term of 7.8 years. The aggregate intrinsic value of stock options exercisable at that same date was $0, with a weighted-average remaining term of 7.0 years. As of December 31, 2012, the Company has 6,030,358 shares available for future stock option grants.

Stock-based compensation expense for the three months ended December 31, 2012 and December 31, 2011 amounted to $196,567 and $284,477, respectively.

Stock-based compensation expense for the six months ended December 31, 2012 and December 31, 2011 amounted to $350,129 and $408,028, respectively.

As of December 31, 2012, total stock-based compensation expense not yet recognized related to stock option grants amounted to approximately $1,052,000**,** which will be recognized over the next 46.5 months.

Note 6 –Line of Credit:

On February 17, 2010, the Company entered into a credit agreement with JMP Securities LLC. The agreement provides the Company with, subject to certain restrictions, including the existence of suitable collateral, up to a $3.0 million line of credit upon which the Company may draw at any time (the "Line of Credit"). Any draws upon the Line of Credit accrue at an annual interest rate of (i) the broker rate in effect at the interest date (which was 3.75% at December 31, 2012), plus (ii) 2.0%. There are no other conditions or fees associated with the Line of Credit. The Line of Credit is not secured by any assets of the Company, but it is secured by certain assets of a member of the Company's Board of Directors, Harlan W. Waksal, M.D., which is currently held by JMP Securities. The balance outstanding as of December 31, 2012 and June 30, 2012 was $2,199,108. In April 2011, we were required to enter into a new demand note with the clearing agent for JMP Securities in connection with the Line of Credit.

Total interest expense recorded under the Line of Credit for the three months ended December 31, 2012 and 2011 amounted to $34,786 and $33,479, respectively.

Total interest expense recorded under the Line of Credit for the six months ended December 31, 2012 and 2011 amounted to $69,776 and $66,788, respectively.

Note 7 – Income Taxes:

No provision for income taxes has been made for the three months and six months ended December 31, 2012 and 2011 given the Company's losses in 2012 and 2011 and available net operating loss carryforwards. A benefit has not been recorded as the realization of the net operating losses is not assured and the timing in which the Company can utilize its net operating loss carryforwards in any year or in total may be limited by provisions of the Internal Revenue Code regarding changes in ownership of corporations.

Note 8 - Fair Value Measurements:

The following tables provide the assets and liabilities carried at fair value measured on a recurring basis as of December 31, 2012 and June 30, 2012:

Fair Value Measurement at

	Carrying Value	December 31, 2012 Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$640,125	$640,125	$ -	$ -
Liabilities:				
Warrant Liabilities	$30,299	$ -	$ -	$30,299

	Carrying Value	Fair Value Measurement at June 30, 2012 Level 1	Level 2	Level 3
Assets:				
Cash and cash equivalents	$2,001,325	$2,001,325	$ -	$-
Liabilities:				
Warrant Liabilities	$238,796	$-	$ -	$238,796

The following table summarizes the changes in fair value of the Company's Level 3 financial instruments:

	Six months ended December 31, 2012	2011
Beginning Balance	$ 238,796	$ 711,259
Reclassification of warrant liabilities	(164,205)	-
Loss (Gain) due to change in fair value of warrant liabilities, net	(44,292)	(232,311)
Ending Balance	$ 30,299	$ 478,945

Note 9 – Warrant Liabilities:

The warrant liabilities represent the fair value of Common Stock purchase warrants, which have exercise price reset features and cash settlement features.

The fair value of the warrants that have exercise price reset features is estimated using an adjusted Black-Scholes model. The Company computes valuations, each quarter, using the Black-Scholes model for such warrants to account for the various possibilities that could occur due to changes in the inputs to the Black-Scholes model as a result of contractually-obligated changes. The Company effectively weights each calculation based on the likelihood of occurrence to determine the value of the derivative at the reporting date. The Company has an unobservable input for the estimation of the likelihood of a reset occurring, which was estimated to be 75% made up of various reset amounts with probabilities ranging between 10% and 25% per occurrence. These estimates of the likelihood of completing an equity raise that would meet the criteria to trigger the reset provisions are based on numerous factors, including the remaining term of the financial instruments and the Company's overall financial condition.

The fair value of the warrants that have cash settlement features is estimated using a probability –weighted Black-Scholes model. The unobservable input used by the Company on certain warrants was the estimation of the

likelihood of a fundamental transaction, as defined in the related agreements, which was estimated to be 15% at December 31, 2012.

Changes in the unobservable input values would likely cause material changes in the fair value of the Company's Level 3 financial instruments. The significant unobservable input used in the fair value measurement is the estimation of the likelihood of the occurrence of a change to the strike price of the warrants or the occurrence of a fundamental transaction. A significant increase (decrease) in the this likelihood would result in a higher (lower) fair value measurement.

During the six months ended December 31, 2012, the Company issued 3,390,625 shares of common stock in exchange for 9,687,500 warrants that were included in the computation of warrant liabilities. In connection with this exchange, the Company compared the value of the common stock issued with the Black-Scholes value of the warrants exchanged. The difference in these values resulted in a loss on the extinguishment of debt in the amount of $785,171. Additionally, the value of the warrants on the date of the exchange, in the amount of $164,205, was reclassified from warrant liabilities to additional paid in capital.

At December 31, 2012 and 2011, the Company revalued all of the remaining warrant liabilities, using the adjusted Black-Scholes and Black-Scholes models. A gain on the change in fair value of the warrant liabilities in the amount of $44,292 and $232,311 was recorded in the Condensed Consolidated Statement of Operations for the six months ended December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, there were an aggregate of 8,798,438 and 21,307,814 warrants included in the fair value of the warrant liabilities, which are valued at $30,299 and $478,935, respectively.

The assumptions used to value the warrants were as follows:

	December 31, 2012		June 30, 2012	
Warrants issued on December 20, 2007				
Estimated life in years	-		0.50	
Risk-free interest rate [(1)]	-		0.15	%
Volatility	-		75	%
Dividend paid	-		None	
Range of estimated strike prices	-		$0.33-$0.36	
Range of estimated probabilities	-		10% - 50%	
Warrants issued on June 30, 2008				
Estimated life in years	0.50		1.00	
Risk-free interest rate (1)	0.11	%	0.21	%
Volatility	51	%	75	%
Dividend paid	None		None	
Range of estimated strike prices	$0.23-$0.34		$0.33-$0.36	
Range of estimated probabilities	10% -75%		10% - 50%	
Warrants issued on April 1, 2010				
Estimated life in years	2.25		2.75	
Risk-free interest rate (1)	0.25	%	0.39	%
Volatility	62	%	78	%
Dividend paid	None		None	
Estimated probability of a fundamental transaction	15	%	15	%

(1) Represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the warrant term.

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Note 10- At Market Issuance Sales Agreement

On December 22, 2010, the Company entered into an At Market Issuance Sales Agreement (the "ATM") under which the Company, from time to time, was able to issue and sell shares of its Common Stock, par value $0.01 per share, with an aggregate offering price of up to $5,500,000.

During the six months ended December 31, 2012, the Company issued 353,895 shares of Common Stock under the ATM for gross proceeds in the amount of $100,570. From the inception of the ATM through December 31, 2012, the Company has issued 8,099,909 shares of Common Stock under the ATM for gross proceeds in the amount of $2,463,661.

As the Company is no longer listed on the NYSE MKT exchange, the Company is no longer be able to issue and sell shares of its Common Stock under the ATM.

Note 11 –Preferred Stock

During the six months ended December 31, 2012, 3,584 shares of Preferred Stock were converted into 13,784,615 shares of Common Stock. During the six months ended December 31, 2012, the Company issued an additional 1,822,098 shares of Common Stock for the payment of dividends in the amount of $496,862. Total dividends payable on the outstanding 995 shares of Preferred Stock at December 31, 2012 amounted to $24,876.

On August 8, 2012, the Company completed an exchange (the "Exchange") of certain five-year warrants issued by the Company in 2010 (the "Warrants") to purchase 17,262,500 shares of Common Stock (the "Warrant Shares") for 6,902,192 shares of Common Stock, and 2,384 shares of the Company's 10% Series A Convertible Preferred Stock, par value $0.01 per share (the "Series A Preferred Stock") were converted into 9,169,231 shares of Common Stock, pursuant to warrant exchange agreements (the "Warrant Exchange Agreements") by and between the Company and certain holders of the Warrants (the "Warrant Holders"). Following the Exchange, Warrants to purchase 19,745,313 Warrant Shares and 995 shares of Series A Preferred Stock remain outstanding.

Pursuant to the terms of the Warrant Exchange Agreements, the Company and each Warrant Holder agreed to exchange the Warrant held by such Warrant Holder for a number of shares of Common Stock equal to the product of (i) the number of Warrant Shares underlying the Warrant, multiplied by (ii) 0.35; provided, that if such Warrant Holder also owned shares of the Company's Series A Preferred Stock, such Warrant Holder additionally converted such shares of Series A Preferred Stock into the number of shares of Common Stock as determined pursuant to the

terms set forth in the Certificate of Designation of Preferences, Rights and Limitations of 10% Series A Convertible Preferred Stock and the Company exchanged the Warrant held by such Warrant Holder for a number of shares of Common Stock equal to the product of (i) the number of Warrant Shares underlying the Warrant, multiplied by (ii) 0.45.

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Additionally, certain members of the Company's board of directors that owned shares of the Company's 10% Series B Convertible Preferred Stock, par value $0.01 per share (the "Series B Preferred Stock"), agreed to convert 1,200 shares of Series B Preferred Stock into 4,615,385 shares of Common Stock, as determined pursuant to the terms set forth in the Certificate of Designation of Preferences, Rights and Limitations of 10% Series B Convertible Preferred Stock. Such conversions were not made pursuant to Warrant Exchange Agreements and therefore such directors did not receive any additional Common Stock. Following this conversion, no shares of Series B Preferred Stock remain outstanding.

In connection with the warrant exchange, a beneficial dividend in the amount of $240,891 was recorded on the conversion of the Convertible Preferred Stock.

Note 12 – Recent Accounting Pronouncements

Recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force) and the SEC did not or are not believed by management to have a material impact on our present or future financial statements.

Note 13 – Subsequent Event

On January 4, 2013, the Company entered into definitive agreements to issue 30,000,000 shares of Common Stock (the "Shares") and five year warrants (the "Warrants") to purchase 30,000,000 shares of Common Stock with an exercise price of $0.12 per share (the shares underlying the Warrants, the "Warrant Shares", together with the Shares and Warrants, the "Securities") (the "Offering") for gross proceeds of $3.0 million, before deducting estimated offering expenses, in a registered direct offering. The Warrants are exercisable from the date that is one year and one day following the issuance date until the fifth anniversary of the issuance date and contain standard anti-dilution provisions and adjustment provisions in the event of stock splits, combinations, dividends, distributions or reorganizations. Additionally, the Warrants contain exercise price reset features for a period of eighteen months from the date of issuance and cash settlement features in the event of a fundamental transaction. Each Share, together with the Warrant, was sold at a price of $0.10 per unit.

The net offering proceeds to the Company from the sale of the Common Stock and Warrants, after deducting the estimated offering expenses payable by the Company of approximately $100,000, are expected to be approximately $2,900,000. Six hundred thousand dollars of the net proceeds of the offering will be used for investor relations purposes and the remainder will be used for working capital, research and development and general corporate purposes.

The Offering closed on January 8, 2013.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and the related notes thereto included in this Quarterly Report on Form 10-Q. The discussion and analysis may contain forward-looking statements that are based upon current expectations and entail various risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in the forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this report.

Overview

Our Business

The primary business of Senesco Technologies, Inc., a Delaware corporation incorporated in 1999, and its wholly-owned subsidiary, Senesco, Inc., a New Jersey corporation incorporated in 1998, collectively referred to as "Senesco," "we," "us" or "our," is to utilize our patented and patent-pending technology related to certain genes, primarily eukaryotic translation initiation Factor 5A, or Factor 5A, and deoxyhypusine synthase, or DHS, and related technologies for human therapeutic applications to develop novel approaches to treat cancer and inflammatory diseases.

For agricultural applications, we have licensed applications of the Factor 5A, DHS and Lipase platforms to enhance the quality, productivity and stress resistance of fruits, flowers, vegetables, agronomic and biofuel feedstock crops through the control of cell death, referred to herein as senescence, and growth in plants.

Human Therapeutic Applications

We believe that our Factor 5A gene regulatory technology could have broad applicability in the human therapeutic field, by either inducing or inhibiting programmed cell death, also known as apoptosis, which is the natural process the human body goes through in order to eliminate redundant or defective cells. Inducing apoptosis is useful in treating cancer where the defective cancer cells have failed to respond to the body's natural apoptotic signals. Conversely, inhibiting apoptosis may be useful in preventing, ameliorating or treating an exaggerated, acute immune response in a wide range of inflammatory and ischemic diseases attributable to or aggravated by premature apoptosis.

SNS01-T for Multiple Myeloma

We have developed a therapeutic candidate, SNS01-T, an improved formulation of SNS01, for the potential treatment of multiple myeloma and non-Hodgkin B-cell lymphoma. SNS01-T utilizes our Factor 5A technology and comprises two active components: a DNA plasmid, or pDNA, expressing human eIF5A containing a lysine to arginine substitution at amino acid position 50, or eIF5AK50R, and a small inhibitory RNA, or siRNA. These two components are combined in a fixed ratio with a polymer, polyethyleneimine, or PEI, which enables self-assembly of the DNA and RNA into nanoparticles with demonstrated enhanced delivery to tissues and protection from degradation in the blood stream. Under the control of a B cell selective promoter, SNS01-T's DNA plasmid up-regulates the apoptotic pathways within cancer cells by preferentially expressing the stable arginine form of the Factor 5A death message in target cells. The siRNA, by silencing the eIF5A gene, reduces expression of the hypusine form of Factor 5A that supports cell survival and proliferation. The silencing of the eIF5A gene by an eIF5A siRNA also down-regulates anti-apoptotic proteins, such as NFkB, ICAM and pro-inflammatory cytokines, which protect malignant cells from apoptosis and promote cell growth in multiple myeloma. The PEI, a cationic polymer, promotes auto-assembly of a nanoparticle with the other two components for intravenous delivery and protects the combination from degradation in the bloodstream until it is taken up by the tumor cell, where the siRNA and DNA plasmid are released.

We have performed efficacy, toxicological and dose-finding studies *in vitro* in non-human and human cells and *in vivo* in mice with SNS01. Our efficacy studies in severe combined immune-deficient, or SCID, mice with subcutaneous human multiple myeloma tumors tested SNS01 dose ranging from 0.15 mg/kg to 1.5 mg/kg. In these studies, mice treated with a dose of either 0.75 mg/kg or 1.5 mg/kg both showed, compared to relevant controls, a 91% reduction in tumor volume and a decrease in tumor weight of 87% and 95%, respectively. For mice that received smaller doses of either 0.38 mg/kg or 0.15 mg/kg, there was also a reduction in tumor volume of 73% and 61%, respectively, and weight of 74% and 36%, respectively. All SNS01 treated mice survived. This therapeutic dose range study provided the basis for a non-good laboratory practices, or GLP, 8-day maximum tolerated dose study in which normal mice received two intravenous doses of increasing amounts of SNS01 (from 2.2 mg/kg). Body weight, organ weight and serum levels of liver enzymes were used as clinical indices to assess toxicity. A dose between 2.2 mg/kg and 2.9 mg/kg was well tolerated with respect to these clinical indices, and the survival rate at 2.9 mg/kg was 80%. Mice receiving above 2.9 mg/kg of SNS01 showed evidence of morbidity and up to 80% mortality. The 2.9 mg/kg threshold was therefore determined to be the maximum tolerated dose in mice in this study. We have also completed our pivotal GLP toxicology studies in mice and dogs, employing SNS01-T, an improved formulation of SNS01, and have an open investigational new drug application, or IND, with the United States Food and Drug Administration, or FDA. We have also been granted orphan drug status for SNS01-T by the FDA for the potential treatment of multiple myeloma, mantle cell lymphoma and diffuse large B-cell lymphoma.

We are conducting a Phase 1b/2a clinical study with SNS01-T in multiple myeloma, diffuse large B cell lymphoma (DLBCL) and mantle cell lymphoma (MCL) patients. The clinical study is an open-label, multiple-dose, dose-escalation study, which is evaluating the safety and tolerability of SNS01-T when administered by intravenous infusion to relapsed or refractory multiple myeloma patients. The study design calls for four cohorts of three to six patients each. Patients in each cohort will receive twice-weekly dosing for six weeks followed by up to a four-week safety data review period before escalating to a higher dose level in the next cohort.

While the primary objective of this study is to evaluate safety and tolerability, the effect of SNS01-T on tumor response and time to relapse or progression will be assessed using multiple well-established metrics including measurement of monoclonal protein in multiple myeloma and CT imaging in MCL and DLBCL .

We have selected Mayo Clinic, University of Arkansas for Medical Sciences, the Randolph Cancer Center at West Virginia University and the John Theurer Cancer Center at Hackensack University Medical Center as our clinical sites. The study is open and we have completed our first cohort. The results of the first cohort showed that SNS01-T was safe and well tolerated and met the criteria for Stable Disease in 2 of the 3 evaluable patients. We are now treating patients in the second cohort.

We have demonstrated in human multiple myeloma cell lines that there may be an additional benefit to combining SNS01-T with other approved myeloma drugs, such as bortezomib and lenalidomide. We have shown, in vitro, that these drugs are up to forty (40) times more effective in inhibiting cell growth when used in combination with SNS01-T. These results further reinforce the significance of our target and will guide us in designing future clinical studies. We have demonstrated that a high level of tumor eradication in a mouse model of human multiple myeloma was achieved with a combination of SNS01-T and lenalidomide. While SNS01-T alone performed well by completely eliminating tumors in 40% of the animals, complete tumor eradication was achieved in five out of six or 83% of the treated animals that received SNS01-T combined with the optimal study dose of lenalidomide. This effect lasted throughout 6 weeks of observation after the end of treatment. Neither dose of lenalidomide used alone eliminated tumors in any of the treated mice. Most recently, we have demonstrated the benefits of combining SNS01-T with bortezomib. In a mouse model of human multiple myeloma, SNS01-T as a monotherapy achieved 59% tumor growth inhibition, which exceeded that of bortezomib alone at either the 0.2 mg/kg dose (22% inhibition) or at the 0.5 mg/kg dose (39% inhibition). However, the combination of SNS01-T with 0.5 mg/kg of bortezomib resulted in 89% tumor inhibition, which was significantly more effective than either SNS01-T or bortezomib alone.

SNS01-T for other B-cell cancers

We have demonstrated in mice that we can inhibit the growth of both human mantle cell and diffuse large B-cell lymphoma in a dose-dependent manner.

We have also demonstrated that the combination of lenalidomide and SNS01-T performs better than either treatment alone in mouse xenograft models of human mantle cell lymphoma.

When SCID mice, implanted with an aggressive human mantle cell lymphoma cell line (JVM2), were treated with either 15 mg/kg lenalidomide (5 times weekly by intra-peritoneal injection) or 0.375 mg/kg SNS01-T (twice weekly by intravenous injection) there was a growth delay of 4 days and 14 days, respectively. Mice treated with a combination of both drugs using the same dose levels and dosing regimens exhibited a tumor growth delay of 27 days (p value = 0.0008).

The median survival of mice treated with control nanoparticles was 21 days. Mice treated with lenalidomide or SNS01-T had a median survival of 28 days (33 % increase) and 37 days (76 % increase), respectively. Mice treated with the drug combination had a median survival of 52 days, an increase in survival of 148 %. Survival analysis using the Kaplan-Meier method revealed that treatment of mice with the drug combination resulted in statistically significant increases in survival compared to both SNS01-T (p value = 0.002) and lenalidomide (p value = 0.007) alone. We believe that the results of these studies not only support moving forward in multiple myeloma, but also support extending our clinical evaluation of SNS01-T in other B-cell cancers.

We may consider other human diseases in order to determine the role of Factor 5A and SNS01-T.

We may further expand our research and development program beyond the initiatives listed above to include other diseases and research centers.

Agricultural Applications

Our agricultural research focuses on the discovery and development of certain gene technologies, which are designed to confer positive traits on fruits, flowers, vegetables, forestry species and agronomic crops.

We have licensed this technology to various strategic partners. We may continue to license this technology, as opportunities present themselves, to additional strategic partners and/or enter into joint collaborations or ventures.

Our ongoing research and development initiatives for agriculture include assisting our license partners to:

- further develop and implement the DHS and Factor 5A gene technology in banana, canola, cotton, turfgrass, rice, alfalfa, corn, soybean and trees; and

- test the resultant crops for new beneficial traits such as increased yield, increased tolerance to environmental stress, disease resistance and more efficient use of fertilizer.

Agricultural Development and License Agreements

As of December 31, 2012, we have nine (9) active license agreements with established agricultural biotechnology companies.

Intellectual Property

We have twenty-seven (27) issued patents from the United States Patent and Trademark Office, or PTO, and seventy-one (71) issued patents from foreign countries. Of our ninety-eight (98) domestic and foreign issued patents, sixty-one (61) are for the use of our technology in agricultural applications and thirty-seven (37) relate to human therapeutics applications.

In addition to our ninety-eight (98) patents, we have a wide variety of patent applications, including divisional applications and continuations-in-part, in process with the PTO and internationally. We intend to continue our strategy

of enhancing these new patent applications through the addition of data as it is collected.

Our agricultural patents are generally set to expire in 2019 in the United States and 2025 outside the United States. Our core human therapeutic technology patents are set to expire in 2021 in the United States and 2025 outside the United States, and our patents related to multiple myeloma are set to expire, both in and outside the United States in 2029.

During our 2012 and 2011 fiscal years, we reviewed our patent portfolio in order to determine if we could reduce our cost of patent prosecution and maintenance. We identified several patents and patents pending that we believe we no longer need to maintain without having a material impact on the portfolio. We determined that we would no longer incur the cost to prosecute or maintain those patents or patents pending.

Liquidity and Capital Resources

Overview

For the six months ended December 31, 2012, net cash of $1,201,869 was used in operating activities primarily due to a net loss of $3,355,339, which was reduced by non-cash expenses, of $1,221,428. Cash used in operating activities was also reduced by changes in operating assets and liabilities in the amount of $932,042.

The $932,042 change in operating assets and liabilities was primarily the result of a decrease in prepaid expenses in the amount of $252,976 and an increase in accounts payable and accrued expenses in the amount of $679,066.

During the six months ended December 31, 2012, cash used for investing activities amounted to $253,514, which was primarily related to patent costs incurred.

Cash provided by financing activities during the six months ended December 31, 2012 amounted to $94,183 related to the placement of common stock through our $5,500,000 ATM facility.

As of December 31, 2012, our cash balance totaled $640,125, and we had working capital deficit of $1,817,112.

In January 2013, we received net proceeds of approximately $2,900,000 from the issuance of common stock and warrants.

We expect our capital requirements to increase significantly over the next several years as we commence new research and development efforts, increase our business and administrative infrastructure and embark on developing in-house business capabilities and facilities. Our future liquidity and capital funding requirements will depend on numerous factors, including, but not limited to, the levels and costs of our research and development initiatives and the cost and timing of the expansion of our business development and administrative staff.

We anticipate that, based upon our cash balance at December 31, 2012 and the net proceeds from the issuance of common stock and warrants in January 2013, we will be able to fund our operations through July 2013. Over such

period, we plan to fund our research and development and commercialization activities by:

- utilizing our current cash balance and investments;
- the placement of additional equity or debt instruments;
- achieving some of the milestones set forth in our current licensing agreements; and
- the possible execution of additional licensing agreements for our technology.

We cannot assure you that we will be able to raise money through any of the foregoing transactions on favorable terms, if at all.

Changes to Critical Accounting Policies and Estimates

There have been no changes to our critical accounting policies and estimates as set forth in our Annual Report on Form 10-K for the fiscal year ended June 30, 2012, as amended.

Results of Operations

Three Months Ended December 31, 2012 and Three Months Ended December 31, 2011

The net loss for the three months ended December 31, 2012 was $1,269,885. The net loss for the three months ended December 31, 2011 was $1,527,571. Such a change represents a decrease in net loss of $257,686, or 16.9%. This decrease in net loss was primarily the result of a decrease in general and administrative expenses and research and development costs.

Revenue

There was no revenue during the three months ended December 31, 2012.

Total revenue in the amount of $200,000 for the three months ended December 31, 2011 consisted of a milestone payment in connection with an agricultural license agreement.

We anticipate that we will receive future milestone payments in connection with our current agricultural development and license agreements. Additionally, we may receive future royalty payments from our license agreements when our partners commercialize their crops containing our technology. However, it is difficult for us to determine our future revenue expectations because our future milestone payments are primarily contingent on our partners successful implementation of their development plan, we have no history of receiving royalties and the timing and outcome of our experiments, the timing of signing new partner agreements and the timing of our partners moving through the development process into commercialization is difficult to accurately predict.

General and Administrative Expenses

	Three Months December 31,			
	2012	2011	Change	%
	(in thousands, except % values)			
Payroll and benefits	$ 147	$ 159	$ (12)	(7.5)%

Investor relations	16	75	(59)	(78.7)%
Professional fees	237	265	(28)	(10.6)%
Cash Director fees	14	11	3	21.4 %
Depreciation and amortization	67	62	5	8.1 %
Other general and administrative	88	104	(16)	(15.4)%
	569	676	(101)	(15.9)%
Stock-based compensation	140	229	(89)	(38.9)%
Total general and administrative	$ 709	$ 905	$ (196)	(21.7)%

- Payroll and benefits for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily as a result of a required 401K contribution during the three months ended December 31, 2011. Such a contribution was not required during the three months ended December 31, 2012.

- Investor relations fees for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily as a result of a reduction in investor relations consulting costs and the timing of our annual meeting. We discontinued using an investor relations firm in August 2012. Also, we held our 2012 annual meeting in December 2011 but will not be holding our 2013 annual meeting until March 2013.

- Professional fees for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily as a result of a decrease in legal fees. Legal fees decreased primarily due to fees incurred during the three months ended December 31, 2011 in connection with the exploration of alternative uses of our technology that were not incurred during the three months ended December 31, 2012. This decrease in legal fees was partially offset by an increase in legal fees in connection with the exploration of additional technologies and financing options during the three months ended December 31, 2012 which were not incurred during the three months ended December 31, 2011.

- Cash director fees for the three months ended December 31, 2012 was higher than for the three months ended December 31, 2011, primarily as a result of more meetings being held during the three months ended December 31, 2012.

- Depreciation and amortization for the three months ended December 31, 2012 was higher than for the three months ended December 31, 2011, primarily as a result of an increase in amortization of patent costs.

- Other general and administrative expenses for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily due to a decrease in travel and conferences, which was partially offset by an increase in consulting costs related to our NYSE MKT delisting appeal.

- Stock-based compensation for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily due to a lower Black-Scholes value on options vesting during the three months ended December 31, 2012 due to options that were forfeited prior to vesting.

We expect cash-based general and administrative expenses to remain relatively unchanged over the next twelve months.

Research and Development Expenses

	Three Months Ended December 31,			
	2012	2011	Change	%
	(in thousands, except % values)			
Payroll	$ 44	$ 42	$ 2	4.8 %
Research contract with the University of Waterloo	161	138	23	16.7 %
Other research and development	363	557	(194)	(34.8)%
	568	737	(169)	(22.9)%
Stock-based compensation	23	15	8	53.3 %
Total research and development	$ 591	$ 752	$ (161)	(21.4)%

- Payroll for the three months ended December 31, 2012 was higher than for the three months ended December 31, 2011, primarily as a result of salary increases.

- The cost associated with the research contract with the University of Waterloo for the three months ended December 31, 2012 was higher than for the three months ended December 31, 2011, primarily due to an increase in amount being funded for human health research.

- Other research and development costs for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily due to a decrease in the costs in connection with agricultural research programs and formulation studies, which was partially offset by an increase in costs associated with the development of SNS01-T for multiple myeloma.

- Stock-based compensation for the three months ended December 31, 2012 was higher than for the three months ended December 31, 2011, primarily due to a higher Black-Scholes value of options vesting during the three months ended December 31, 2012.

The breakdown of our research and development expenses between our agricultural and human therapeutic research programs is as follows:

	Three Months Ended December 31,					
	2012	%		2011	%	
	(in thousands, except % values)					
Agricultural	$ 3	1	%	$ 112	15	%
Human therapeutic	588	99	%	640	85	%
Total research and development	$ 591	100	%	$ 752	100	%

- Agricultural research expenses for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily due to a reduction in the funding for agricultural research at the University of Waterloo and the amendment to the Rahan Meristem agreement for the development of bananas. Effective January 1, 2012, we amended the Rahan Meristem agreement whereby we no longer incur costs related to such development.

- Human therapeutic research expenses for the three months ended December 31, 2012 was lower than for the three months ended December 31, 2011, primarily as a result of the timing of certain aspects of the development of our drug candidate, SNS01-T, for treating multiple myeloma. Specifically, during the three months ended December 31, 2011, we incurred costs related to the formulation of SNS01-T, which we did not incur during the three months ended December 31, 2012.

We do not expect our human therapeutic research program to change as a percentage of the total research and development expenses.

Other non-operating income and expense

Fair value – warrant liability

The amounts represent the change in the fair value of the warrant liability for the three months ended December 31, 2012 and 2011.

Six Months Ended December 31, 2012 and Six Months Ended December 31, 2011

The net loss for the six months ended December 31, 2012 was $3,355,339. The net loss for the six months ended December 31, 2011 was $2,566,554. Such a change represents an increase in net loss of $788,785, or 30.7%. This increase in net loss was primarily the result of an increase in other non-operating expenses and a decrease in revenue, which was partially offset by a decrease in general and administrative expenses and research and development costs.

Revenue

There was no revenue during the six months ended December 31, 2012.

Total revenue in the amount of $200,000 for the six months ended December 31, 2011 consisted of a milestone payment in connection with an agricultural license agreement.

We anticipate that we will receive future milestone payments in connection with our current agricultural development and license agreements. Additionally, we may receive future royalty payments from our license agreements when our partners commercialize their crops containing our technology. However, it is difficult for us to determine our future revenue expectations because our future milestone payments are primarily contingent on our partners successful implementation of their development plan, we have no history of receiving royalties and the timing and outcome of our experiments, the timing of signing new partner agreements and the timing of our partners moving through the development process into commercialization is difficult to accurately predict.

General and Administrative Expenses

	Six Months Ended December 31, 2012	2011	Change	%
	(in thousands, except % values)			
Payroll and benefits	$289	$296	$ (7)	(2.4)%
Investor relations	56	120	(64)	(56.0)%
Professional fees	432	403	29	7.2 %
Cash Director fees	28	23	5	21.8 %

Depreciation and amortization	130	119	11	9.2 %
Other general and administrative	188	207	(19)	(9.2)%
	1,123	1,166	(45)	(3.9)%
Stock-based compensation	319	383	(64)	(16.7)%
Total general and administrative	$1,442	$1,551	$ (109)	(7.0)%

- Payroll and benefits for the six months ended December 31, 2012 was lower than for the six months ended December 31, 2011, primarily as a result of a 401K contribution made during the six months ended December 31, 2011. There was no 401K contribution during the six months ended December 31, 2012.

- Investor relations fees for the six months ended December 31, 2012 was lower than for the six months ended December 31, 2011, primarily as a result of a reduction in investor relations consulting costs and the timing of our annual meeting. We discontinued using an investor relations firm in August 2012. Also, we held our 2012 annual meeting in December 2011 but will not be holding our 2013 annual meeting until March 2013.

- Professional fees for the six months ended December 31, 2012 was higher than for the six months ended December 31, 2011, primarily as a result of an increase in legal fees in connection with the exploration of additional technologies and financing options during the six months ended December 31, 2012 which were not incurred at such levels during the six months ended December 31, 2011.

- Cash director fees for the six months ended December 31, 2012 were higher than for the six months ended December 31, 2011, primarily as a result of more meetings being held during the six months ended December 31, 2012.

- Depreciation and amortization for the six months ended December 31, 2012 was higher than for the six months ended December 31, 2011, primarily as a result of an increase in amortization of patent costs.

- Other general and administrative expenses for the six months ended December 31, 2012 was lower than for the six months ended December 31, 2011, primarily due to a decrease in travel and conference costs, state taxes and office supplies, which was partially offset by an increase in consultant costs related to our NYSE MKT delisting appeal.

- Stock-based compensation for the six months ended December 31, 2012 was lower than for the six months ended December 31, 2011, primarily due to a lower Black-Scholes value of options vesting during the six months ended December 31, 2012 due to options that were forfeited prior to vesting.

We expect cash-based general and administrative expenses to remain relatively unchanged over the next twelve months.

Research and Development Expenses

	Six Months Ended December 31,			
	2012	2011	Change	%
	(in thousands, except % values)			
Payroll	$86	$82	$4	4.9 %
Research contract with the University of Waterloo	305	290	15	5.2 %
Other research and development	666	991	(325)	(32.87)%
	1,057	1,363	(306)	(22.5)%

Stock-based compensation	48	23	25	8.7	%
Total research and development	$1,105	$1,386	$ (281)	(20.3	)%

- Payroll for the six months ended December 31, 2012 was higher than for the six months ended December 31, 2011, primarily as a result of a salary increases.

- The cost associated with the research contract with the University of Waterloo for the six months ended December 31, 2012 was higher than for the six months ended December 31, 2011, primarily due to an increase in amount being funded for human health research.

- Other research and development costs for the six months ended December 31, 2012 was lower than for the six months ended December 31, 2011, primarily due to a decrease in the costs in connection with agricultural research programs and formulation studies, which was partially offset by an increase in costs associated with the development of SNS01-T for multiple myeloma.

- Stock-based compensation for the six months ended December 31, 2012 was higher than for the six months ended December 31, 2011, primarily due to a higher Black-Scholes value of the options vesting.

The breakdown of our research and development expenses between our agricultural and human therapeutic research