

iBio, Inc.
Form 10-Q
February 19, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended December 31, 2012

Commission File Number 001-35023

iBio, Inc.

(Exact name of small business registrant in its charter)

Delaware

26-2797813

(State or other jurisdiction of (I.R.S. Employer Identification
incorporation or organization) No.)

9 Innovation Way, Suite 100, 19711
Newark, DE

(Address of principal executive (Zip Code)
offices)

(302) 355-0650

(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 and 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 S 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 S 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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company S

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

Yes No S

At February 19, 2013, the registrant had 47,767,095 shares of common stock, \$.001 par value, outstanding

iBio, Inc.

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PART I FINANCIAL INFORMATION**iBio, Inc.
Condensed Balance Sheets**

	As of December 31, 2012 (Unaudited)	As of June 30, 2012 (Note A)
Assets		
Current assets:		
Cash	\$2,818,964	\$5,624,403
Accounts receivable	390,186	351,409
Prepaid expenses	732,961	684,435
Other	53,124	239,898
Total current assets	3,995,235	6,900,145
Fixed assets, net	4,473	2,497
Intangible assets, net	2,805,449	2,861,940
Total assets	\$6,805,157	\$9,764,582
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$2,711,319	\$2,845,518
Accrued expenses	251,481	230,300
Derivative financial liability	125,500	519,725
Total liabilities	3,088,300	3,595,543
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, no par value, 1,000,000 shares authorized, no shares outstanding	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 47,767,095 shares issued and outstanding as of December 31, 2012 and June 30, 2012	47,767	47,767
Additional paid-in capital	38,129,452	37,459,053
Accumulated deficit	(34,460,362)	(31,337,781)
Total stockholders' equity	3,716,857	6,169,039
Total liabilities and stockholders' equity	\$6,805,157	\$9,764,582

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

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iBio, Inc.
Condensed Statements of Operations

(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Revenues	\$—	\$233,832	\$390,186	\$554,180
Operating expenses:				
Research and development	655,783	1,162,320	1,833,318	2,618,960
General and administrative	1,039,388	1,745,156	2,062,057	2,933,890
Totals	1,695,171	2,907,476	3,895,375	5,552,850
Operating loss	(1,695,171)	(2,673,644)	(3,505,189)	(4,998,670)
Other income (expense):				
Interest income	2,390	608	5,862	2,206
Interest expense	(17,451)	(16,800)	(32,858)	(26,376)
Royalty income	3,970	5,408	15,379	17,063
Change in the fair value of derivative financial liability	635,108	1,086,768	394,225	3,791,260
Totals	624,017	1,075,984	382,608	3,784,153
Net loss	\$(1,071,154)	\$(1,597,660)	\$(3,122,581)	\$(1,214,517)
Net loss per common share - basic and diluted	\$(0.02)	\$(0.05)	\$(0.07)	\$(0.04)
Weighted average common shares outstanding – basic and diluted	47,767,095	32,382,095	47,767,095	32,382,095

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

iBio, Inc.
Condensed Statement of Stockholders' Equity

Six Months Ended December 31, 2012

(Unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated	
	Shares	Amount		Deficit	Total
Balance, June 30, 2012	47,767,095	\$47,767	\$37,459,053	\$(31,337,781)	\$6,169,039
Stock-based compensation expense	—	—	670,399	—	670,399
Net loss	—	—	—	(3,122,581)	(3,122,581)
Balance, December 31, 2012	47,767,095	\$47,767	\$38,129,452	\$(34,460,362)	\$3,716,857

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

iBio, Inc.
Condensed Statements of Cash Flows

(Unaudited)

	Six Months Ended	
	December 31,	
	2012	2011
Cash flows used in operating activities:		
Net loss	\$(3,122,581)	\$(1,214,517)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in the fair value of derivative financial liability	(394,225)	(3,791,260)
Stock-based compensation expense	670,399	1,323,354
Stock-based compensation expense included in accrued expenses	—	70,752
Depreciation and amortization	166,180	160,976
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(38,777)	110,253
Decrease in other current assets	138,248	31,927
(Decrease) increase in accounts payable	(134,199)	1,146,086
Increase in accrued expenses	21,181	149,991
Net cash used in operating activities	(2,693,774)	(2,012,438)
Cash flows used in investing activities:		
Additions to intangible assets	(108,661)	(122,074)
Purchase of fixed assets	(3,004)	—
Net cash used in investing activities	(111,665)	(122,074)
Cash flows used in financing activities – payment of deferred financing fees	—	(85,336)
Net decrease in cash	(2,805,439)	(2,219,848)
Cash - beginning of period	5,624,403	2,843,300
Cash - end of period	\$2,818,964	\$623,452

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

iBio, Inc.

Notes to Condensed Financial Statements (Unaudited)

NOTE A - BUSINESS

iBio, Inc. (“iBio” or the “Company”) is a biotechnology company focused on commercializing its proprietary technologies, the iBioLaunch™ platform for vaccines and therapeutic proteins and the iBioModulator™ platform for vaccine enhancement. A key component of our strategy is to facilitate adoption and use of our technology by entering into commercial product collaborations and license arrangements. We believe our technology offers our collaborators and licensees advantages that are not available with conventional manufacturing systems. These anticipated advantages include the ability to manufacture therapeutic proteins that are difficult or impossible to produce with conventional methods, reduced production time and lower capital and operating costs. Our near-term focus is to establish additional business arrangements pursuant to which commercial, governmental and not-for-profit licensees will utilize our technology in connection with the production and development of products for both therapeutic and vaccine uses. The Company operates in one business segment.

Liquidity and Basis of Presentation

The accompanying financial information as of December 31, 2012 and for the three and six months ended December 31, 2012 and 2011, is unaudited and includes all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to state fairly the condensed financial information set forth therein in accordance with accounting principles generally accepted in the United States of America (“US GAAP”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been omitted as permitted by regulations of the Securities and Exchange Commission. The interim results are not necessarily indicative of results to be expected for the full fiscal year. The balance sheet amounts as of June 30, 2012 were derived from the audited financial statements. These unaudited condensed financial statements should be read in conjunction with the audited financial statements for the year ended June 30, 2012 included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Since its spinoff from Integrated BioPharma Inc., in August 2008, the Company has incurred significant losses and negative cash flows from operations. As of December 31, 2012 the Company’s accumulated deficit was approximately \$34,460,000 and it had cash used in operating activities of approximately \$2,694,000 and \$2,012,000 for the six months ended December 31, 2012 and 2011, respectively. The Company has historically financed its activities through the sale of common stock and warrants. Through December 31, 2012, the Company has dedicated most of its financial resources to investing in its iBioLaunch™ and iBioModulator™ platforms, advancing its intellectual property and general and administrative activities. Cash on hand as of December 31, 2012 was approximately \$2,819,000 and is expected to support the Company’s activities through the end of the second calendar quarter of 2013.

The history of significant losses, the negative cash flow from operations, the limited cash resources currently on hand and the dependence by the Company on its ability (about which there can be no certainty) to obtain additional financing to fund its operations after the current cash resources are exhausted raises substantial doubt about the Company's ability to continue as a going concern. These condensed financial statements were prepared under the assumption that the Company will continue as a going concern and do not include any adjustments that might result from the outcome of this uncertainty.

On January 31, 2013, iBio, entered into an At-The-Market ("ATM") equity offering sales agreement pursuant to which iBio may, from time to time, offer and sell shares of its common stock at prevailing market prices having an aggregate offering price of up to \$10 million. See Note F for further explanation of this transaction and certain limitations, which may reduce the aggregate offering proceeds that may be realized through sales of common stock pursuant to the ATM equity offering sales agreement.

The Company plans to fund its future business operations using cash on hand, through proceeds from the sale of common stock pursuant to the ATM equity offering, through proceeds from the sale of additional equity or other securities and through proceeds realized in connection with license and collaboration arrangements. The Company cannot be certain that such funding will be available on acceptable terms or available at all. To the extent that the Company raises additional funds by issuing equity securities, its stockholders may experience significant dilution. If the Company is unable to raise funds when required or on acceptable terms, it may have to: a) significantly delay, scale back, or discontinue the product application and/or commercialization of its proprietary technologies; b) seek

collaborators for its technology and product candidates on terms that are less favorable than might otherwise be available; c) relinquish or otherwise dispose of rights to technologies, product candidates, or products that it would otherwise seek to develop or commercialize itself; or d) cease operations.

In addition to the normal risks associated with emerging business ventures, there can be no assurance that the Company's product development will be successfully completed or that any product will be approved or commercially viable.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, dependence on collaborative arrangements, development by the Company or its competitors of new technological innovations, dependence on key personnel, protection of proprietary technology, and compliance with Food and Drug Administration ("FDA") and other governmental regulations and approval requirements.

Significant Accounting Policies

The Company's significant accounting policies are described in Note B to its audited financial statements included in its June 30, 2012 Form 10-K. There have been no significant changes to these policies or changes in accounting pronouncements during the six months ended December 31, 2012.

Revenue Recognition

The Company recognizes revenue when all four of the following criteria are met: (i) persuasive evidence that an arrangement exists; (ii) delivery of the products and/or services has occurred; (iii) the fees earned can be readily determined; and (iv) collectability of the fees is reasonably assured.

Loss Per Share

Basic loss per share is computed by dividing the net loss allocated to common shares by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the additional potential dilution that could occur if options or warrants were exercised or converted into common stock using the treasury stock method. Since the Company incurred a net loss in each of those periods, diluted loss per share for the three and six months ended December 31, 2012 and 2011, were the same as basic loss per share.

The following table summarizes the number of common shares excluded from the calculation of weighted average common shares outstanding for the three and six months ended December 31, 2012 and 2011 since they were anti-dilutive:

	Three and six months ended December 31,	
	2012	2011
Stock options	6,660,000	5,350,000
Warrants	21,040,796	7,948,607
Totals	27,700,796	13,298,607

Fair Value of Financial Instruments

The Company's financial instruments primarily include cash, accounts receivable, other current assets and accounts payable. Due to the short-term nature of cash, accounts receivable, other current assets and accounts payable, the carrying amounts of these assets and liabilities approximate their fair value.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company categorizes its derivative financial instrument liability in Level 2 of the hierarchy. The derivative financial liability relating to a warrant with an anti-dilution feature is valued using the Black-Scholes option pricing model. The fair value of the derivative financial liability is based principally on Level 2 inputs. For this liability, the Company developed its own assumptions based on observable inputs and available market data to support the fair value.

The following table sets forth the Company's liabilities measured at fair value on a recurring basis, by input level, in the balance sheets at December 31, 2012 and June 30, 2012.

	Fair value measurement at reporting date using			
	Quoted			
	Prices			
	In	Significant	Significant	Total
	Active	Other	Unobservable	
	Market	Observable	Inputs	
	for	Inputs	(Level 3)	
	Identical	(Level 2)		
	Assets			
	(Level			
	1)			
At December 31, 2012:				
Liabilities:				
Recurring				
Derivative financial liability - related to a warrant with anti-dilution provisions	\$—	\$ 125,500	\$ —	\$ 125,500
At June 30, 2012:				
Liabilities:				
Recurring				
Derivative financial liability - related to a warrant with anti-dilution provisions	\$—	\$ 519,725	\$ —	\$ 519,725

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The valuations above were determined using Level 2 observable inputs, as described above.

The reconciliation of the derivative financial liability measured at fair value on a recurring basis using observable inputs (Level 2) is as follows:

	2012	2011
Balance, June 30,	\$519,725	\$4,187,769
Change in fair value of derivative financial liability	(394,225)	(3,791,260)
Balance, December 31,	\$125,500	\$396,509

The fair value of the derivative financial instrument liability is determined using the Black-Scholes option pricing model and is affected by changes in inputs to that model including the Company's stock price, expected stock price, volatility, the contractual term, and the risk-free interest rate.

The assumptions made in calculating the fair value of these derivative instruments as of December 31, 2012, June 30, 2012 and December 31, 2011 were as follows:

	December	June	December
	31,	30,	31,
	2012	2012	2011
Common stock price	\$ 0.62	\$0.76	\$ 0.83
Risk-free interest rate	0.2 %	0.2 %	0.2 %
Dividend yield	None	None	None
Volatility	98.9 %	100.0 %	96.5 %
Remaining contractual term (in years)	0.7	1.2	1.7

NOTE B – INTANGIBLE ASSETS

Intangible assets consist of the following:

	December 31, 2012	June 30, 2012
Intellectual property	\$3,100,000	\$3,100,000
Patents	1,793,049	1,684,388
	4,893,049	4,784,388
Accumulated amortization - intellectual property	(1,387,260)	(1,309,410)
Accumulated amortization - patents	(700,340)	(613,038)
	(2,087,600)	(1,922,448)
Net	\$2,805,449	\$2,861,940

The Company accounts for intangible assets at their historical cost and records amortization utilizing the straight-line method based upon their estimated useful lives. Patents are amortized over a period of ten years and other intellectual property is amortized over a period from 18 to 23 years. The Company reviews the carrying value of its intangible assets for impairment whenever events or changes in business circumstances indicate the carrying amount of such assets may not be fully recoverable. Evaluating for impairment requires judgment, including the estimation of future cash flows, future growth rates and profitability and the expected life over which cash flows will occur. Changes in the Company's business strategy or adverse changes in market conditions could impact impairment analyses and require the recognition of an impairment charge equal to the excess of the carrying value over its estimated fair value. There were no impairment charges during the three and six months ended December 31, 2012 and 2011.

Intellectual property consists of technology for producing targeted proteins in plants for the development and manufacture of novel vaccines and therapeutics for humans and certain veterinary applications (the "Technology"). The Company originally acquired this Technology in December 2003 from Fraunhofer USA Inc., acting through its Center for Molecular Biotechnology ("FhCMB") pursuant to a Technology Transfer Agreement (as amended, the "TTA"). The consideration paid by the Company was \$3,600,000.

Patents consist of payments for services and fees related to the further development and protection of the Company's patent portfolio.

Amortization expense for intangible assets is recorded utilizing the straight-line method and is included in general and administrative expenses. For the three months ended December 31, 2012 and 2011, amortization expense approximated \$83,000 and \$80,000, respectively, and for the six months ended December 31, 2012 and 2011, amortization expense approximated \$165,000 and \$159,000, respectively.

NOTE C – STOCKHOLDERS' EQUITY

Share-Based Compensation - Stock Options and Warrants

The Company accounts for options granted to employees by measuring the cost of services received in exchange for the award of equity instruments based upon the fair value of the award on the date of grant. The fair value of the award is then ratably recognized as expense over the period during which the recipient is required to provide services in exchange for that award. Options and warrants granted to consultants and other non-employees are recorded at fair value as of the

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grant date and subsequently adjusted to fair value at the end of each reporting period until such options and warrants vest, and the fair value of such instruments, as adjusted, is expensed over the related vesting period. Adjustments to fair value at each reporting date may result in income or expense, depending upon the estimate of fair value and the amount of expense recorded prior to the adjustment. On a basis not less frequently than quarterly, the Company reviews its agreements and the future performance obligation with respect to the unvested options or warrants for its consultants and other non-employees. When appropriate, the Company will expense the unvested options or warrants at the time when management deems the service obligation for future services has ceased.

On August 12, 2008, the Company adopted the iBioPharma 2008 Omnibus Equity Incentive Plan (the "Plan") for employees, officers, directors, and external service providers. Under the provisions of the Plan, the Company may grant options to purchase stock and/or make awards of restricted stock up to an aggregate amount of 10,000,000 shares. At December 31, 2012, there were 3,340,000 shares of common stock reserved for future grant under the Plan. Options granted under the Plan may be either incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended, or non-statutory stock options at the discretion of the Board of Directors and as reflected in the terms of the written option agreement. Options granted under the Plan vest ratably at the end of each twelve month period and a three or five year period from the date of grant.

Stock-based compensation expense (credit) for options and warrants was recorded as follows

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Research and development	\$(28,239)	\$38,457	\$103,213	\$23,188
General and administrative	245,039	1,017,357	567,186	1,370,918
Totals	\$216,800	\$1,055,814	\$670,399	\$1,394,106

A summary of the changes in options outstanding during the six months ended December 31, 2012 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at June 30, 2012	5,510,000	\$ 1.56	8.1	\$ 493,800
Granted	1,230,000	\$ 1.05		
Forfeited	(80,000)	\$ 1.55		
Outstanding at December 31, 2012	6,660,000	\$ 1.46	7.9	\$ 316,600
Expected to vest at December 31, 2012	6,633,340	\$ 1.46	7.9	\$ 316,600
Options exercisable at December 31, 2012	3,803,992	\$ 1.60	7.4	\$ 274,600

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The weighted average fair value of options granted during the three and six months ended December 31, 2012 was \$0.64 per share and \$0.92 per share, respectively, on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2012	2011	2012	2011
Risk free interest rate	1.6% – 1.8%	1.1% to 2.2%	1.3 to 1.8%	1.1% to 2.2%
Dividend yield	None	None	None	None
Volatility	99.2% to 99.7%	94.8% to 96.8%	99.2% to 100.7%	94.8% to 96.8%
Expected term (in years)	9	5.5 to 9.0	9	5.5 to 9.0

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The unrecognized compensation expense as of December 31 2012, approximately \$2,498,000 of total compensation expense related to stock issued to date, is expected to be recognized over a weighted average period of approximately 3 years.

A summary of the changes in warrants outstanding during the six months ended December 31, 2012 is as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Outstanding at June 30, 2012	20,940,796	\$ 1.39
Granted	100,000	\$ 1.00
Outstanding at December 31, 2012	21,040,796	\$ 1.39
Exercisable at December 31, 2012	21,040,796	\$ 1.39

The Company issued 100,000 fully vested warrants to a consultant for investor relations services in July 2012. The warrants have an exercise price of \$1.00 per share and expire in two years. The fair value of the warrants was \$0.33 per share on the date of grant using the Black-Scholes option-pricing model.

NOTE D - SIGNIFICANT VENDOR

During the three and six months ended December 31, 2012, the Company had four service arrangements with 1) FhCMB for research and development. The Company previously disclosed that FhCMB was a related party since its former Chief Scientific Officer was an employee and an executive of FhCMB.

A) In 2003, the Company entered into the TTA which requires FhCMB to provide the Company with research and development services related to the commercialization of the Technology and allows FhCMB to apply the Technology to the development and production of certain vaccines for use in developing countries as defined in the agreement. The most recent amendment to the TTA requires: 1) the Company to make non-refundable payments to FhCMB aggregating \$10,000,000, in installments of \$2,000,000 per year over a five year period commencing in November 2009; and 2) FhCMB to expend at least equal amounts during the same timeframe for research and development services related to the commercialization of the Technology. Additionally, under the terms of the TTA and for a period of 15 years: 1) the Company shall pay FhCMB a defined percentage (per the agreement) of all receipts derived by the Company from sales of products produced utilizing the Technology and a defined percentage (per the agreement) of all receipts derived by the Company from licensing the Technology to third parties with an overall minimum annual payment of \$200,000 commencing on December 31, 2010 and 2) FhCMB shall pay the Company a defined percentage (per the agreement) of all receipts from sales, licensing, or commercialization of the Technology in developing countries as defined in the agreement.

All new intellectual property invented by FhCMB during the period of the TTA is owned by and is required to be transferred to iBio. The Company and FhCMB are currently engaged in discussions to conclude a further amendment of the TTA. Among other things, the anticipated amendment is expected to have the effect of focusing future FhCMB research activities on designated product specific work that is mutually agreed by the parties. In making this transition in research focus, the Company will capitalize on the prior research activities that broadly advanced the technology to a stage of development that now enables product specific applications to be further advanced. Pending completion of such amendment, FhCMB and the Company have agreed to reduce current work efforts which will have a corresponding effect of temporarily lowering the research and development expenses being incurred by the Company. The expense for the three months ended December 31, 2012 and 2011 was approximately \$550,000 and \$474,000, respectively. The expense for the six months ended December 31, 2012 and 2011 was

approximately \$1,100,000 in each period. The Company is charged interest by FhCMB on certain outstanding balances at prime plus 2%. Interest expense for the three months ended December 31, 2012 and 2011 was approximately \$17,000 and \$16,000, respectively. Interest expense for the six months ended December 31, 2012 and 2011 was approximately \$32,000 and \$26,000, respectively. Amounts due to FhCMB respectively accounted for approximately 89% and 87% of the Company's accounts payable at December 31, 2012 and June 30, 2012. Additionally, amounts due to FhCMB respectively accounted for approximately 39% and 43% of the Company's accrued expenses at December 31, 2012 and June 30, 2012, respectively.

In December 2010, the Company and FhCMB entered into a \$1,660,000 research services agreement to evaluate gene expression and protein production, focused on a series of product candidates, using the iBioLaunch
B) platform. Work on this project has terminated. The expenses for the three months ended December 31, 2012 and 2011 were \$0 and approximately \$300,000, respectively. The expenses for the six months ended December 31, 2012 and 2011 were \$0 and approximately \$564,000, respectively

In March 2011, the Company and FhCMB entered into a \$432,000 research services agreement for the evaluation of the mechanism of immune-potentiating activity of lichenase ("LicKM"), which is a thermostable bacterial
C) enzyme used as a carrier molecule for vaccine antigens. The value of LicKM is as an immunomodulator. FhCMB completed its research obligations for this project. The expenses for the three months ended December 31, 2012 and 2011 were \$0 and approximately \$60,000, respectively. The expenses for the six months ended December 31, 2012 and 2011 were \$0 and approximately \$271,000, respectively.

In January 2011, the Company announced that it granted to Fundação Oswaldo Cruz acting through its unit Bio-Manguinhos, a public entity linked to the Health Ministry of Brazil ("Fiocruz") a commercial, royalty-bearing license for the use of the Company's proprietary technology in connection with the development, manufacture and commercialization by Fiocruz of certain vaccine products. Fiocruz is expected to bring the first product candidate, a new yellow fever vaccine, through a Phase I clinical trial. iBio engaged FhCMB, as an iBio subcontractor to
D) perform certain research and development services in conjunction with this collaboration. The expected research and development expense the Company will incur in connection with the engagement of FhCMB as a subcontractor will be offset by an equivalent amount of service revenue the Company will earn from Fiocruz. The Company does not expect to earn a profit until it receives royalties. The revenue and expense for the three months ended December 31, 2012 and 2011 were \$0 and approximately \$234,000, respectively. The revenue and expense for the six months ended December 31, 2012 and 2011 were approximately \$390,000 and \$554,000, respectively.

NOTE E – RELATED PARTY TRANSACTIONS

The Company entered into an agreement in January 2012, with a vendor, whose minority stockholder is the President of the Company. The vendor performs laboratory feasibility analyses of gene expression and protein purification and also preparation of research samples. The expense for the three months ended December 31, 2012 and 2011 approximated \$124,000 and \$0, respectively. The expense for the six months ended December 31, 2012 and 2011 approximated \$219,000 and \$0, respectively. Included in accounts payable at December 31, 2012 and June 30, 2012, was approximately \$90,000 and \$64,000 respectively, due this vendor.

NOTE F – SUBSEQUENT EVENTS

On January 31, 2013 iBio, entered into an ATM equity offering sales agreement, pursuant to which iBio may, from time to time, offer and sell shares of its common stock at prevailing market prices having an aggregate offering price of up to \$10 million. iBio expects to use any proceeds from this offering for the continued development of applications of its proprietary technology, business development and for other general corporate purposes. Under 1) the ATM equity offering sales agreement, sales of common stock, if any, through the sales agent, will be made by means of ordinary brokers' transactions, or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices, at negotiated prices or, with iBio's prior approval, in privately negotiated transactions. The common stock will be offered under iBio's existing

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effective shelf registration statement (including a prospectus) filed with the Securities and Exchange Commission.

iBio will pay the sales agent a commission equal to 3% of the gross sales price per share for any shares sold under the sales agreement. The remaining sales proceeds, after deducting any offering expenses, will be received by the Company. We estimate that the offering expenses, excluding discounts and commissions, will be approximately \$130,000.

Subject to the terms and conditions of the ATM equity offering sales agreement, the sales agent is required to use commercially reasonable efforts to sell the common stock based upon the Company's instructions (including any price, time or size limits or other customary parameters or conditions the Company or applicable law or regulation may impose). While the ATM equity offering sales agreement provides that the aggregate offering price of shares sold under the agreement can not exceed \$10 million, the application of certain rules relating to the use of the Form S-3 registration statement may limit the amount the Company can raise to an aggregate amount during a 12-month period which is less than \$10 million. The closing prices of the Company's common stock during the 60-day period prior to each sale, the number of shares of common stock held by non-affiliates of the Company on each sale date and proceeds raised in connection with sales of shares of common stock registered on the Form S-3 in the 12 month period prior to the date of sale are factors in calculating the aggregate offering proceeds that may be realized. At February 12, 2013, the application of this rule would limit the aggregate offering proceeds that may be realized as of such date from the offer and sale of shares registered on the Form S-3 registration statement. Changes in the number of shares of common stock held by non-affiliates and changes in the closing price of the Company's common stock will have the effect of increasing or decreasing the aggregate offering proceeds that may be realized by future sales of shares registered under the Form S-3 registration statement.

On February 7, 2013, the NYSE MKT (the "Exchange") Staff notified the Company that the plan of compliance submitted by the Company on December 21, 2012 had been accepted. This plan had been submitted in response to the Staff's prior notice that the Company was not in compliance with the Exchange's continued listing criteria set forth in Section 1003(a)(iii) of the NYSE MKT Company Guide. This listing standard applies if a listed company has stockholders' equity of less than \$6,000,000 and net losses in its five most recent years. In addition to accepting the Company's compliance plan, the Exchange has granted the Company an extension until October 14, 2013 to regain compliance with the continued listing standards of the Exchange.

- 2) The Company currently anticipates that subsequent to the filing of this quarterly report on Form 10-Q, it will receive notification from the Staff that the Company is not in compliance with the listing standard set forth in Section 1003(a)(ii) of the NYSE MKT Company Guide which applies if a listed company has stockholders' equity of less than \$4,000,000 and net losses in three of its most recent four years. Similar to the process invoked following the Company's receipt of the earlier non-compliance notification letter, the Company anticipates that the Exchange will request the Company to submit a plan setting forth the steps that the Company will undertake to regain compliance with all applicable continued listing standards, in which case the Company will undertake to submit such plan on a timely basis and currently expects that this additional plan will be the same as that which the Company already submitted to regain compliance with the more rigorous listing standard set forth in Section 1003(a)(iii), which requires that a listing company have stockholders' equity in excess of \$6,000,000.
- 3) On February 14, 2013, the Company and Caliber Biotherapeutics LLC ("Caliber") entered into a License and Collaboration Agreement for development and production of recombinant plant-based biopharmaceuticals using

the Company's proprietary iBioLaunch™ technology and Caliber's proprietary plant-based manufacturing capabilities. The Company and Caliber will use their combined capabilities to develop their own product portfolios, starting with a monoclonal antibody for an oncology indication. Additionally, the Company and Caliber will make their combined capabilities available to third parties through licensing and partnering arrangements for other recombinant plant-based biotherapeutics and vaccines.

Under the terms of the agreement, the Company may receive license and milestone fees in connection with the successful development of product targets selected by Caliber. Caliber will be responsible for funding clinical development and commercialization of such collaboration products. If a product candidate is successfully developed and commercialized, the Company will receive royalties on product sales and may receive other revenues.

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

The following information should be read together with the financial statements and the notes thereto and other information included elsewhere in this quarterly report on Form 10-Q.

Forward-Looking Statements

This quarterly report on Form 10-Q, contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements regarding iBio's future financial position, expected results of operations,

anticipated cash flows, business strategy, budgets, projected costs, future capital expenditures, products, competitive positions, growth opportunities, plans and objectives of management for future operations, as well as statements that include the words such as “expects,” “intends,” “anticipates,” “plans,” “believes,” “seeks,” “estimates,” or variations of such words and similar expressions, are forward-looking statements. These forward looking statements are not guarantees of future performance and are subject to risks and uncertainties. Investors are cautioned that actual events or results may differ from our expectations. Factors that may affect our actual results achieved include, without limitation, our ability to develop existing and new products, future actions by the FDA or other regulatory agencies, results of pending or future clinical trials, the results of ongoing litigation, overall economic conditions, general market conditions, market acceptance, and competition. Other risks and uncertainties include, but are not limited to, the factors described from time to time in our reports filed with the SEC, including our Form 10-K for the year ended June 30, 2012.

Although we believe that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this quarterly report on Form 10-Q will prove to be accurate. In light of the significant uncertainties inherent in the forward-looking statements included herein, the inclusion of such information should not be regarded as a representation by us or any other person that our objectives and plans will be achieved. Any forward-looking statements are made pursuant to the Private Securities Litigation Reform Act of 1995 and, as such, speak only as of the date made. iBio disclaims any obligation to update the forward-looking statements. Investors are cautioned not to place undue reliance on these forward-looking statements which speak only as of the date stated, or if no date is stated, as of the date of this document.

iBio is a biotechnology company focused on commercializing its proprietary technologies, the iBioLaunch™ platform for vaccines and therapeutic proteins and the iBioModulator™ platform for vaccine enhancement. A key component of our strategy is to facilitate adoption and use of our technology by entering into commercial product collaborations and license arrangements. We believe our technology offers our collaborators and licensees advantages that are not available with conventional manufacturing systems. These anticipated advantages include the ability to manufacture therapeutic proteins that are difficult or impossible to produce with conventional methods, reduced production time, lower capital and operating costs. Our near-term focus is to establish additional business arrangements pursuant to which commercial, government and not-for-profit licensees will utilize our technology in connection with the production and development of products for both therapeutic and vaccine uses. The Company operates in one business segment.

Vaccine candidates presently being advanced on our proprietary platform are applicable to H1N1 swine-like influenza, H5N1 avian influenza, yellow fever, malaria, and anthrax.

Therapeutic candidates presently being advanced on our proprietary platform include human alpha-galactosidase A for the treatment of Fabry disease, a modified version of human C-1 esterase inhibitor for the treatment of hereditary angioedema and other diseases, human alpha-1 antitrypsin for treatment of disorders caused by a lack or deficiency of alpha-1 antitrypsin, and several other therapeutic protein targets including antibodies, for which preliminary product feasibility has been demonstrated.

In order to attract appropriate licensees and increase the value of our share of such intended contractual arrangements, we engaged the FhCMB in 2003 to perform research and development activities to develop the iBioLaunch platform and to create our first product candidate. We selected a plant-based influenza vaccine for human use as the product candidate to exemplify the value of the platform. Based on research conducted by FhCMB, our proprietary technology is applicable to the production of vaccines for any strain of influenza including strains of H1N1 swine-like influenza. A Phase 1 clinical trial of a vaccine candidate for H1N1 influenza, based on iBio's technology, was initiated in September 2010. We announced positive interim results in June 2011 and successfully completed the clinical trial in March 2012. The vaccine candidate demonstrated strong induction of dose correlated immune responses, with or without adjuvant, as assessed by virus microneutralization antibody assays and hemagglutination inhibition ("HAI") responses. The vaccine was safe and well tolerated at all doses when administered with and without adjuvant. In connection with the research and development agreement, FhCMB agreed to use its best efforts to obtain grants from governmental and non-governmental entities to fund additional development of our proprietary plant-based technology. Consequently, in addition to the funding we have provided through agreements to FhCMB, FhCMB has received funding from the Bill & Melinda Gates Foundation for development of various vaccines based upon our proprietary technology including an experimental vaccine for H5N1 avian influenza. A Phase 1 clinical trial of a vaccine candidate for H5N1 influenza, based on iBio's technology, was initiated in December 2010.

In addition to the platform and product development engagements, in 2006 the Company engaged FhCMB to create a prototype production module for products made through the use of the platform. The purpose of this engagement was to demonstrate the ease and economy with which platform-based products could be manufactured in order to attract potential licensees and increase the value of our share of such business arrangements. The prototype design, which encompasses the entire production process from seeding through pre-infiltration plant growth, infiltration with agrobacteria, harvesting of plant tissue and purification of target proteins, was completed in May 2008. A pilot plant based upon this prototype was subsequently constructed in the FhCMB facility in Newark, Delaware. This pilot plant, and the equipment in it, are owned by FhCMB and have been validated for current Good Manufacturing Practices (“cGMP”) production. It is expected to be used for cGMP production of protein targets for clinical trials of product candidates utilizing our platform technology.

In January 2011, we announced that we had entered into collaboration and granted to Fiocruz a commercial, royalty-bearing license for the use of our proprietary technology in connection with the development, manufacture and commercialization by Fiocruz of certain vaccine products. Fiocruz is expected to bring the first product candidate, a yellow fever vaccine, through a Phase I clinical trial. The World Health Organization has estimated that 200,000 unvaccinated people contract yellow fever each year, and approximately 30,000 die from the disease.

Development of the yellow fever vaccine candidate will be performed through a commercial collaboration among the Company, Fiocruz and FhCMB. The license covers the nations of Latin America, the Caribbean and Africa. The Company retains the right to sell the products developed under the license and collaboration agreement in any other territory with a royalty back to Fiocruz. Fiocruz is a unit of the Oswaldo Cruz Foundation, a central agency of the Ministry of Health of Brazil. Fiocruz produces and develops immunobiological items to respond to public health demands. Its product line consists of vaccines, reagents and biopharmaceuticals. Fiocruz is a leading company in the national export of human vaccines and a major participant in total export sales of the Brazilian pharmaceutical sector. Fiocruz is one of the main producers of vaccines and diagnostics for infectious diseases in Latin America. Fiocruz is a certified World Health Organization provider to United Nations agencies, and is a leading world manufacturer of yellow fever vaccine, which it has exported to over 60 countries.

In February, May, June and October 2012, we announced the issuance or allowance of U.S. patents for, and scientific progress with, potential product applications of our iBioModulator platform, also referred to as our lichenase fusion-protein technology.

The Company established non-commercial arrangements among the Company, certain government entities, a non-governmental organization (which we refer to herein as a “NGO”) and FhCMB, pursuant to which the Company grants non-commercial rights to use its platform for the development and production by FhCMB of product candidates selected by the government entities and NGO, in consideration for grants by the government entities and NGO directly to FhCMB to fund such research and development.

Through (i) the Company/FhCMB contracts and (ii) the non-commercial arrangements described above (which we refer to collectively as the “business structure”), the Company retains ownership of the intellectual property and

exclusive worldwide commercial rights in the fields of human health and veterinary influenza applications of the intellectual property. The Company licenses or otherwise grants use rights (a) to government and NGO entities for not-for-profit applications of the intellectual property for the development or application for which they granted or were granted funding, and (b) to FhCMB for research purposes and applications in other fields. At this time, the Company is not pursuing development in the area of veterinary influenza.

This business structure helps the Company to enhance the value of commercial rights and the scope of applications of its platform technology. It also helps the Company demonstrate the validity and apparent value of the platform to parties to whom it will offer licenses or other business opportunities. Outsourcing our research and development work allows us to develop our product candidates, and thereby promote the value of our platform for licensing and product development purposes, without bearing the full risk and expense of establishing and maintaining our own research and development staff and facilities. Based upon the expertise possessed by FhCMB, the Company has engaged FhCMB as a subcontractor to perform research and development services for Fiocruz in connection with the yellow fever vaccine project. The contract with FhCMB is expected to be \$6.5 million. Service revenues and research expense under this arrangement commenced in January 2011. The amount of revenues recorded under this agreement and related research and development expenses for the three months ended December 31, 2012 and 2011 were approximately \$0 and \$234,000, respectively. The amount of revenues recorded under this agreement and related research and development expenses for the six months ended December 31, 2012 and 2011 were approximately \$390,000 and \$554,000, respectively. In the three month period ended December 31, 2012, the Company, Fiocruz and FhCMB were negotiating

modifications to the existing work plan for research and development services. These negotiations are still ongoing. While the discussions are ongoing and prior to the execution of either separate task specific agreements or a contract amendment reflecting the agreed modifications to the work plan, no revenues will be recognized by iBio in connection with services provided to Fiocruz through the subcontract arrangement with FhCMB. The Company invoices this customer in US dollars and also receives collection of the outstanding receivable in US dollars. Therefore, there are no foreign currency exchange translation gains or losses involved with this customer.

In July 2012, we announced a global alliance with GE Healthcare (“GEHC”) to commercialize our plant-based technologies for the manufacture of biopharmaceuticals and vaccines. The alliance is intended to build on the existing development and marketing agreement between the two companies announced in 2010 and to combine iBio’s proprietary iBioLaunch platform with GEHC’s capabilities in start-to-finish technologies for biopharmaceutical manufacturing. Under the terms of the agreement, iBio will be the preferred provider of vaccine or therapeutic product manufacturing technology incorporating a plant based protein expression system, while GEHC will be the preferred provider of engineering services and bioprocess solutions, to any customers that may be interested in a bio-manufacturing facility incorporating a plant-based expression system. The agreement further specifies allocation of responsibilities for product development, process scale-up, facilities design and development, and technology transfer among iBio, FhCMB, and GEHC. The Agreement also sets forth the terms of a non-exclusive commercial license to iBio’s technology that iBio has agreed to offer to any customer referred by GEHC pursuant to the Agreement.

The Company’s platform technology is sometimes referred to as “iBioLaunch™ technology” or the “iBioLaunch™ platform,” and the category of this technology is sometimes referred to as “plant-based technology” or as a “plant-based platform.” The Company’s immunomodulator technology is referred to as “iBioModulator™ technology” or the “iBioModulator™ platform.”

The Company has exclusive control over, and the rights to ownership of, the intellectual property related to all human health and veterinary influenza applications of the plant-based technology developed by FhCMB. Current development projects include conducting proof-of-principle preclinical studies.

Many biotech drugs have been on the market long enough for patents on them to expire. Emerging opportunities for biosimilars (also known as biogenerics or follow-on biologics) create potential for our platform technology to be used by potential licensees to enter the market utilizing what the Company expects to be an economical production system. The Company is seeking commercial partners for this category of products and is unlikely to develop products in this category without the financial and marketing support of a commercial partner.

Historically, in addition to the development of the platform technology described in the preceding paragraphs, the Company has also generated sales of nutritional supplements utilizing plants as sources of high-quality nutritional minerals. The Company has a patented process for hydroponic growth of edible plants that causes them to accumulate high levels of important nutritional minerals such as chromium, selenium, iron and zinc. The Company utilized the services of various wholly owned subsidiaries of our former parent company, Integrated BioPharma, Inc. (“Integrated

BioPharma” or “Former Parent”) to support the production, marketing and sales of these phytomineral products.

In November 2007, the Board of Directors of our Former Parent approved a plan to distribute its equity interests in the Company to its stockholders in the form of a dividend. The record date of the dividend was August 12, 2008 with a distribution date of August 18, 2008. The stockholders of our Former Parent received one share of the Company’s common stock for each share of common stock they owned of the Former Parent as of the record date. Immediately following the spin-off, the Company became a public company with stock traded on the OTC Bulletin Board under the symbol IBPM. The Company’s stock was listed for trading on the NYSE MKT in January 2011 under the symbol IBIO.

Our Business Structure

A key element of our business strategy is to establish business arrangements with licensees to use our platform technology for manufacturing vaccines and therapeutic proteins or for development and commercialization of our product candidates. Thus, we may enter into agreements with other parties to provide them with commercial rights to either our product candidates or with commercial rights to our platform technology itself for manufacturing of their own products.

We believe we can achieve our corporate objectives without employing a large staff, and anticipate maintaining our thinly staffed employment structure with modest increases in staff as required to develop and support new business relationships. As described above, FhCMB and the Company are currently working within our business structure to

develop product candidates based upon our plant-based platform technology pursuant to an agreement that continues until December 2014.

We have been relying upon FhCMB for support in advancing certain drug candidates and intend to rely on FhCMB and other collaborators for additional work during further development and testing of our product candidates. With FhCMB, we have been pursuing and obtaining non-dilutive government and non-governmental organization funding directed through FhCMB to provide supplemental funding for applications of our technology. Through June 30, 2012, FhCMB has been awarded a total of approximately \$33 million in grants from the Bill & Melinda Gates Foundation for development of product candidates based on the iBioLaunch platform and for research and development of vaccines against influenza, malaria and African sleeping sickness (trypanosomiasis).

To facilitate the grant and continuing support, we agreed to make our platform technology available to various programs to complete development and provide “Global Access” to vaccines against influenza, rabies virus, malaria and trypanosomiasis, provided that if the Bill & Melinda Gates Foundation and FhCMB do not pursue such programs to completion, the subject rights revert to us. The term “Global Access” means access for people most in need within the developing world in low income and lower-middle-income countries, as identified by the World Bank. Because we have exclusive commercial rights to the technology and these products for human health applications, this grant and any further similar grants would benefit us by enabling FhCMB to enhance the platform technology and expand the information about the technical performance of product candidates derived from our technology. We may decide to commercially license such technology to collaborators for advancement into human clinical evaluation and eventual commercial development.

The U.S. Department of Defense (“DoD”) has also provided funding to FhCMB for advanced development of our technology platform and for preclinical and clinical studies for an anthrax-plague combination vaccine and for an H1N1 influenza vaccine project. Through June 30, 2012, FhCMB has received funding and funding commitments for these projects totaling approximately \$34 million. This funding is similarly beneficial to us because we have retained the commercial rights to any technology improvements resulting from those projects.

In December 2012, we announced that the National Institute of Allergy and Infectious Diseases, a part of the National Institutes of Health, had awarded a contract to FhCMB, for the development of a new generation anthrax vaccine. FhCMB will develop this new generation vaccine using the iBioLaunch™ Platform and the funding it receives pursuant to the National Institute of Allergy and Infectious Diseases. FhCMB has rights to such use under an existing research license from iBio. This funded work will advance our technology.

In summary, the advancement of our technology has indirectly benefited from the funding and funding commitments of research and development activities at FhCMB in recent years by U.S. government and non-governmental organizations in aggregate amounts exceeding \$67 million.

Pursuant to the Technology Transfer Agreement (“TTA”) between our company and FhCMB, effective in January 2004, we paid \$3.6 million to FhCMB to acquire the exclusive rights in intellectual property owned by FhCMB and to obtain from FhCMB maintenance and support necessary to protect the intellectual property through the preparation and filing of patent applications in the United States and around the world. We currently hold eight U.S. patents and three international patents. Additionally, we have fifteen U.S. and thirty-eight international patent applications pending. The latter includes numerous foreign countries including Australia, Brazil, Canada, China, Hong Kong, India, Japan, New Zealand, and several countries in Europe. We continue to prepare patent applications relating to our expanding technology in the U.S. and abroad.

Our intellectual property comprises the technology platform pursuant to which hydroponically grown green plants can be used for the accelerated development and manufacture of high-value proteins of interest as candidate therapeutic products and vaccines applicable to a broad range of disease agents. These include human alpha-galactosidase A for the treatment of Fabry disease, a modified human C-1 esterase inhibitor for the treatment of hereditary angioedema and other diseases, human alpha-1 antitrypsin for treatment of disorders caused by a lack or deficiency of alpha-1 antitrypsin; and vaccines for influenza, sleeping sickness, anthrax, plague, and HPV.

By certain subsequent agreements, we engaged FhCMB to perform certain research activities for which we made payments when certain milestone tasks were performed; such payments were conditioned only on the performance of the task, not upon the success or value of what was determined or discovered.

At various times since January 2004, we have amended our agreements with FhCMB. These amendments include a commitment by FhCMB to further develop exclusively for and transfer to us rights to proprietary technology and intellectual property rights in the fields defined in the agreements comprising principally plant-based human vaccines, human antibodies, and human therapeutic proteins and veterinary applications of plant-based influenza vaccines. For these activities, we have committed to make non-refundable payments to FhCMB aggregating \$10,000,000, in installments of \$2,000,000 per year over a five year period commencing in November 2009. During such period, FhCMB is required to expend an amount at least equal to the amounts paid by us for the purpose of engaging in services to further the development of the Technology. The Company and FhCMB are currently engaged in discussions to conclude a further amendment of the TTA. Among other things, the anticipated amendment is expected to have the effect of focusing future FhCMB research activities on designated product specific work that is mutually agreed by the parties. In making this transition in research focus, the Company will capitalize on the prior research activities that broadly advanced the technology to a stage of development that now enables product specific applications to be further advanced. Pending completion of such amendment, FhCMB and the Company have agreed to reduce current work efforts which will have a corresponding effect of temporarily lowering the research and development expenses being incurred by the Company.

In addition, we are required to make royalty payments to FhCMB equal to 1% of all receipts derived by us from sales of products utilizing the proprietary technology and 15% of all receipts derived by us from licensing the propriety technology to third parties for a period of fifteen years. The agreement provides for minimum annual aggregate payments of \$200,000 beginning in 2011. In turn, FhCMB is required to pay us royalty payments equal to 9% of all receipts, if any, realized by FhCMB from sales, licensing or commercialization of the intellectual property licensed from us.

Results of Operations

Comparison of the three months ended December 31, 2012 versus December 31, 2011

Revenues

Revenues for three months ended December 31, 2012 and 2011 were approximately \$0 and \$234,000, respectively. Revenues were attributable to providing technology services to Fiocruz to assist it in implementing the Company's technology for a future Phase 1 clinical trial of yellow fever. The Company engages FhCMB as a subcontractor to perform these services. During the three months ended December 31, 2012, the Company, Fiocruz and FhCMB were negotiating modifications to the existing work plan. These negotiations are still ongoing. While the discussions are ongoing and prior to the execution of either separate task specific agreements or a contract amendment reflecting the agreed modifications to the work plan, no revenues will be recognized by iBio in connection with services provided to Fiocruz through the subcontract arrangement with FhCMB.

Research and development expense

Research and development expense for the three months ended December 31, 2012 was approximately \$656,000 compared to \$1,162,000, a difference of \$506,000. This decrease primarily relates to a research project (“Project 1”) that the Company entered in December 2010 with FhCMB to evaluate gene expression and protein production. Work on this project terminated, and there was no expense for the three months ended December 31, 2012 which resulted in a decrease in the expense from the comparable period for December 31, 2011 of approximately \$300,000. The focus of that project was to determine feasibility and relative priority, for business development purposes, of several protein therapeutic candidates that are representative of market classes of products. For example, two market classes are monoclonal antibodies and plasma-derived proteins. The Company entered into an additional project with FhCMB (“Project 2”) that was completed during the second calendar quarter of 2012. This also resulted in a decrease in expenses of approximately \$60,000 for the three months ended December 31, 2012 as compared to the three months ended December 31, 2011. This project was to evaluate the mechanism of immune-potentiating activity of LicKM, which is a thermostable bacterial enzyme used as a carrier molecule for vaccine antigens. Additionally, during the three months ended December 31, 2012 research and development expense decreased by approximately \$234,000 as the Company had no expense associated with the performance of services by FhCMB as a subcontractor rendering research and development services pursuant to the Company’s yellow fever vaccine contract with Fiocruz. This was offset by increases in research and development expense for outside services to a related party to perform laboratory feasibility analyses of gene expression and protein purification and also preparation of research samples by approximately \$124,000. There was an additional increase in expense by approximately \$76,000 with the

Technology Transfer Agreement (“TTA”) with FhCMB due to the level of effort that was provided in a previous three month period.

General and administrative expenses

General and administrative expense for the three months ended December 31, 2012 was approximately \$1,039,000 compared to \$1,745,000 for the three months ended December 31, 2011, a decrease of \$706,000. The decrease was primarily attributed to the effects of an option modification. In November and December 2011, the Board of Directors modified the cancellation provision of previously issued options, permitting an option holder, upon termination without cause, to exercise the vested portion of an option post-termination up to ten years after the grant date. Subsequent period option awards granted also included this provision. The Company estimated the effect of the modification to be approximately \$633,000, which will be expensed over the vesting terms, of which approximately \$616,000 pertained to general and administrative expenses. For the three months ended December 31, 2012 and 2011, the amount charged to general and administrative related to the modification was approximately \$14,000 and \$437,000, respectively. In addition, stock-based compensation expense for options issued to employees, board of directors and consultants decreased by approximately \$381,000 during the three months ended December 31, 2012 as compared to the three months ended December 31, 2011. This was primarily due to an option grant that had a vesting term that was less than one year. Also, the Company issued a fully vested warrant during the three months ended December 31, 2011, to a consultant to provide investor relations services. The fair value of the warrant was approximately \$71,000 and was expensed during the three months ended December 31, 2011.

Other income (expense)

The Company is required to account for the August 2008 Warrants (“August 2008 Warrants”) as derivative financial liabilities. The Company is required to mark to market in each reporting period, the value of the embedded derivative. The derivative liabilities are revalued at the end of each reporting period. The periodic change in value of the derivative financial liabilities is recorded as either non-cash income (if the value of the embedded derivative and the August Warrants decrease) or as non-cash derivative expense (if the value of the embedded derivative and the August 2008 Warrants increase). If the stock price increases, the derivative financial liability will generally increase and if the stock price decreases, the derivative financial liability will generally decrease. Also, the derivative financial liability is affected by subsequent issuances of stock below \$2.00 per share until the warrants expire in August 2013 due to anti-dilution provisions contained in the warrant agreement. The Company recorded non-cash income of approximately \$635,000 and \$1,087,000 for the three months ended December 31, 2012 and 2011, respectively. The calculation of this derivative financial liability is affected by factors, which are subject to significant fluctuations and are not under the Company’s control. Therefore, the resulting effect upon our net income or loss is subject to significant fluctuations and will continue to be subject to significant fluctuations until the warrants either expire in August 2013 or are exercised prior to that date.

Net loss per share

Based upon the above, the net loss for the three months ended December 31, 2012 and 2011 was approximately \$(1,071,000) and \$(1,598,000), or \$(0.02) and \$(0.05) per share, respectively.

Comparison of the six months ended December 31, 2012 versus December 31, 2011

Revenues

Revenues for six months ended December 31, 2012 and 2011 were approximately \$390,000 and \$554,000, respectively. Revenues were attributable to providing technology services to Fiocruz to assist it in implementing the Company's technology for a future Phase 1 clinical trial of yellow fever. The Company engages FhCMB as a subcontractor to perform these services. During the six months ended December 31, 2012, the Company, Fiocruz and FhCMB were negotiating modifications to the existing work plan. These negotiations are still ongoing. While the discussions are ongoing and prior to the execution of either separate task specific agreements or a contract amendment reflecting the agreed modifications to the work plan, no revenues will be recognized by iBio in connection with services provided to Fiocruz through the subcontract arrangement with FhCMB.

Research and development expense

Research and development expense for the six months ended December 31, 2012 was approximately \$1,833,000 compared to \$2,619,000 for the six months ended December 31, 2011, a difference of \$786,000. This decrease primarily

relates to a research project (“Project 1”) that the Company entered in December 2010 with FhCMB to evaluate gene expression and protein production. Work on this project terminated, and there was no expense for the six months ended December 31, 2012 which resulted in a decrease in the expense from the comparable period for December 31, 2011 of approximately \$563,000. The focus of that project was to determine feasibility and relative priority, for business development purposes, of several protein therapeutic candidates that are representative of market classes of products. For example, two market classes are monoclonal antibodies and plasma-derived proteins. The Company entered into an additional project with FhCMB (“Project 2”) that was completed during the year ended June 30, 2012. This also resulted in a decrease in expenses of approximately \$271,000 for the six months ended December 31, 2012 as compared to the six months ended December 31, 2011. This project was to evaluate the mechanism of immune-potentiating activity of LicKM, which is a thermostable bacterial enzyme used as a carrier molecule for vaccine antigens. Increases in research and development expense were approximately \$219,000 for outside services by a related party to perform laboratory feasibility analyses of gene expression and protein purification and also preparation of research samples. There was a decrease in salaries and benefits of approximately \$64,000 due to a departure of a former Chief Scientific Officer who was concurrently an executive of FhCMB. Additionally, during the six months ended December 31, 2012 research and development expense decreased by approximately \$234,000 as the Company had no expense during the three month ended December 31, 2012, associated with the performance of services by FhCMB as a subcontractor rendering research and development services pursuant to the yellow fever vaccine contract with Fiocruz.

General and administrative expenses

General and administrative expense for the six months ended December 31, 2012 was approximately \$2,062,000 compared to \$2,934,000 for the six months ended December 31, 2011, a decrease of \$872,000. The decrease was primarily attributed to the effects of an option modification. In November and December 2011, the Board of Directors modified the cancellation provision of previously issued options, permitting an option holder, upon termination without cause, to exercise the vested portion of an option post-termination up to ten years after the grant date. Subsequent period option awards granted also included this provision. The Company estimates the effect of the modification to be approximately \$633,000, which will be expensed over the vesting terms, of which approximately \$616,000 pertains to general and administrative expenses. For the six months ended December 31, 2012 and 2011, the amount charged to general and administrative expense related to the modification was approximately \$29,000 and \$437,000, respectively. In addition, stock-based compensation expense for options issued to employees, board of directors and consultants decreased by approximately \$396,000 during the six months ended December 31, 2012 as compared to the six months ended December 31, 2011. This was primarily due to an option grant that had a vesting term that was less than one year. Also, the Company issued a fully vested warrant during the six months ended December 31, 2011 to a consultant to provide investor relations services. The fair value of the warrant was approximately \$71,000 and was expensed during the six months ended December 31, 2011.

Other income (expense)

The Company is required to account for the August 2008 Warrants (“August 2008 Warrants”) as derivative liabilities. The Company is required to mark to market in each reporting period, the value of the embedded derivative. The derivative liabilities are revalued at the end of each reporting period. The periodic change in value of the derivative

liabilities is recorded as either non-cash derivative income (if the value of the embedded derivative and the August Warrants decrease) or as non-cash derivative expense (if the value of the embedded derivative and the August 2008 Warrants increase). If the stock price increases, the derivative liability will generally increase and if the stock price decreases, the derivative financial liability will generally decrease. Also, the derivative liability is affected by the issuance of stock below \$2.00 per share through the expiration of the warrants due to anti-dilution provision contained in the warrant agreement. The Company recorded non-cash income of approximately \$394,000 and \$3,791,000 for the six months ended December 31, 2012 and 2011, respectively. The calculation of this derivative financial liability is affected by factors, which are subject to significant fluctuations and are not under the Company's control. Therefore, the resulting effect upon our net income or loss is subject to significant fluctuations and will continue to be subject to significant fluctuations until the warrants either expire in August 2013 or are exercised prior to that date.

Net loss per share

Based upon the above, the net loss for the six months ended December 31, 2012 and 2011 was approximately \$(3,123,000) and \$(1,215,000), or \$(0.07) and \$(0.04) per share, respectively.

Liquidity and Capital Resources

The Company has incurred losses and negative cash flows from operations since the spinoff from its Former Parent in August 2008. As of December 31, 2012, the Company had an accumulated deficit of approximately \$34,460,000 and cash used in operating activities for the six months ended December 31, 2012 and 2011 approximated \$2,694,000 and \$2,012,000, respectively. The Company has historically financed its activities primarily through the sale of common stock and warrants. Through December 31, 2012, the Company has dedicated most of its financial resources to investing in its iBioLaunch™ and iBioModulator™ platforms, advancing its intellectual property and general and administrative activities. The Company estimates that the cash on hand as of December 31, 2012 of approximately \$2,819,000 will be adequate to fund its operations through the end of the second calendar quarter of 2013.

The history of significant losses, the negative cash flow from operations, the limited cash resources currently on hand and the dependence by the Company on its ability (about which there can be no certainty) to obtain additional financing to fund its operations after the current cash resources are exhausted raises substantial doubt about the Company's ability to continue as a going concern.

On July 26, 2011, the Company filed with the SEC a Registration Statement on Form S-3 under the Securities Act, which was declared effective by the SEC on July 28, 2011 (the "Form S-3 Registration Statement"). This Form S-3 Registration Statement allows the Company, from time to time, to offer and sell shares of common stock, preferred stock, debt securities warrants and/or units, up to a maximum aggregate amount of \$100 million of such securities. The Company raised gross proceeds of \$10 million in January 2012 under this Registration Statement.

On January 31, 2013, iBio, entered into an ATM equity offering sales agreement, pursuant to which iBio may, from time to time, offer and sell shares of its common stock at prevailing market prices having an aggregate offering price of up to \$10 million. iBio expects to use any proceeds from this offering for the continued development of applications of its proprietary technology, business development and for other general corporate purposes. Under the ATM equity offering sales agreement, sales of common stock, if any, through the sales agent, will be made by means of ordinary brokers' transactions, or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices, at negotiated prices or, with iBio's prior approval, in privately negotiated transactions. The common stock will be offered under the Form S-3 Registration Statement.

iBio will pay the sales agent a commission equal to 3% of the gross sales price per share for any shares sold under the sales agreement. The remaining sales proceeds, after deducting any offering expenses, will be received by the Company. We estimate that the offering expenses, excluding discounts and commissions, will be approximately \$130,000.

Subject to the terms and conditions of the ATM equity offering sales agreement, the sales agent is required to use commercially reasonable efforts to sell the common stock based upon the Company's instructions (including any price,

time or size limits or other customary parameters or conditions the Company or applicable law or regulation may impose). While the ATM equity offering sales agreement provides that the aggregate offering price of shares sold under the agreement can not exceed \$10 million, the application of certain rules relating to the use of the Form S-3 Registration Statement may limit the amount the Company can raise to an aggregate amount, during a 12-month period, which is less than \$10 million. The closing prices of the Company's common stock during the 60 day period prior to each sale, the number of shares of common stock then held by non-affiliates of the Company and sales of shares of common stock registered on the Form S-3 during a 12-month period prior to the date of sale are factors in calculating the aggregate offering proceeds that may be realized. At February 12, 2013, the application of this limitation would limit the aggregate offering proceeds that may be realized as of such date from the offer and sale of shares registered on the Form S-3 registration statement to approximately \$8,622,000. Changes in the number of shares of common stock held by non-affiliates and changes in the closing price of the Company's common stock will have the effect of increasing or decreasing the aggregate offering proceeds that may be realized by future sales of shares registered under the Form S-3 Registration Statement.

While iBio anticipates that it will be able to successfully raise capital through the ATM offering, there can be no certainty of its ability to do so on acceptable terms or at all. To date, iBio has effected no sales under the ATM.

The Company plans to fund its future business operations using cash on hand, through proceeds from the sale of common stock pursuant to the ATM equity offering, through proceeds from the sale of additional equity or other securities and through proceeds realized in connection with license and collaboration arrangements. The Company cannot be certain that such funding will be available on acceptable terms or available at all. To the extent that the Company raises additional funds by issuing equity securities, its stockholders may experience significant dilution. If the Company is unable to raise funds when required or on acceptable terms, it may have to: a) significantly delay, scale

back, or discontinue the product application and/or commercialization of its proprietary technologies; b) seek collaborators for product candidates on terms that are less favorable than might otherwise be available; or c) relinquish or otherwise dispose of rights to technologies, product candidates, or products that it would otherwise seek to develop or commercialize itself and possibly cease operations.

For the six months ended December 31, 2012 and 2011, the Company had net cash used in operating activities of approximately \$2,694,000 and \$2,012,000, respectively. The net cash used in operating activities for the six months ended December 31, 2012 primarily resulted from the loss from operations of \$3,123,000, adjusted for the effects of non-cash activity from the change in fair value of derivative instrument liability of approximately \$394,000, stock-based compensation expense of \$670,000 and depreciation and amortization of \$166,000. There was a decrease in operating assets and liabilities of \$14,000. Included in the changes in operating assets are decreases in other current assets of approximately \$138,000, which primarily resulted from increases from insurance renewals, net of amortization of approximately \$49,000 and an increase in accounts receivable by approximately \$39,000. Included in changes in operating liabilities was a decrease in accounts payable of approximately \$134,000 relating to timing of payments made to vendors and an increase in accrued expense of \$21,000. The net cash used in operating activities for the six months ended December 31, 2011 resulted from net loss from operations of approximately \$1,215,000, adjusted for the effects of non-cash activity related to change in fair value of derivative instrument liability of approximately \$3,791,000, stock-based compensation expense of approximately \$1,394,000, depreciation and amortization of \$161,000 and changes in operating assets and liabilities of approximately \$1,438,000. Included in the changes in operating assets were net decreases in accounts receivable and other current assets of approximately \$142,000, which primarily resulted from the reduction of the prepaid expense the amortization of the expense for the TTA. Included in changes in operating liabilities was an increase in accounts payable and accrued expense of approximately \$1,296,000, which primarily resulted from the semi-annual \$1,000,000 TTA obligation included in accounts payable, accrued compensation expense of approximately \$71,000 and accrued expenses recorded for a project with FhCMB of approximately \$130,000.

For the six months ended December 31, 2012 and 2011, net cash used in investing activities was approximately \$112,000 and \$122,000, respectively, which was primarily from additions for intangible assets.

For the six months ended December 31, 2012 and 2011, net cash used in financing activities was \$0 and approximately \$85,000, respectively, which was for the payment of deferred financing fees.

COMMITMENTS AND CONTINGENCIES

Please refer to Note I in our Annual Report on Form 10-K for the year ended June 30, 2012, under the heading Commitments and Contingencies.

Item 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 and are not required to provide this information under this item.

Item 4 CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

As of December 31, 2012, the end of the period covered by this report, our management, including our Chief Executive Officer and our Chief Financial Officer, reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended). Such disclosure controls and procedures are designed to ensure that material information we must disclose in this report is recorded, processed, summarized and filed or submitted on a timely basis. Based upon that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2012.

(b) Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the first quarter of fiscal 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II OTHER INFORMATION

Item 1 LEGAL PROCEEDINGS

We are not currently a party to any material legal proceedings.

Item 1A RISK FACTORS

The risks described in Item 1A, Risk Factors, in our Annual Report on Form 10-K for the year ended June 30, 2012, could materially and adversely affect our business, financial condition and results of operations. The risk factors discussed in that Form 10-K do not identify all risks that we face because our business operations could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations.

The Company could be delisted from the NYSE MKT, if it fails to regain compliance in a timely manner with the NYSE MKT Company Guide rule that requires a listed company with a history net losses in each of the 5 years most recent years to have stockholders' equity of at least \$6,000,000.

On November 21, 2012, the Company received a notice from the Staff of the NYSE MKT (the "Exchange") indicating that the Company was not in compliance with the Exchange's continued listing criteria set forth in Section 1003(a)(iii) of the NYSE MKT Company Guide which applies if a listed company has stockholders' equity of less than \$6,000,000 and net losses in its five most recent years. In order to maintain its Exchange listing, the Company was afforded the opportunity to submit to the Exchange a plan of compliance and the Company did so on December 21, 2012.

On February 7, 2013, the Exchange notified the Company that it had accepted the Company's plan of compliance and granted the Company an extension until October 14, 2013 to regain compliance with the continued listing standards. During the extension period, the Company will be subject to periodic review by Exchange Staff.

If we fail to make progress consistent with the plan or we otherwise fail to meet other criteria necessary for compliance with the continued listing standards of the Exchange by the end of the extension period, the Company could be delisted from the Exchange. The delisting of the Company and cessation of trading of the Company's common stock on the NSYE MKT could adversely affect the market price and liquidity of our common stock.

Item 2 UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3 DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not applicable.

Item 5 OTHER INFORMATION

None.

Item 6 EXHIBITS

**Exhibit
Number**

- | | |
|------|--|
| 31.1 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer. |
| 31.2 | Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer. |
| 32.1 | Certification of periodic financial report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Executive Officer. |
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32.2 Certification of periodic financial report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 by Chief Financial Officer.

101.INS XBRL Instance Document ‡

101.SCH XBRL Taxonomy Extension Schema Document‡

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF XBRL Extension Definition

101.LAB XBRL Taxonomy Extension Label Linkbase Document‡

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document‡

‡ Pursuant to applicable securities laws and regulations, the Registrant is deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and is not subject to liability under any anti-fraud provisions of the federal securities laws as long as the Registrant has made a good faith attempt to comply with the submission requirements and promptly amends the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. These interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

iBio, Inc.

Date: February 19, 2013 By: /s/ Robert B. Kay
Robert B. Kay,
Chief Executive Officer

Date: February 19, 2013 By: /s/ Douglas Beck, CPA
Douglas Beck, CPA
Chief Financial Officer

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