

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, 2018

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 number: 000-54495

REZOLUTE, INC

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State of other jurisdiction of incorporation or organization)

27-3440894

(I.R.S. Employer Identification No.)

201 Redwood Shores Parkway, Suite 315, Redwood City

California

(Address of Principal Executive Offices)

94065

(Zip Code)

(650) 206-4507

(Registrant's Telephone Number, including Area Code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files.). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 17(a)(2)(B) of the Securities Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Number of shares of issuer's common stock outstanding as of February 11, 2019: 61,866,319

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains statements reflecting assumptions, expectations, projections, intentions or beliefs about future events that are intended as “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. All statements included or incorporated by reference in this report, other than statements of historical fact, that address activities, events or developments that we expect, believe or anticipate will or may occur in the future are forward-looking statements. These statements appear in a number of places, including, but not limited to “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” These statements represent our reasonable judgment of the future based on various factors and using numerous assumptions and are subject to known and unknown risks, uncertainties and other factors that could cause our actual results and financial position to differ materially from those contemplated by the statements. You can identify these statements by the fact that they do not relate strictly to historical or current facts, and use words such as “anticipate,” “believe,” “estimate,” “expect,” “forecast,” “may,” “should,” “plan,” “project” and other words of similar meaning. In particular, these include, but are not limited to, statements relating to the following:

- projected operating or financial results, including anticipated cash flows used in operations;
- expectations regarding capital expenditures, research and development expense and other payments;
- our beliefs and assumptions relating to our liquidity position, including our ability to obtain additional financing;
- our ability to obtain regulatory approvals for our pharmaceutical drugs and diagnostics; and
- our future dependence on third party manufacturers or strategic partners to manufacture any of our pharmaceutical drugs and diagnostics that receive regulatory approval, and our ability to identify strategic partners and enter into license, co-development, collaboration or similar arrangements.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors including, among others:

- the loss of key management personnel or sponsored research partners on whom we depend;
- the progress and results of clinical trials for our product candidates;
- our ability to navigate the regulatory approval process in the U.S. and other countries, and our success in obtaining required regulatory approvals for our product candidates;
- commercial developments for products that compete with our product candidates;
- the actual and perceived effectiveness of our product candidates, and how those product candidates compare to competitive products;
- the strength of our intellectual property protection, and our success in avoiding infringing the intellectual property rights of others;
- adverse developments in our research and development activities;
- potential liability if our product candidates cause illness, injury or death, or adverse publicity from any such events;
- our ability to operate our business efficiently, manage capital expenditures and costs (including general and administrative expenses) and obtain financing when required;
- our expectations with respect to our acquisition activity.

In addition, there may be other factors that could cause our actual results to be materially different from the results referenced in the forward-looking statements, some of which are included elsewhere in this Quarterly Report on Form 10-Q, including “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Many of these factors will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed or implied in any forward-looking statements. All forward-looking statements contained in this Quarterly Report of Form 10-Q are qualified in their entirety by this cautionary statement. Forward-looking statements speak only as of the date they are made, and we disclaim any obligation to update any forward-looking statements to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q, except as otherwise required by applicable law.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Rezolute, Inc.

Unaudited Condensed Consolidated Balance Sheets

	December 31, 2018	June 30, 2018
<u>Assets</u>		
Current assets:		
Cash	\$ 258,188	\$ 1,645,872
Assets held for sale	72,537	-
Other current assets	91,553	361,915
Total current assets	422,278	2,007,787
Non-current assets:		
Intangible assets, net	33,384	37,030
Fixed assets, net	-	368,374
Lease deposits and other	-	89,691
Total assets	\$ 455,662	\$ 2,502,882
<u>Liabilities and Stockholders' Deficit</u>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 2,091,017	\$ 1,706,154
Accrued payroll	872,431	770,976
Convertible notes payable, net	10,000	3,434,611
Interest payable	2,762	148,372
Embedded derivative liability	-	73,904
Deferred lease liability	-	113,997
Total current liabilities	2,976,210	6,248,014
Non-current liabilities:		
Convertible notes payable, net	5,005,774	-
Interest payable on convertible notes payable	761,372	-
Exclusivity Payment	1,500,000	-
Long-term portion of deferred lease liability	-	190,577
Sublease deposit liability	-	25,046
Total liabilities	10,243,356	6,463,637
Commitments and contingencies (Notes 10 and 11)		
Stockholders' deficit:		
Preferred stock, \$0.001 par value; 20,000,000 shares authorized; 15,000,000 shares designated as Series A; no shares issued	-	-
Common stock, \$0.001 par value, 200,000,000 shares authorized; 61,866,319 and 62,166,309 shares issued and outstanding as of December 31, 2018 and June 30, 2018, respectively	61,869	62,168
Additional paid-in capital	91,860,840	90,160,815
Accumulated deficit	(101,710,403)	(94,183,738)
Total stockholders' deficit	(9,787,694)	(3,960,755)
Total liabilities and stockholders' deficit	\$ 455,662	\$ 2,502,882

See accompanying notes to unaudited condensed consolidated financial statements.

Rezolute, Inc.

Unaudited Condensed Consolidated Statements of Operations

	Three Months		Six Months	
	Ended December 31,		Ended December 31,	
	2018	2017	2018	2017
Operating expenses:				
Research and development:				
Compensation and benefits	\$ 371,428	\$ 1,482,946	\$ 928,819	\$ 2,983,810
Consultants and outside costs	126,457	233,798	173,162	364,159
Material manufacturing costs	472,589	227,602	545,521	653,691
Clinical trial costs	547	581,988	3,731	1,561,754
License costs	50,000	407,605	50,000	1,178,505
Facilities and other costs	288,072	479,149	537,769	981,807
Total research and development	1,309,093	3,413,088	2,239,002	7,723,726
General and administrative:				
Compensation and benefits	1,381,852	1,672,494	2,631,548	3,467,921
Professional fees	85,618	213,399	207,541	436,993
Investor relations	13,947	133,705	57,960	193,576
Other general and administrative	291,721	318,272	531,061	645,872
Loss on sale of fixed assets	45,679	-	22,827	-
Impairment of long-lived assets	33,039	-	33,039	-
Total general and administrative	1,851,856	2,337,870	3,483,976	4,744,362
Operating loss	(3,160,949)	(5,750,958)	(5,722,978)	(12,468,088)
Non-operating income (expense):				
Interest income	35	524	63	861
Gain on lease termination	167,788	-	167,788	-
Rent income	63,605	31,838	153,071	63,676
Interest expense	(1,286,911)	(147)	(2,198,513)	(147)
Derivative gains	55,000	156	73,904	498
Total non-operating income (expense)	(1,000,483)	32,371	(1,803,687)	64,888
Net loss	\$ (4,161,432)	\$ (5,718,587)	\$ (7,526,665)	\$ (12,403,200)
Net loss per common share - basic and diluted	\$ (0.07)	\$ (0.11)	\$ (0.12)	\$ (0.23)
Weighted average number of common shares outstanding - basic and diluted	62,123,919	53,762,538	62,144,998	53,327,558

See accompanying notes to unaudited condensed consolidated financial statements.

Rezolute, Inc.

Unaudited Condensed Consolidated Statement of Stockholders' Deficit

For the Six Months Ended December 31, 2018

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount			
Balances, June 30, 2018	62,166,309	\$ 62,168	\$ 90,160,815	\$ (94,183,738)	\$ (3,960,755)
Stock-based compensation	-	-	1,693,369	-	1,693,369
Fair value of warrants issued to consultants	-	-	6,357	-	6,357
Shareholder surrender of shares for no consideration	(299,990)	(299)	299	-	-
Net loss	-	-	-	(7,526,665)	(7,526,665)
Balances, December 31, 2018	<u>61,866,319</u>	<u>\$ 61,869</u>	<u>\$ 91,860,840</u>	<u>\$ (101,710,403)</u>	<u>\$ (9,787,694)</u>

See accompanying notes to unaudited condensed consolidated financial statements.

Rezolute, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows

For the Six Months Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (7,526,665)	\$ (12,403,200)
Amortization of intangible assets	3,646	3,646
Accretion of debt discount and issuance costs	1,581,163	-
Depreciation and amortization expense	38,832	533,394
Gain on lease termination	(167,788)	-
Loss on sale of fixed assets	22,827	-
Impairment of long-lived assets	33,039	-
Stock-based compensation expense	1,693,369	2,701,728
Derivative gains	(73,904)	(498)
Fair value of warrants issued to consultants	6,357	535,303
Changes in operating assets and liabilities:		
Decrease in other assets	264,173	146,287
Decrease (increase) in deferred lease asset	(14,926)	11,462
Increase in accounts payable and accrued expenses	486,318	469,177
Increase in interest payable	615,762	-
Decrease in deferred lease liability	(45,026)	(49,950)
Net Cash Used In Operating Activities	(3,082,823)	(8,052,651)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of equipment	195,139	-
Purchase of fixed assets	-	(5,816)
Net Cash Provided By (Used In) Investing Activities	195,139	(5,816)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from Series AA financing Exclusivity Payment	1,500,000	-
Proceeds from issuance of common stock	-	4,500,000
Payment of offering costs	-	(60,000)
Net Cash Provided by Financing Activities	1,500,000	4,440,000
Net decrease in cash	(1,387,684)	(3,618,467)
Cash at beginning of period	1,645,872	4,486,538
Cash at end of period	\$ 258,188	\$ 868,071
SUPPLEMENTARY CASH FLOW INFORMATION:		
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	-	-
Non-Cash Investing and Financing Activities:		
Transfer of fixed assets to assets held for sale	\$ 72,537	\$ -
Shareholder surrender of 299,990 shares for no consideration	-	-

See accompanying notes to unaudited condensed consolidated financial statements.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Nature of Operations and Consolidation

The Company is a clinical stage biopharmaceutical company. These financial statements represent the consolidated financial statements of Rezolute, Inc. ("Rezolute"), and its wholly owned operating subsidiary AntriaBio Delaware, Inc. ("Antria Delaware"). Rezolute and Antria Delaware are collectively referred to herein as the "Company". All significant intercompany balances and transactions have been eliminated.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and the rules and regulations of the United States Securities and Exchange Commission ("SEC") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X.

The condensed consolidated balance sheet as of June 30, 2018, has been derived from the Company's audited consolidated financial statements. The unaudited interim financial statements should be read in conjunction with the Company's Annual Report on Form 10-K filed with the SEC on October 15, 2018, which contains the Company's audited financial statements and notes thereto, together with the Management's Discussion and Analysis of Financial Condition and Results of Operations, for the year ended June 30, 2018.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted, pursuant to the rules and regulations of the SEC for interim financial reporting. Accordingly, they do not include all the information and footnote disclosures necessary for a comprehensive presentation of financial position, results of operations, and cash flows. It is management's opinion, however, that all material adjustments (consisting of normal recurring adjustments) have been made which are necessary for a fair financial statement presentation. The interim results for the three and six months ended December 31, 2018 are not necessarily indicative of the financial condition and results of operations that may be expected for any future interim period or for the fiscal year ending June 30, 2019.

Comprehensive Income (Loss)

Comprehensive income (loss) is used to refer to net income (loss) plus other comprehensive income (loss). Other comprehensive income (loss) is comprised of revenues, expenses, gains, and losses that under U.S. GAAP are reported as separate components of stockholders' deficit instead of net income (loss). There are no differences between comprehensive loss and net loss for the three and six months ended December 31, 2018 and 2017.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make judgments, estimates and assumptions that affect the reported amounts in the consolidated financial statements and the accompanying notes. The Company bases its estimates and assumptions on current facts, historical experience, and various other factors that it believes are reasonable under the circumstances, to determine the carrying values of assets and liabilities that are not readily apparent from other sources. The Company's significant accounting estimates include, but are not necessarily limited to, estimated useful lives and impairment of fixed assets, fair value of share-based payments and warrants, fair value of derivative instruments, management's assessment of going concern, estimates of the probability and potential magnitude of contingent liabilities, and the valuation allowance for deferred tax assets due to continuing and expected future operating losses. Actual results could differ from those estimates.

Risks and Uncertainties

The Company's operations may be subject to significant risk and uncertainties including financial, operational, regulatory and other risks associated with a clinical stage company, including the potential risk of business failure. See Note 3 regarding going concern matters.

Long-Lived Assets Held for Sale

Long-lived assets classified as held for sale are initially measured at the lower of carrying amount or the fair value less cost to sell. A loss is recognized for any initial adjustment of the long-lived asset's carrying amount in the period in which held for sale criteria are met.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Research and Development Costs

Research and development costs are expensed as incurred and include salaries, benefits and other staff-related costs; consultants and outside costs; material manufacturing costs, clinical trial costs; and facilities and other costs. These costs relate to research and development costs without an allocation of general and administrative expenses.

Fair Value of Financial Instruments

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. An entity is required to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value are as follows:

- Level 1: Quoted prices for identical assets and liabilities in active markets;
- Level 2: Quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets; and
- Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The carrying amounts of financial instruments including cash, accounts payable and accrued expenses approximated fair value as of December 31, 2018 and June 30, 2018 due to the relatively short maturity of the respective instruments. Due to the complex and unique terms of the convertible notes payable discussed in Note 6 and the Exclusivity Payment discussed in Note 7, it was not reasonably practicable to determine the current fair value for those financial instruments.

The embedded derivative liability discussed in Note 6 is recorded at an estimated fair value based on the present value of the probability of the weighted exercise of the payment obligation. The embedded derivative liability is a level 3 fair value measurement with the entire change in the balance recorded through earnings each reporting period. As of December 31, 2018, the significant inputs to the calculation are a remaining term of one month and a weighted probability of zero percent.

Recent Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (“ASU”) No. 2016-09, *Improvements to Employee Share-Based Payment*, aimed at simplifying the accounting for share-based transactions. The standard included modifications to the accounting for income taxes upon vesting or settlement of equity awards, employer tax withholding on share-based compensation and financial statement presentation of excess tax benefits. The Company decided to maintain its current practice of recognizing forfeitures in the period that the forfeiture occurs rather than estimating the number of awards that are not expected to vest in accounting for stock-based compensation. ASU 2016-09 was effective for the Company on July 1, 2018 and the adoption did not have a material impact on the Company’s consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, which addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU 2016-01 was effective for the Company on July 1, 2018. The adoption of this ASU did not have a material impact on the Company’s consolidated financial statements.

In February 2018, the FASB issued ASU No. 2018-03, *Technical Corrections and Improvements to Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, that clarifies the guidance in ASU No. 2016-1, *Financial Instruments-Overall (Subtopic 825-10)*. The adoption of this ASU is not expected to have a material impact on the Company’s consolidated financial statements.

In May 2017, the FASB issued ASU 2017-9, *Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting*. This ASU includes guidance on what changes to share-based payment awards would require modification accounting and is effective for annual periods beginning after December 15, 2017. We adopted this ASU on July 1, 2018. The adoption of the new provisions did not have a material impact on the Company’s financial condition or results of operations.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires the Company to recognize lease assets and lease liabilities on the balance sheet and also disclose key information about leasing arrangements. Early adoption is permitted, and the new standard was required to be adopted retrospectively to each prior reporting period presented upon initial adoption. However, in July 2018 the FASB issued ASU No. 2018-11 *Targeted Improvements*, which provides lessees the option to apply the new leasing standard to all open leases as of the adoption date by recognizing a cumulative-effect adjustment to accumulated deficit in the period of adoption without restating prior periods. The Company is still evaluating which transition approach will be implemented upon adoption of ASU No. 2016-02. This ASU is currently effective for the Company for its fiscal year ending June 30, 2020.

Note 3. Going Concern

As reflected in the accompanying unaudited condensed consolidated financial statements, for the six months ended December 31, 2018 the Company incurred a net loss of \$7.5 million and net cash used in operating activities amounted to \$3.1 million. As of December 31, 2018, the Company had a working capital deficit of \$2.6 million, a stockholders' deficit of \$9.8 million, and an accumulated deficit of \$101.7 million. In addition, the Company is in the clinical stage and has not yet generated any revenues. These factors raise substantial doubt about the Company's ability to continue as a going concern.

As discussed in Note 11, in January 2019 the Company closed an offering with two new investors (the "New Investors") for an aggregate of 2.5 million shares of Series AA Preferred Stock that resulted in gross proceeds of \$25.0 million (including application of the \$1.5 million Exclusivity Payment received in December 2018, as discussed in Note 7). Closing occurred on January 30, 2019 and resulted in receipt of the remaining proceeds of \$23.5 million. The shares of Series AA Preferred Stock owned by the New Investors are immediately convertible into an aggregate of approximately 113.6 million shares of common stock. Due to the closing of the Series AA Financing, the Fiscal 2018 Notes discussed in Note 6 converted for an aggregate principal balance of \$5,340,000 plus accrued interest to approximately 771,000 shares of Series AA Preferred Stock, which are immediately convertible into an aggregate of approximately 35.0 million shares of common stock. All of the Series AA Shares will automatically convert into shares of common stock upon receipt of stockholder approval for an increase in the number of authorized shares of common stock to at least 500.0 million shares. The holders of Series AA Preferred Stock are entitled to vote on an as converted basis with common stockholders whereby the New Investors have a majority of the votes required to increase the Company's authorized shares of common stock.

As a result of the \$23.5 million capital infusion from the Series AA Financing, less a \$5.9 million license payment paid in February 2019, net proceeds of approximately \$17.6 million are now available primarily to advance the Company's clinical programs. The Company also granted options to the New Investors to purchase up to an aggregate of \$20.0 million of shares of the Company's common stock prior to December 31, 2020 at a per share price equal to the greater of \$0.29 or 75% of the volume weighted average closing price of the Company's common stock over 30 consecutive trading days prior to the exercise of the option.

As a result of the completion of the Series AA Financing, management currently believes the Company has adequate capital resources to (i) meet its contractual licensing obligations over the next 12 months, (ii) move forward with its plans to advance ongoing clinical programs, and (iii) repay past due payables and accrued expenses. The Company currently expects to request additional funding from the New Investors during the second half of calendar 2019. However, there are no assurances that the New Investors will elect to exercise their rights to invest up to an additional \$20.0 million, or that the Company would be able to obtain additional financing through other sources, such as equity offerings and bank financings. Even if these other financing sources are available, they may not be on terms that are acceptable to management. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. These financial statements do not include any adjustments relating to the recovery of recorded assets or the classification of the liabilities that might be necessary should the Company be unable to continue as a going concern.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 4. Fixed Assets

The following is a summary of fixed assets and accumulated depreciation:

	Useful Life	December 31, 2018	June 30, 2018
Furniture and fixtures	5 - 7 years	\$ -	\$ 118,450
Lab equipment	3 - 15 years	-	738,415
Leasehold Improvements	5 - 7 years	-	29,296
Total fixed assets		-	886,161
Less accumulated depreciation and amortization		-	(517,787)
Net fixed assets		<u>\$ -</u>	<u>\$ 368,374</u>

Depreciation and amortization expense amounted to \$12,664 and \$266,781 for the three months ended December 31, 2018 and 2017, respectively. Depreciation and amortization expense amounted to \$38,832 and \$533,394 for the six months ended December 31, 2018 and 2017, respectively

For the three months ended September 30, 2018, the Company completed sales of furniture, fixtures, and laboratory equipment for proceeds of \$187,139. This resulted in the Company recording a gain on sale of fixed assets of \$22,852. For the three months ended December 31, 2018, the Company completed an additional sale of furniture and fixtures for proceeds of \$8,000. This sale resulted in the Company recording a loss on sale of fixed assets of \$45,679.

Additionally, in December 2018 the Company vacated its leased office and laboratory space in Louisville, Colorado, resulting in an impairment charge of \$33,039 related to leasehold improvements, laboratory equipment, furniture and fixtures that the Company is not expected to receive any further economic benefit from. As of December 31, 2018, the Company classified the remaining laboratory equipment with an estimated fair value of \$72,537 as assets held for sale. In January 2019, the Company sold this equipment and collected the net proceeds of \$72,537.

Note 5. Related Party Transactions

On February 26, 2018, the Company issued a secured convertible promissory note for \$500,000 that is payable to a former member of the Board of Directors. On April 3, 2018, the Company issued a second convertible promissory note for \$500,000 to this same former member of the Board of Directors. This second promissory note replaced a note with similar terms that was issued on January 25, 2018.

In December 2017, the Company entered into an exclusive license agreement with Xoma Corporation ("Xoma"). For the six months ended June 30, 2018, pursuant to the license agreement the Company issued shares of common stock to Xoma that resulted in ownership of approximately 13% of the Company's outstanding common stock as of December 31, 2018. This license was amended in January 2019 as discussed in Note 11. As of December 31, 2018, accounts payable and accrued expenses include approximately \$449,000 of payables due to Xoma.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 6. Convertible Notes Payable

Summary of Convertible Notes

As of December 31, 2018, the Company's convertible notes payable consist of the following:

<u>Issuance Date</u>	<u>Interest Rate</u>	<u>Principal Balance</u>	<u>Unaccrued Debt Discount</u>	<u>Net Carrying Value</u>	<u>Accrued Interest</u>
May 10, 2010	8.0%	\$ 10,000	\$ -	\$ 10,000	\$ 2,762
February 26, 2018	15.0%(1)	500,000	36,428	463,572	88,767
April 3, 2018	15.0%(1)	4,040,000	288,924	3,751,076	539,257
April 3, 2018	15.0%(1)	700,000	1,826	698,174	120,526
April 11, 2018	15.0%(1)	100,000	7,048	92,952	12,822
Total		5,350,000	334,226	5,015,774	764,134
Less current maturities		(10,000)	-	(10,000)	(2,762)
Long-term debt		<u>\$ 5,340,000</u>	<u>\$ 334,226</u>	<u>\$ 5,005,774</u>	<u>\$ 761,372</u>

(1) Represents the interest rate that was in effect for the six months ended December 31, 2018.

For the three and six months ended December 31, 2018, the Company recognized accrued interest expense of \$407,138 and \$613,000, respectively, related to its outstanding convertible notes payable. For the three and six months ended December 31, 2018, the Company recognized debt discount accretion expense of \$878,542 and \$1,581,163, respectively. Accretion expense is a component of interest expense in the accompanying unaudited condensed consolidated statements of operations.

In connection with the Series AA financing discussed in Note 11, the Fiscal 2018 Notes converted for an aggregate principal balance of \$5,340,000 plus accrued interest of approximately \$829,000 as of January 30, 2019, into an aggregate of approximately 771,000 shares of Series AA preferred stock. Pursuant to the terms of the notes, the conversion price was approximately \$8.00 per share which was a 20% discount to the terms set forth in the Series AA financing. Due to the issuance of preferred stock to settle the obligations under the convertible notes, the Company classified the principal and the related accrued interest balances as long-term liabilities as of December 31, 2018.

May 2010 Note

As of December 31, 2018, the Company had a convertible note outstanding with a balance of \$10,000, which consists of notes which were not converted at the time of an equity transaction in 2017. This convertible note bears interest at 8% per annum. As of December 31, 2018, this outstanding convertible note is due on demand, but the holder has not requested payment.

Fiscal 2018 Notes

On February 26, 2018, the Company issued a convertible promissory note for gross proceeds of \$500,000 to a former member of the Company's board of directors. The note provides for interest at 15% per annum and matures one year from issuance.

During the quarter ended March 31, 2018, the Company issued two additional convertible promissory notes for gross proceeds of \$700,000, including an additional note for \$500,000 to the same former member of the board of directors. These additional notes provided for interest at a rate of 12% per annum and mature one year from issuance or 10 days after the closing of a financing of at least \$10 million. These notes included a default interest rate provision, in which the stated interest rate increased to 15% during an event of default. Beginning on July 1, 2018, the interest rate increased to 15% since a default existed due to the failure to make quarterly interest payments. These two notes were modified on April 3, 2018 whereby the notes and accrued interest will automatically convert to common stock at a 20% discount to the terms set forth in an equity financing for at least \$15 million (a "Qualified Financing"). In addition, the maturity date on both notes was amended to January 31, 2019.

On April 3, 2018 and April 11, 2018, the Company issued promissory notes and warrants for gross proceeds of \$4.1 million, before deduction of cash issuance costs of approximately \$239,000. The notes bear interest at 12% per annum, with a 15% default interest rate provision, and mature on January 31, 2019.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Contingent Beneficial Conversion Feature

Each of the Fiscal 2018 Notes discussed above contained a mandatory conversion feature that was triggered if the Company completed an equity financing for between \$10 million and \$20 million, whereby the notes would automatically convert into the securities issued in the financing at a 20% discount. This feature that enables conversion at a 20% discount upon completion of a future equity financing is a contingent beneficial conversion feature (“BCF”) that is not calculated and recorded until the contingent event has occurred. As discussed in Note 11, on January 30, 2019, the Company closed the Series AA Financing which resulted in the conversion of the Fiscal 2018 Notes whereby a BCF was incurred for approximately \$5.9 million. This BCF will be recognized as additional interest expense on the Fiscal 2018 Notes for the fiscal quarter ending March 31, 2019.

Embedded Derivative Liability

The February 26, 2018 promissory note shown in the table above also contains an embedded derivative for the acceleration of the maturity date if the note is paid prior to maturity, whereby a \$25,000 penalty plus all unpaid interest to be accrued through the maturity date is due. The initial measurement of this embedded derivative liability of \$100,000 was reflected as a debt discount that is being accreted to interest expense using the effective interest method. The following table sets forth a reconciliation of changes in the fair value of the embedded derivative liability for the six months ended December 31, 2018:

Liability as of June 30, 2018	\$ 73,904
Gain from reduction in fair value of embedded derivative	(73,904)
Liability as of December 31, 2018	\$ -

Note 7. Stockholders’ Deficit

Changes in Stockholders’ Deficit

For changes in stockholders’ deficit for the six months ended December 31, 2018, please refer to the unaudited condensed consolidated statement of stockholders’ deficit. The following table presents changes in stockholders’ deficit for the three months ended December 31, 2018:

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders’ Deficit
	Shares	Amount			
Balances, September 30, 2018	62,166,309	\$ 62,168	\$91,043,622	\$ (97,548,971)	\$ (6,443,181)
Stock-based compensation	-	-	815,418	-	815,418
Fair value of warrants issued to consultants	-	-	1,501	-	1,501
Shareholder surrender of shares for no consideration	(299,990)	(299)	299	-	-
Net loss	-	-	-	(4,161,432)	(4,161,432)
Balances, December 31, 2018	61,866,319	\$ 61,869	\$91,860,840	\$(101,710,403)	\$ (9,787,694)

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Changes in stockholders' deficit for each of the three months ended September 30, 2017 and December 31, 2017 are as follows:

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Stockholders' Deficit</u>
	<u>Shares</u>	<u>Amount</u>			
Balances, June 30, 2017	49,228,640	\$ 49,230	\$72,800,699	\$ (64,321,962)	\$ 8,527,967
Issuance of common stock, net of issuance costs of \$60,000	4,500,000	4,500	4,435,500		4,440,000
Stock-based compensation	-	-	1,507,699	-	1,507,699
Fair value of warrants issued to consultants	-	-	14,847	-	14,847
Net loss	-	-	-	(6,684,612)	(6,684,612)
Balances, September 30, 2017					
Balances, September 30, 2017	53,728,640	53,730	78,758,745	(71,006,574)	7,805,901
Stock-based compensation	-	-	1,194,029	-	1,194,029
Fair value of warrants issued to consultants	-	-	520,455	-	520,455
Commitment fee for issuance of common stock	344,669	345	(345)	-	-
Net loss	-	-	-	(5,718,587)	(5,718,587)
Balances, December 31, 2017					
Balances, December 31, 2017	<u>54,073,309</u>	<u>\$ 54,075</u>	<u>\$80,472,884</u>	<u>\$ (76,725,161)</u>	<u>\$ 3,801,798</u>

Since its inception, the Company has not declared or paid any dividends.

Series AA Preferred Stock Exclusivity Payment

In December 2018, two New Investors expressed interest in investing in the Company and affirmed their intent to enter into exclusive diligence and negotiations regarding a potential equity financing ("Transaction"). In exchange for the receipt of a total of \$1.5 million ("Exclusivity Payment"), the Company entered into an exclusivity agreement ("Exclusivity") with the New Investors. Pursuant to the terms of the Exclusivity, until the earlier to occur of: (i) the execution of a definitive agreement regarding a Transaction; (ii) the New Investors terminating the Exclusivity; or (iii) December 21, 2018, the Company agreed to cease any and all discussions and negotiations with all other third parties. In the event that both or either New Investor elected not to enter into a Transaction, then at such New Investors' sole election, it had the ability to either: (a) request that the Company refund the applicable Exclusivity Payment; or (b) elect to convert the applicable Exclusivity Payment into shares of the Company's Common Stock at a price per share to be agreed upon. As discussed in Note 11, on January 7, 2019, the New Investors decided to proceed with consummation of the Transaction whereby closing occurred on January 30, 2019. Since the Exclusivity Payment was refundable at the New Investors' option, it is classified as a liability in the accompanying unaudited condensed consolidated balance sheet as of December 31, 2018. Since the Transaction closed on January 30, 2019, the Exclusivity Payment did not require existing working capital which results in classification as a long-term liability as of December 31, 2018.

Rezolute, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 8. Stock-Based Compensation and Warrants

Stock Options

The following table sets forth a summary of stock option activity for the six months ended December 31, 2018:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding, June 30, 2018	19,415,246	\$ 1.55	7.8
Granted	1,125,000	0.52	
Forfeited	<u>(1,839,642)</u>	1.62	
Outstanding, December 31, 2018	<u>18,700,604</u>	1.58	7.6
Exercisable, December 31, 2018	<u>11,744,856</u>	1.86	6.2

Effective July 1, 2018, the Company adopted ASU 2016-09 to maintain its current practice of recognizing forfeitures in the period that the forfeiture occurs rather than estimating the number of awards that are not expected to vest. The unrecognized stock-based compensation expense as of December 31, 2018 is \$3,046,814.

Stock-based compensation expense is included in compensation and benefits under the following captions in the unaudited condensed consolidated statements of operations:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2018	2017	2018	2017
Research and development	\$ 61,063	\$ 281,814	\$ 190,672	\$ 580,769
General and administrative	754,355	912,215	1,502,697	2,120,959
Total	<u>\$ 815,418</u>	<u>\$ 1,194,029</u>	<u>\$ 1,693,369</u>	<u>\$ 2,701,728</u>

The aggregate fair value of stock options granted for 1,125,000 shares of common stock for the six months ended December 31, 2018 amounted to \$445,189, or \$0.40 per share as of the grant date. Fair value was computed using the Black-Scholes valuation model and will result in the recognition of compensation cost ratably over the vesting period of the stock options which approximates the requisite service period. For the six months ended December 31, 2018, the fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model, with the following weighted-average assumptions:

Expected volatility	84%
Risk free interest rate	2.83%
Expected term (years)	7
Dividend yield	0%

Warrants

The Company has issued warrants in conjunction with various debt and equity financings and for services. For the six months ended December 31, 2018, no warrants expired, and none were exercised. Presented below is a summary of warrant activity for the six months ended December 31, 2018:

	Number of Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Outstanding, June 30, 2018	45,635,217	\$ 1.37	3.4
Warrants issued for consulting services	31,248	1.00	
Outstanding, December 31, 2018	<u>45,666,465</u>	1.37	2.8

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Notes to Unaudited Condensed Consolidated Financial Statements

Note 9. Income Taxes

Income tax expense during interim periods is based on applying an estimated annual effective income tax rate to year-to-date operating results, plus any significant unusual or infrequently occurring items which are recorded in the interim period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and significant judgment including, but not limited to, the expected operating results for the year, projections of the proportion of income earned and taxed in various jurisdictions, permanent and temporary differences, and the likelihood of recovering deferred tax assets generated in the current year. The accounting estimates used to compute the provision for income taxes may change as new events occur, more experience is obtained, additional information becomes known or as the tax environment changes. In connection with the New Tax Cuts and Jobs Act, all gross deferred tax assets and liabilities have been remeasured at the 21% Federal statutory rate. There was no change to the net deferred tax asset recorded as the valuation allowance was also adjusted offsetting these changes during the year ended June 30, 2018.

For the three and six months ended December 31, 2018, the Company did not record any income tax benefit due to a full valuation allowance on its deferred tax assets. The Company did not have any material changes to its conclusions regarding valuation allowances for deferred income tax assets or uncertain tax positions for the three and six months ended December 31, 2018 and 2017.

Note 10. Commitments and Contingencies

Lease Commitments and Termination

In May 2014, the Company entered into a lease for approximately 27,000 square feet of office, laboratory and clean room space to be leased for seventy-two months. The lease required monthly payments of \$28,939 adjusted annually by approximately 3% plus triple net expenses monthly of \$34,381 adjusted annually. As of June 30, 2018, the Company had a security deposit in place for \$187,500 which was held by the landlord and this amount was applied to monthly lease payments for the three months ended December 31, 2018.

On March 17, 2017, the Company entered into a sub-lease of approximately 20,000 square feet of office space to be leased for eighty-two months to an unrelated party. The lease required the Company to make monthly payments of \$28,425 adjusted annually plus triple net expenses monthly of \$28,410 adjusted annually. The Company was also required to make a security deposit of \$56,851. On March 17, 2017, the Company sub-leased approximately 10,000 square feet of office space under the May 2014 lease to this unrelated party. The sublease was for eighty-two months and provided for monthly payments to the Company of approximately \$25,000. The Company also received a security deposit of \$25,046 in connection with this sub-lease. On July 1, 2018 the Company also sub-leased approximately 14,100 square feet of office space, clean room and lab space to other companies. These sub-leases provided for monthly payments of approximately \$38,300.

On December 14, 2018 the Company entered into surrender agreements with its landlord, sub-landlord and sub-lessees to terminate all remaining lease and sub-lease obligations. In connection with this transaction, the Company was relieved of its remaining obligations under the leases and relinquished its rights under the lease and sublease agreements whereby no cash was exchanged by the parties. Accordingly, the Company recognized a net gain of \$167,788. This gain resulted from the elimination of net deferred rent obligations of \$199,583 and the sublease security deposit of \$25,046 for a total of \$224,629; partially offset by forfeiture of the Company's security deposit for \$56,841 to arrive at the net gain of \$167,788. Additionally, the Company recognized an impairment charge of \$10,163 for the unamortized leasehold improvement costs. As of December 31, 2018, the Company has no remaining lease commitments.

Legal Matters

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2018, there were no pending or threatened lawsuits that could reasonably be expected to have a material effect on the Company's results of operations. At each reporting period, the Company evaluates whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under ASC 450, *Contingencies*. Legal fees are expensed as incurred.

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Notes to Unaudited Condensed Consolidated Financial Statements

Note 11. Subsequent Events

XOMA License Agreement

On December 6, 2017, the Company entered into a license agreement (“License Agreement”) with XOMA Corporation (“XOMA”), through its wholly-owned subsidiary, XOMA (US) LLC, pursuant to which XOMA granted an exclusive global license to the Company to develop and commercialize XOMA 358 (formerly X358, now RZ358) for all indications. XOMA and the Company concurrently entered into a common stock purchase agreement (the “Purchase Agreement” and, together with the License Agreement, the “Transaction Documents”) pursuant to which the Company would issue equity securities to XOMA in connection with certain financing milestones. On March 30, 2018, XOMA and the Company amended the Transaction Documents to add terms specifying the financial responsibility for certain tasks related to the technology transfer and to adjust the number of shares issuable to XOMA under the Purchase Agreement.

On January 7, 2019, the parties further amended the Transaction Documents. The License Agreement was amended to eliminate the requirement that equity securities be issued to XOMA upon the closing of a Qualified Financing (as defined in the License Agreement) and to replace it with a requirement for the Company to make five cash payments to XOMA totaling \$8,500,000 on or before specified staggered future dates (the “Future Cash Payments”) upon the closing of a Qualified Financing. The Future Cash Payments are payable for \$1.5 million by September 30, 2019, \$1.0 million by December 31, 2019, \$2.0 million by March 31, 2020, \$2.0 million by June 30, 2020, and \$2.0 million by September 30, 2020. As a result of this amendment to the License Agreement, during the fiscal quarter ending March 31, 2019, the Company will recognize a liability for the \$8.5 million of future payments that are required.

Until the Future Cash Payments are fully paid, the Company is required to pay XOMA 15% of the net proceeds of each Future Financing (“Early Payments”) to be credited against the remaining unpaid Future Cash Payments in reverse order of their future payment date. Obligations to make the Future Cash Payments following a Qualified Financing and the obligations to make Early Payments shall end when the Future Cash Payments are fully paid for the total of \$8.5 million.

In addition to the Future Cash Payments, XOMA was entitled to receive \$5,925,000 in cash upon the closing of the Series AA Financing discussed below, which consists of \$5,476,000 of consideration for the license, \$50,000 for a delay fee, and payment of the Company’s share of expenses of approximately \$399,000 (of which a total of \$449,000 is included in accounts payable and accrued expenses as of December 31, 2018). The Company will recognize an expense of \$5,476,000 upon payment of the license fee for the fiscal quarter ending March 31, 2019. The Company satisfied the aggregate payment obligation of \$5,925,000 on February 11, 2019 from a portion of the net proceeds from the Series AA Financing discussed below.

In addition, the amendment to the License Agreement revised the amount the Company is required to expend on development of RZ358 and related licensed products and revised provisions with respect to the Company’s diligence efforts in conducting clinical studies. Finally, the amendment to the License Agreement eliminated XOMA’s right to appoint a member to the Company’s board of directors.

Series AA Financing

On January 7, 2019, the Company entered into a Purchase Agreement for Shares of Series AA Preferred Stock (the “Purchase Agreement”) with the New Investors discussed in Note 7 whereby the New Investors agreed to purchase shares of newly designated Series AA Preferred Stock (the “Series AA Shares”) for aggregate gross proceeds to the Company of \$25.0 million (inclusive of the \$1.5 million Exclusivity Payment (the “Series AA Financing”). On January 18, 2018, the board of directors authorized the designation of 5,000,000 shares of the Company’s preferred stock as Series AA Preferred Stock. On January 30, 2019, the Company closed the Series AA Financing and issued an aggregate of 2,500,000 Series AA Shares to the New Investors at a purchase price of \$10.00 per share. A condition to closing the Series AA Financing was the resignation of a majority of the Company’s former directors and the appointment of the New Investors as directors whereby the New Investors collectively control the board of directors with two of the three members. As a result of the issuance of the Series AA Shares, the New Investors collectively own 54% of the Company’s Common Stock on an as-converted basis which resulted in a change of control. In addition, the Company granted the Purchasers a board nomination right whereby so long as the New Investors and their affiliates collectively hold at least 40% of the aggregate Series AA Shares, they shall have the right to nominate three members of the Company’s board of directors.

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Notes to Unaudited Condensed Consolidated Financial Statements

The Series AA Shares have an effective conversion price of \$0.22 per share of common stock whereby the shares of Series AA Preferred Stock held by the New Investors are immediately convertible, at the option of the holders, into an aggregate of approximately 113.6 million shares of the Company's common stock. The Series AA Shares will automatically convert into shares of the Company's common stock upon receipt of shareholder approval for an increase in the number of authorized shares of common stock to at least 500,000,000 shares. The Series AA Preferred Stock is subject to customary anti-dilution adjustments for stock dividends, stock splits and similar events.

The Company agreed to use commercially reasonable efforts to, (i) prepare and file with the SEC within sixty calendar days after the closing of the Series AA Financing, a registration statement under the U.S. Securities Act of 1933, as amended (the "Registration Statement"), to permit the resale of shares of common stock issuable upon the conversion of the Series A Shares purchased in the Series AA Financing. The Company also agreed to use commercially reasonable efforts to cause the Registration Statement to be declared effective within ninety calendar days following the closing of the Series AA Financing.

The Company granted each of the New Investors a call option whereby upon the earlier of (i) December 31, 2020 and (ii) such date that the Company requests the New Investors to provide additional financing, each New Investor may elect to purchase up to \$10.0 million of common stock at a purchase price equal to the greater of (i) \$0.29 per share or (ii) 75% of the volume weighted average closing price of the Company's common stock during the thirty consecutive trading days prior to the date of the notice.

Automatic Conversion of Promissory Notes

Due to closing of the Series AA Financing for gross proceeds of \$25.0 million, the Fiscal 2018 Notes converted for an aggregate of approximately \$6,167,000, which consisted of the aggregate principal balance of \$5,340,000 plus accrued interest through January 30, 2019 of approximately \$827,000. As discussed in Note 6, the Fiscal 2018 Notes were convertible at a discount of 20% from the issuance price paid by the New Investors. Therefore, the total balance of the Fiscal 2018 Notes of \$6,167,000 was exchanged for approximately 771,000 Series A Shares resulting in an effective issuance price of \$8.00 per share to give effect to the 20% adjustment in the Fiscal 2018 Notes. The Series AA Shares held by the former holders of the Fiscal 2018 Notes are immediately convertible, at the option of the holders, into an aggregate of approximately 35.0 million shares of common stock.

The weighted average price of the Company's common stock on the issuance date of the Fiscal 2018 Notes was \$0.58 per share compared to the effective conversion price of \$0.176 per share, due to the 20% discount to the Series AA Financing terms. Accordingly, the Company expects to recognize an aggregate BCF of approximately \$5.9 million as additional interest expense for the fiscal quarter ending March 31, 2019.

Presented below is a summary of the total original issue price and conversion terms for all Series AA Shares outstanding as of January 30, 2019:

<u>Holder</u>	<u>Number of Shares</u>	<u>Total Issue Price</u>	<u>Conversion Price</u>	<u>Shares of Common Stock</u>
New Investors	2,500,000	\$ 25,000,000	\$ 0.22	113,636,364
Fiscal 2018 Note holders	771,000	7,710,000	0.22	35,045,455
Total	<u>3,271,000</u>	<u>\$ 32,710,000</u>		<u>148,681,818</u>

Since the Company does not currently have an adequate number of authorized shares of common stock available to accommodate conversion of the Series AA Shares and all outstanding stock options and warrants, the Series AA Shares are expected to be classified as a long-term liability until such time as stockholders approve an increase in the authorized number of shares of common stock to at least 500,000,000 shares. The holders of Series AA Preferred Stock are entitled to vote on an as converted basis with common stockholders whereby the New Investors have a majority of the votes required to increase the Company's authorized shares of common stock. Management currently expects to schedule a special meeting of stockholders in March or April 2019 to approve the increase in the authorized shares of common stock.

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Notes to Unaudited Condensed Consolidated Financial Statements

Headquarters Lease

On January 25, 2019, the Company entered into a lease for a new headquarters location in Redwood City, California. The leased space consists of approximately 3,500 square feet of office space and provides for monthly rent of \$21,000 through the expiration date in March 2022. The Company provided a security deposit of \$31,000 which is refundable upon expiration of the lease.

Bend, Oregon Lease

On February 7, 2019, the Company entered into a lease for ancillary office space in Bend, Oregon. The lease space consists of approximately 1,500 square feet of office space and provides for monthly rent of \$2,700 through the expiration date in February 2021. The Company provided a security deposit of \$3,700 which is refundable upon expiration of the lease.

Contractual Obligations for Subsequent Events

The table below summarizes the Company's operating lease commitments and the payment obligations under the amended License Agreement with Xoma, for the subsequent events discussed above:

<u>Fiscal Year Ending June 30,</u>	<u>Operating Leases</u>	<u>Licensing Liability</u>
2019	\$ 112,598	\$ -
2020	274,295	6,500,000
2021	272,658	2,000,000
2022	148,643	-
	<u>\$ 808,194</u>	<u>\$8,500,000</u>

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

General

This discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors.

Summary

This discussion and analysis should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and the related notes. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors.

For calendar year 2019, we have the following objectives to advance our development strategy: (i) initiate the Phase 2 clinical program for RZ358 in the US and/or Europe, (ii) complete the necessary toxicology studies for RZ402 to enable the filing of an IND and initiation of clinical studies, and (iii) complete the ongoing Phase 1 study for AB101.

In January 2019, we announced and closed on a \$25.0 million private placement with Handok, Inc. and Genexine, Inc., two publicly traded South Korean-based pharmaceutical companies. The investors acquired the Company's securities at an implied price of \$0.22 per common share. An option exists for the investors to purchase up to an additional \$20.0 million of shares of our common stock prior to December 31, 2020, at a price per common share equal to the greater of \$0.29 or 75% of the volume weighted average closing price of Rezolute's common stock over 30 consecutive trading days prior to the exercise of the option to purchase.

This financing has provided us with the needed capital to pursue our development strategy. In parallel with this financing, we relocated our headquarters to Redwood City, California, took steps to advance our clinical programs, and began expanding our team in key areas such as clinical operations. We are now embarking upon our development strategy and are no longer conducting in-house manufacturing or research. As such, in December 2018, we closed our Colorado facilities including the manufacturing and lab suites.

In the last month we have begun actively preparing RZ358 for clinical studies, initiated project meetings for RZ402, and initiated activities to resume the AB101 clinical studies in Southern California.

Significant Accounting Policies and Estimates

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to the estimated useful lives and impairment of depreciable assets, the fair value of share-based payments and warrants, fair value of derivative instruments, estimates of the probability and potential magnitude of contingent liabilities, income tax valuation allowances and going concern. Management bases its estimates and judgments on historical experience and on various factors that are believed to be reasonable under the circumstance, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. The methods, estimates, and judgments used by us in applying these most critical accounting policies have a significant impact on the results we report in our consolidated financial statements.

Results of Operations

Three Months Ended December 31, 2018 and 2017

Results of operations for the three months ended December 31, 2018 and 2017 reflect net losses of approximately \$4.2 million and \$5.7 million, respectively. Presented below is a discussion of the key factors that resulted in our net losses for these periods.

Revenues

We did not generate any revenues for the three months ended December 31, 2018 and 2017. We are at an early stage of development as a proprietary product specialty pharmaceutical company and we do not currently have any commercial products. Our existing product candidates will require extensive additional clinical evaluation, regulatory review, significant marketing efforts and substantial investment before they generate any revenues. We do not expect to be able to market any of our product candidates for a number of years.

Research and Development Expenses

Research and development (“R&D”) costs decreased from approximately \$3.4 million for the three months ended December 31, 2017 to \$1.3 million for the three months ended December 31, 2018, a decrease of \$2.1 million. This decrease was primarily attributable to our decision to terminate our manufacturing activities in April 2018, which resulted in a decrease in compensation and benefits expense of \$1.1 million, a decrease in facilities costs of \$0.2 million, and a decrease in consulting costs of \$0.1 million. Other decreases in R&D costs for the three months ended December 31, 2018 were due a reduction in clinical trial costs of \$0.6 million and a reduction in license costs of \$0.4 million.

The reduction in clinical trial costs was due to \$0.6 million incurred for the AB101 Phase 1 Trial for the three months ended December 31, 2017, whereas these costs were substantially eliminated for the three months ended December 31, 2018. For the three months ended December 31, 2017, we incurred \$0.4 million under the Active Site Agreement compared to \$50,000 for a financing delay fee under our agreement with XOMA for the three months ended December 31, 2018.

The aforementioned decreases in R&D expenses totaled approximately \$2.4 million and were partially offset by an increase of \$0.2 million in material manufacturing costs. The increase in material manufacturing costs for the three months ended December 31, 2018 was primarily due to \$0.4 million incurred under our agreement with Xoma related to RZ358, whereas we incurred \$0.2 million for AB101 for the three months ended December 31, 2017. The \$1.2 million decrease in compensation and benefits for our R&D employees included a \$0.2 million decrease in stock-based compensation expense that was triggered by a reduction in our workforce that resulted in forfeiture of stock options.

As discussed below under the caption Liquidity and Capital Resources, we intend to use the proceeds from our recently completed Series AA Financing to advance our clinical programs. Accordingly, we expect to incur a significant increase in our research and development costs during calendar 2019, including a charge of approximately \$5.5 million for license fees incurred with Xoma in January 2019.

General and Administrative Expenses

General and administrative (“G&A”) expenses decreased from approximately \$2.3 million for the three months ended December 31, 2017 to \$1.9 million for the three months ended December 31, 2018, a decrease of \$0.4 million. This decrease was primarily attributable to a decrease in compensation and benefits for our administrative workforce of \$0.3 million, a decrease in professional fees of \$0.1 million, and a decrease in investor relations costs of \$0.1 million. These decreases in G&A expense totaled \$0.5 million and were partially offset by an aggregate increase in impairment and losses from the sale of fixed assets of \$0.1 million, due to the disposal of substantially all fixed assets from our former location in Colorado. The \$0.3 million decrease in compensation and benefits for our G&A employees included a \$0.2 million decrease in stock-based compensation expense that was triggered by stock option forfeitures due to the reduction in our administrative workforce.

Non-Operating Income (Expense)

Non-operating income (expense) decreased by approximately \$1.0 million from income of approximately \$32,000 for the three months ended December 31, 2017 to expense of \$1.0 million for the three months ended December 31, 2018. This decrease was primarily attributable to an increase in interest expense of \$1.3 million due to accrued interest and accretion of discount on the Fiscal 2018 Notes in the principal amount of \$5.3 million.

These notes were issued during the first half of calendar 2018 and converted to Series AA Shares in January 2019. Therefore, no interest expense will be recognized after the conversion date. However, the Fiscal 2018 Notes contained a contingent beneficial conversion feature (“BCF”) that is expected to result in the recognition of additional non-cash interest expense of approximately \$5.9 million for the fiscal quarter ending March 31, 2019. For the three months ended December 31, 2018, the increase in interest expense of \$1.3 million was partially offset by a gain of \$0.2 million from the termination of our lease and sublease agreements in Colorado, and a gain of \$0.1 million for embedded derivatives related to the Fiscal 2018 Notes.

Income Taxes

The Tax Cuts and Jobs Act of 2017 (the “Tax Act”) was enacted on December 22, 2017 and significantly revises U.S. tax law. The Tax Act reduces the U.S. federal corporate tax rate from 35% to 21%, limits the tax deduction for interest expense to 30% of adjusted earnings, limits the deduction for newly generated net operating losses to 80% of current year taxable income, eliminates net operating loss (“NOL”) carrybacks, provides for immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifies or repeals many business deductions and credits. As of June 30, 2018, we made reasonable estimates for each of these items and recognized a provisional decrease in our deferred tax assets of approximately \$8.9 million, which was fully offset by a corresponding change in the valuation allowance for such deferred tax assets. As of December 31, 2018, we determined that our provisional adjustment is considered final. However, we are continuing to analyze the effects of the Tax Act on our financial statements and operations, whereby our current estimates may subsequently be revised based on evolving analyses and interpretation of the Tax Act and related accounting guidance.

As of June 30, 2018, we had NOL carryforwards of approximately \$60.7 million for federal and state income tax purposes. Federal and state NOL carryforwards, to the extent not used, will expire starting in 2031. Under provisions of the Internal Revenue Code, substantial changes in ownership of the Company may result in limitations on the amount of NOL carryforwards that can be utilized in future years. Due to the closing of the Series AA Financing in January 2019, we experienced a change of control that is expected to result in significant limitations to the future use of our NOL carryforwards. We are in the process of quantifying the extent of such limitations.

Six Months Ended December 31, 2018 and 2017

Results of operations for the six months ended December 31, 2018 and 2017 reflect net losses of approximately \$7.5 million and \$12.4 million, respectively. Presented below is a discussion of the key factors that resulted in our net losses for these periods.

Revenues

As a clinical stage company, we did not generate any revenues for the six months ended December 31, 2018 and 2017.

Research and Development Expenses

Research and development (“R&D”) costs decreased from approximately \$7.7 million for the six months ended December 31, 2017 to \$2.2 million for the six months ended December 31, 2018, a decrease of \$5.5 million. This decrease was primarily attributable to our decision to terminate our manufacturing activities in April 2018, which resulted in a decrease in compensation and benefits expense of \$2.1 million, a decrease in facilities costs of \$0.4 million, and a decrease in consulting costs of \$0.2 million. Other decreases in R&D costs for the six months ended December 31, 2018 were due a reduction in clinical trial costs of \$1.6 million and a reduction in license costs of \$1.1 million.

The \$2.1 million decrease in compensation and benefits for our R&D employees included a \$0.4 million decrease in stock-based compensation expense that was triggered by a reduction in our workforce that resulted in forfeiture of stock options. The reduction in clinical trial costs was primarily due to \$1.6 million incurred for the AB101 Phase 1 Trial for the six months ended December 31, 2017, whereas these costs were substantially eliminated for the six months ended December 31, 2018. For the six months ended December 31, 2017, we incurred license costs of \$1.1 million primarily due to the Active Site Agreement compared to only \$50,000 incurred for the six months ended December 31, 2018, which was due to a financing delay fee under our agreement with XOMA. For the six months ended December 31, 2018, we also had a \$0.1 million decrease in material manufacturing costs. The decrease in material manufacturing costs for the six months ended December 31, 2018 was primarily due to \$0.5 million incurred under our agreement with Xoma related to RZ358, whereas we incurred \$0.6 million for AB101 for the six months ended December 31, 2017.

General and Administrative Expenses

General and administrative (“G&A”) expenses decreased from approximately \$4.7 million for the six months ended December 31, 2017 to \$3.5 million for the six months ended December 31, 2018, a decrease of \$1.2 million. This decrease was primarily attributable to a decrease in compensation and benefits for our administrative workforce of \$0.8 million, a decrease in professional fees of \$0.2 million, and a decrease in investor relations and other administrative costs of \$0.2 million. These decreases in G&A expense totaled \$1.2 million and were partially offset by an aggregate increase in impairment and losses from the sale of fixed assets of \$0.1 million, both of which resulted from the disposal of substantially all fixed assets from our former location in Colorado. The \$0.8 million decrease in compensation and benefits for our G&A employees included a \$0.6 million decrease in stock-based compensation expense that was triggered by stock option forfeitures due to the reduction in our administrative workforce.

Non-Operating Income (Expense)

Non-operating income (expense) decreased by approximately \$1.9 million from income of approximately \$65,000 for the six months ended December 31, 2017 to expense of \$1.8 million for the six months ended December 31, 2018. This decrease was primarily attributable to an increase in interest expense of \$2.2 million due to accrued interest and accretion of discount on the Fiscal 2018 Notes in the principal amount of \$5.3 million. For the six months ended December 31, 2018, the increase in interest expense was partially offset by (i) a gain of \$0.2 million from the termination of our lease and sublease agreements in Colorado, (ii) a gain of \$0.1 million for embedded derivatives related to the Fiscal 2018 Notes, and (iii) an increase in rental income from subleases of \$0.1 million.

As a result of the termination of our lease and subleases in Colorado in December 2018, we do not expect to recognize rental income in the future.

Liquidity and Capital Resources

As of December 31, 2018, we have approximately \$0.3 million of cash and a working capital deficit of approximately \$2.6 million. We have incurred cumulative net losses of \$101.7 million since our inception and as a clinical stage company we have not generated any revenue to date. Presented below is a discussion of subsequent events that have a significant impact on our future liquidity, as discussed further in Note 11 to the unaudited condensed consolidated financial statements included in Part I, Item I of this Report.

Series AA Financing and Conversion of Fiscal 2018 Notes

In January 2019 we closed an offering with two pharmaceutical companies that have elected to make a strategic investment in us for an aggregate of 2.5 million shares of Series AA Preferred Stock that resulted in gross proceeds of \$25.0 million (including application of a \$1.5 million Exclusivity Payment that we received in December 2018). Closing occurred on January 30, 2019 and resulted in our receipt of the remaining proceeds of \$23.5 million. The shares of Series AA Preferred Stock owned by the New Investors are immediately convertible into an aggregate of approximately 113.6 million shares of our common stock.

Due to the closing of the Series AA Financing for gross proceeds of \$25.0 million, our Fiscal 2018 Notes which consisted of the aggregate principal balance of \$5.3 million plus accrued interest of \$0.8 million through January 30, 2019, converted to shares of Series AA Preferred Stock. The aggregate principal and accrued interest balance of \$6.2 million was exchanged for approximately 771,000 Series A Shares which are immediately convertible into an aggregate of 35.0 million shares of our common stock.

All of the Series AA Shares will automatically convert into shares of our common stock upon receipt of shareholder approval for an increase in the number of authorized shares of common stock to at least 500.0 million shares. The holders of Series AA Preferred Stock are entitled to vote on an as converted basis with common stockholders whereby the New Investors have a majority of the votes required to increase the Company's authorized shares of common stock. We currently expect to schedule a special meeting of shareholders in March or April 2019 to approve the increase in the authorized shares of common stock. The Series AA Preferred Stock is subject to customary anti-dilution adjustments for stock dividends, stock splits and similar events.

A condition to closing the Series AA Financing was the resignation of a majority of our former directors and the appointment of the New Investors as directors whereby the representatives of the New Investors comprise two of the three members of our current board of directors. Additionally, the New Investors collectively own 54% of our common stock on an as-converted basis which resulted in a change of control.

Xoma License Agreement

In January 2019, we entered into an amendment of our December 2017 License Agreement with Xoma to eliminate the previous requirement that equity securities would be issued to XOMA upon the closing of a qualified financing. In exchange, we agreed to make five cash payments to XOMA totaling \$8.5 million on or before specified staggered future dates. The \$8.5 million liability is payable for \$1.5 million by September 30, 2019, \$1.0 million by December 31, 2019, \$2.0 million by March 31, 2020, \$2.0 million by June 30, 2020, and \$2.0 million by September 30, 2020. Until the \$8.5 million liability is fully paid, we are required to pay XOMA 15% of the net proceeds of any future financings to be credited against the remaining unpaid liability in reverse order of their future payment date.

In addition, we agreed to pay Xoma approximately \$5.9 million in cash upon the closing of the Series AA Financing, which consists of (i) costs incurred through December 31, 2018 of \$0.4 million and a financing delay fee of \$50,000, and (ii) \$5.5 million of additional consideration for the license. In February 2019, we satisfied this payment obligation to Xoma of \$5.9 million.

Use of Proceeds

As a result of the \$23.5 million capital infusion from the Series AA Financing, less the \$5.9 million payment to Xoma, net proceeds of approximately \$17.6 million are available primarily to advance our clinical programs including: (i) initiate a Phase 2 program for RZ358 in the U.S. and/or Europe, (ii) complete the necessary toxicology studies for RZ402 to enable the filing of an IND and initiation of clinical studies, and (iii) complete an ongoing Phase 1 study for AB101.

We also agreed to allow the New Investors to purchase up to an aggregate of \$20.0 million of shares of our common stock prior to December 31, 2020 at a per share price equal to the greater of \$0.29 or 75% of the volume weighted average closing price of our common stock over 30 consecutive trading days prior to the exercise of the option.

As a result of the completion of the Series AA Financing, we currently believe we have adequate capital resources to (i) meet our contractual obligations to Xoma for \$2.5 million over the next 12 months, (ii) move forward with our plans to advance our clinical programs discussed above, and (iii) repay past due payables and accrued expenses. In order to meet our planned expenditures over the next 12 months, we intend to request that the New Investors invest up to an aggregate of \$20.0 million during the second half of calendar 2019. However, there are no assurances that the New Investors will exercise their options to invest up to an additional \$20.0 million, or that we would be able to obtain additional financing through other sources such as equity offerings and bank financings. Even if these other financing sources are available, they may not be on terms that are acceptable to us. These conditions raise substantial doubt about our ability to continue as a going concern.

Presented below is a pro forma balance sheet that gives effect to the Series AA Financing, conversion of the Fiscal 2018 Notes, and the amendment to the Xoma License Agreement, as if these events had occurred on December 31, 2018:

	Historical	Pro Forma Adjustments					Pro Forma
		Series AA Financing ⁽¹⁾	Conversion of Debt ⁽²⁾	Xoma Amendment		Contingent BCF ⁽⁵⁾	
				Payments ⁽³⁾	Liability ⁽⁴⁾		
Assets							
Current assets:							
Cash	\$ 258,188	\$ 23,500,000	\$ -	\$ (5,925,000)	\$ -	\$ -	\$ 17,833,188
Other current assets	164,090	-	-	-	-	-	164,090
Total current assets	422,278						17,997,278
Non-current assets:							
Intangible assets, net	33,384	-	-	-	-	-	33,384
Total assets	\$ 455,662	\$ 23,500,000	\$ -	\$ (5,925,000)	\$ -	\$ -	\$ 18,030,662
Liabilities and Stockholders' Deficit							
Current liabilities							
	\$ 2,976,210	\$ -	\$ -	\$ (449,000)	\$ 2,500,000	\$ -	\$ 5,027,210
Non-current liabilities:							
Convertible notes payable, net	5,005,774	-	(5,005,774)	-	-	-	-
Interest payable on convertible notes payable	761,372	-	(761,372)	-	-	-	-
Series AA financing exclusivity payment	1,500,000	(1,500,000)	-	-	-	-	-
Long-term payable to Xoma	-	-	-	-	6,000,000	-	6,000,000
Series AA Preferred stock, \$0.001 par value; 5,000,000 shares authorized; pro forma 3,267,515 shares issued and outstanding	-	25,000,000	6,101,372	-	-	-	31,101,372
Total liabilities	10,243,356	23,500,000	334,226	(449,000)	8,500,000	-	42,128,582
Stockholders' deficit:							
Common stock, \$0.001 par value, 200,000,000 shares authorized; 62,166,309 shares issued and outstanding	61,869	-	-	-	-	-	61,869
Additional paid-in capital	91,860,840	-	-	-	-	5,900,000	97,760,840
Accumulated deficit	(101,710,403)	-	(334,226)	(5,476,000)	(8,500,000)	(5,900,000)	(121,920,629)
Total stockholders' deficit	(9,787,694)	-	(334,226)	(5,476,000)	(8,500,000)	-	(24,097,920)
Total liabilities and stockholders' deficit	\$ 455,662	\$ 23,500,000	\$ -	\$ (5,925,000)	\$ -	\$ -	\$ 18,030,662

- (1) Gives effect to the application of the Exclusivity Payment for \$1.5 million received from the New Investors in December 2018, and issuance of 2.5 million shares of Series AA Preferred Stock in January 2019 for additional cash proceeds of \$23.5 million.
- (2) Gives effect to the conversion of the Fiscal 2018 Notes and accrued interest for \$6.1 million of Series AA Preferred Stock in January 2019, and the write-off of unaccreted discount of \$0.3 million as of December 31, 2018.
- (3) Gives effect to the February 2019 cash payment required under the amended License Agreement with Xoma, including payment of the license fee of \$5.5 million that will be charged to expense for the fiscal quarter ending March 31, 2019.
- (4) Give effect to the obligation to make \$8.5 million of future license payments under the amended License Agreement with Xoma, which will be charged to expense for the fiscal quarter ending March 31, 2019.
- (5) Gives effect to the BCF for \$5.9 million as a result of the conversion of the Fiscal 2018 Notes to Series AA Preferred Stock in January 2019.

For additional information on these pro forma adjustments, please refer to Note 11 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

Cash Flows Used in Operating Activities

For the six months ended December 31, 2018 and 2017, cash flows used in operating activities amounted to \$3.1 million and \$8.1 million, respectively. The key components in the calculation of our cash used in operating activities are as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Net loss	\$(7,526,665)	\$(12,403,200)	\$ 4,876,535
Non-cash expenses, net	3,137,541	3,773,573	(636,032)
Changes in operating assets and liabilities, net	<u>1,306,301</u>	<u>576,976</u>	<u>729,325</u>
Total	<u><u>\$ (3,082,823)</u></u>	<u><u>\$ (8,052,651)</u></u>	<u><u>\$ 4,969,828</u></u>

For the six months ended December 31, 2018, our net loss was \$7.5 million which is an improvement of \$4.9 million compared to the same period of the prior year. For further discussion about changes in our operating results, please refer to Results of Operations above for the six months ended December 31, 2018 and 2017.

For the six months ended December 31, 2018, net non-cash expenses amounted to \$3.1 million and were primarily comprised of \$1.6 million of accretion of debt discounts and issuance costs related to the Fiscal 2018 Notes, stock-based compensation expense of \$1.7 million, and depreciation and impairment expense of \$0.1 million. These non-cash expenses total \$3.4 million for the six months ended December 31, 2018, and were partially offset by a \$0.2 million gain from the December 2018 termination of leases and subleases for our former Colorado facility, and a \$0.1 million gain on the change in fair value of embedded derivatives. For the six months ended December 31, 2017, net non-cash expenses amounted to \$3.8 million and were primarily comprised of stock-based compensation expense of \$2.7 million, depreciation expense of \$0.5 million, and warrant expense of \$0.5 million.

For the six months ended December 31, 2018, net changes in operating assets and liabilities improved operating cash flow by \$1.3 million which was primarily due to an increase in accrued interest expense of \$0.6 million on the Fiscal 2018 Notes, a decrease in other assets of \$0.3 million, and an increase in accounts payable and accrued expenses of \$0.5 million. These increases amount to \$1.4 million and were partially offset by a decrease in the deferred lease liability of \$0.1 million primarily due to our lease termination agreement in Colorado. For the six months ended December 31, 2017, net changes in operating assets and liabilities improved operating cash flow by \$0.6 million which was primarily due to an increase in accounts payable and accrued expenses of \$0.5 million.

Cash Flows Provided by Investing Activities

Net cash provided by investing activities for the six months ended December 31, 2018 amounted to \$0.2 million which consisted of proceeds from the sale of equipment. In December 2018, we terminated our former lease for facilities in Colorado and we sold a portion of the remaining equipment for gross proceeds of \$0.2 million. For the six months ended December 31, 2017, investing cash flow were insignificant.

Cash Flows Provide by Financing Activities

Net cash provided by financing activities for the six months ended December 31, 2018 amounted to \$1.5 million. In December 2018, two new investors expressed interest in investing in the Company and affirmed their intent to enter into exclusive diligence and negotiations regarding a potential equity financing. The New Investors provided an exclusivity payment for \$1.5 million in exchange for our agreement to cease any and all discussions and negotiations with all other third parties. In January 2019, the New Investors decided to proceed and closing of the Series AA Financing occurred on January 30, 2019.

Our sole source of net cash provided by financing activities for the six months ended December 31, 2017 resulted from a private placement of 4.5 million shares of our common stock to accredited investors at an offering price of \$1.00 per share. The net proceeds of this private placement amount to \$4.4 million, after deducting placement agent commissions of \$0.1 million.

Recent Accounting Pronouncements

See Note 2 to the consolidated financial statements included in this Form 10-Q regarding the impact of certain accounting pronouncements on our consolidated financial statements.

Off-Balance Sheet Arrangements

We had no off-balance sheet transactions.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not required for smaller reporting companies.

ITEM 4. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer (our principal executive officer) and our Chief Finance Officer (our principal accounting officer), of 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 (“Exchange Act”). Based on that assessment under those criteria, our management has determined that, at December 31, 2018, our internal control over financial reporting was not effective due to material weaknesses in the system of internal control. A material weakness is a deficiency, or combination of deficiencies, that creates a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected in a timely manner.

The material weaknesses identified by management were that (1) we have not segregated duties as one employee can initiate and complete transactions in the general ledger system, (2) we have not implemented measures that would prevent employees from overriding the internal control system, (3) one employee was responsible for complex accounting issues without additional review from within the Company and (4) the Company did not have effective review controls over financial reporting over the financial statements and related disclosures in accordance with U.S. GAAP and SEC rules and regulation. We do not believe that these control weaknesses resulted in deficient financial reporting as the chief executive officer and chief financial officer were aware of their responsibilities under the SEC reporting requirement and personally certified the financial reports.

Changes in internal controls over financial reporting

During the period covered by this Quarterly Report on Form 10-Q, there were no changes in our internal control over financial reporting (as defined in Rule 13(a)-15(f) or 15(d)-15(f)) that occurred during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

None

ITEM 1A. RISK FACTORS.

Certain factors exist which may affect the Company's business and could cause actual results to differ materially from those expressed in any forward-looking statements. The following risks have been identified as additional risk factors and should be read in conjunction with the risk factors as previously disclosed in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on October 15, 2018 (the "Form 10-K").

Conversion of Series AA Preferred Stock may result in stockholder dilution.

As disclosed in our Current Report on Form 8-K filed with the SEC on January 7, 2018, we entered into a Purchase Agreement with Handok, Inc. and Genexine, Inc., (the "Purchasers") whereby subject to certain closing conditions the Purchasers agreed to purchase shares of the Company's newly designated Series AA Preferred Stock for aggregate gross proceeds of \$25,000,000. Additionally, the aggregate principal and accrued interest of approximately \$6.2 million related to the Fiscal 2018 Notes was exchanged for shares of Series AA Preferred Stock. The Series AA Preferred Stock shall automatically convert upon the occurrence of: (i) the vote or consent of holders of two thirds of the voting power of the then outstanding Series AA Preferred Stock; or (ii) the amendment to our Certificate of Incorporation to increase the number of shares of common stock authorized to be issued to at least 500,000,000. Upon conversion of the shares of Series AA Preferred Stock into common stock, the additional issuance of common stock will dilute our existing common stockholders.

Additional capital may result in stockholder dilution or may have rights senior to those of our common stockholders.

From time to time, we may seek to obtain additional capital, either through equity, equity-linked or debt securities. The decision to obtain additional capital will depend on, among other things, our business plans, operating performance and condition of the capital markets. If we raise additional funds through the issuance of equity, equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our common stock, and our stockholders may experience dilution. Any large equity or equity-linked offering could also negatively impact our stock price.

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.

<u>Exhibit Number</u>	<u>Description of Exhibits</u>
<u>10.1*</u>	<u>Amendment No. 2 to the Xoma Common Stock Purchase Agreement</u>
<u>10.2*%</u>	<u>Amendment No. 2 to the Xoma License Agreement</u>
<u>10.3*</u>	<u>Purchase agreement for shares of Series AA Preferred Stock</u>
<u>31.1*</u>	<u>Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
<u>31.2*</u>	<u>Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*</u>
<u>32.1*</u>	<u>Certification of Chief Executive Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u>
<u>32.2*</u>	<u>Certification of Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*</u>
101.INS*	XBRL Instance Document
101.SC*	XBRL Taxonomy Extension Schema
101.CA*	XBRL Taxonomy Extension Calculation Linkbase
101.DEF*	XBRL Taxonomy Extension Definition Linkbase
101.LA*	XBRL Taxonomy Extension Label Linkbase
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase

* Filed herewith

% Certain portions of this exhibit have been redacted pursuant to a confidential treatment request filed with the Commission on February 14, 2019.

SIGNATURES

In accordance with Section 12 of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

REZOLUTE, INC.

Date: February 14, 2019

By: /s/ Nevan Elam

Nevan Elam
Chief Executive Officer
(Principal Executive Officer)

Date: February 14, 2019

By: /s/ Keith Vendola

Keith Vendola
Chief Financial Officer
(Principal Accounting Officer)

**AMENDMENT NO. 2 TO THE
STOCK PURCHASE AGREEMENT**

THIS AMENDMENT NO. 2 (this “Amendment”) to that certain Common Stock Purchase Agreement dated as of December 6, 2017, by and between XOMA (US) LLC, a Delaware limited liability company (“XOMA”), having an address of 2200 Powell Street, Suite 310, Emeryville, CA 94608 and Rezolute, Inc. (formerly known as AntriaBio, Inc.), a Delaware corporation (“Rezolute”), having an address of 1450 Infinite Drive, Louisville, CO 80027, as amended by Amendment No. 1 dated March 30, 2018 (the “Stock Purchase Agreement”), is entered into by and between XOMA and Rezolute effective as of January 7, 2019 (the “Effective Date”). Each of XOMA and Rezolute may be referred to herein as a “Party”, or jointly as the “Parties”. Terms used but not otherwise defined herein shall have the meanings ascribed to them in the License Agreement.

WHEREAS, the Parties desire to amend the Stock Purchase Agreement to delete certain section thereof that no longer apply and to update other sections in accordance with their recent ongoing discussions;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Amendments. Pursuant to Section 10.11 of the Stock Purchase Agreement, the below provisions of the Stock Purchase Agreement are hereby amended as follows:

- (a) Section 1.4 of the Stock Purchase Agreement is hereby deleted in its entirety.
- (b) Section 1.5 of the Stock Purchase Agreement is hereby deleted in its entirety.
- (c) Section 2 of the Stock Purchase Agreement is hereby amended and restated to read in its entirety as follows:

2. PUT OPTION

The Company hereby grants the Purchaser the right and option to put 5,000,000 Shares to the Company and the Company agrees to purchase the Shares or to facilitate the orderly sale of the Shares to a third party (the “**Put Option**”). Upon the occurrence of the Put Option Triggering Event, the Purchaser shall be permitted to exercise portions of the Put Option at any time thereafter, from time to time, by delivering written notice(s) to the Company (the “**Put Option Exercise Notice**”) indicating its agreement to sell all or a portion of the Shares in exchange for the payment by the Company or a third party buyer (arranged by the Company) to the Purchaser at the Put Option Purchase Price (as defined below), such amount to be payable by wire transfer of immediately available funds within 15 days after the date of receipt by the Company of the Put Option Exercise Notice. The “**Put Option Triggering Event**” shall mean the failure of the Company to list its shares of Common Stock on the Nasdaq Stock Market or a similar national exchange on or prior to December 31, 2019. The “**Put Option Purchase Price**” per Share shall mean the average of the closing bid and asked prices of the Common Stock quoted on the Principal Market on the date of the Put Option Exercise Notice. The costs of effecting a sale of the Shares pursuant to this Section 2 shall be borne by the Company. Notwithstanding the foregoing, in no event will XOMA put more than 2,500,000 of Shares to the Company in calendar year 2020.

Section 2. Effect of Amendment. Except as expressly provided for herein, all terms and conditions of the License Agreement shall remain in full force and effect.

Section 3. Governing Law. The validity, construction and interpretation of this Amendment and any determination of the performance which it requires shall be governed by and construed in accordance with the laws of the State of California without any reference to any rules of conflicts of laws.

Section 4. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same Amendment. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

REZOLUTE, INC.

XOMA (US) LLC

By: /s/ Keith Vendola

By: /s/ Jim Neal

Name: Keith Vendola

Name: Jim Neal

Title: CFO

Title: CEO

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

**AMENDMENT NO. 2 TO THE
LICENSE AGREEMENT**

THIS AMENDMENT NO. 2 (this “Amendment”) to that certain License Agreement dated as of December 6, 2017, by and between XOMA (US) LLC, a Delaware limited liability company (“XOMA”), having an address of 2200 Powell Street, Suite 310, Emeryville, CA 94608 and Rezolute, Inc. (formerly known as AntriaBio, Inc.), a Delaware corporation (“Rezolute”), having an address of 1450 Infinite Drive, Louisville, CO 80027, as amended by Amendment No. 1 dated March 30, 2018 (the “License Agreement”), is entered into by and between XOMA and Rezolute effective as of January 7, 2019 (the “Effective Date”). Each of XOMA and Rezolute may be referred to herein as a “Party”, or jointly as the “Parties”. Terms used but not otherwise defined herein shall have the meanings ascribed to them in the License Agreement.

WHEREAS, the Parties desire to amend the License Agreement to revise certain provisions of the License Agreement, including the consideration to be paid to XOMA upon Rezolute’s completion of a Qualified Financing, the assignment and assumption by Rezolute of the [*] (as defined below), the reimbursement to XOMA by Rezolute of certain patent expenses, Rezolute’s required annual development expenses and level of diligence efforts, and cancellation of XOMA’s right to a seat on Rezolute’s Board of Directors;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained and other good and valuable consideration the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Section 1. Amendments. The following sections of the License Agreement are hereby amended as follows:

(a) Sections 2.1.2 is hereby amended and restated to read in its entirety as follows:

The Parties have agreed that the financial consideration to be paid to XOMA in exchange for the rights granted and materials transferred hereunder will be largely deferred until such time as Rezolute has substantially advanced the Development of the Antibody and Licensed Products and commenced commercialization of Licensed Products, such that XOMA is reliant on Rezolute’s diligent Development of the Antibody and Licensed Products and commercialization of the Licensed Products to fully receive the benefit of its bargain. Further, Rezolute acknowledges that the diligent conduct of such Development requires the commitment by Rezolute of an appropriate level of funding directed to such Development. Accordingly, and without limiting the generality of Section 2.1.1, (a) Rezolute (together with its Affiliates and sublicensees) shall expend [*] during calendar year 2019 in direct out of pocket costs (and without the inclusion of overhead) on the Development of the Antibody and Licensed Products; and (b) Rezolute shall use Diligent Efforts, itself or through an Affiliate or sublicensee, to dose the first patient in the Phase 2 Repeat Dose Study by [*].

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

(b) The first sentence of Section 2.3.6 is hereby amended and restated to read as follows: The Parties shall share all Tech Transfer Expenses as follows: XOMA shall pay the first \$275,000 of all Tech Transfer Expenses and Rezolute shall be solely responsible for all Tech Transfer Expenses above \$275,000.

(c) New Section 2.3.7 is hereby added to the License Agreement to read in its entirety as follows:

2.3.7 Payments; Assignment of [*]. Within thirty (30) days after January 7, 2019, Rezolute shall (a) reimburse XOMA for [*] in patent-related maintenance costs incurred as of such date, and (b) pay XOMA [*] associated with the occurrence of any Qualified Financing delay described in 4.7.1 below. Within sixty (60) days after January 7, 2019: (a) XOMA and Rezolute shall use their best efforts to enter into an assignment and assumption agreement with [*] whereby XOMA shall assign to Rezolute and Rezolute shall assume that [*], by and between XOMA and AGC and all accompanying Work Statements (collectively, the “[*]”) and cause XOMA to be released from any and all rights and obligations under the [*]; and (b) XOMA shall make commercially reasonable efforts to transfer the IND for the fully human allosteric modulating monoclonal antibody formerly known as XOMA 358 (now known as RZ358) to Rezolute. Unless and until [*] assigns the [*] to Rezolute in full in good order and [*] fully releases XOMA from all obligations thereunder (the “Assignment”), after XOMA pays the first \$275,000 of Tech Transfer Expenses, Rezolute shall pay all amounts due under the [*] promptly upon receipt of an invoice from [*] or XOMA related thereto and shall be the primary obligor of payments thereunder.

(d) Section 4.6 of the License Agreement is hereby amended to read in its entirety as follows:

4.6 Qualified Financing. Within fifteen (15) days following the closing of the Qualified Financing, Rezolute shall pay XOMA the greater of (a) [*] of the net proceeds from the Qualified Financing and (b) Six Million Dollars (\$6,000,000). Following the closing of the Qualified Financing, Rezolute shall make the following five (5) cash payments to XOMA at the following times (the “Future Cash Payments”):

<u>Cash Payment #:</u>	<u>Cash Payment Amount</u>	<u>Time of Payment</u>
1	\$ 1,500,000	No later than September 30, 2019
2	\$ 1,000,000	No later than December 31, 2019
3	\$ 2,000,000	No later than March 31, 2020
4	\$ 2,000,000	No later than June 30, 2020
5	\$ 2,000,000	No later than September 30, 2020
<u>TOTAL: \$8,500,000</u>		

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.

In addition, to provide a potential for early payment and only until the above \$8.5M total is reached, Rezolute shall make ongoing future cash payments to XOMA in an amount equal to fifteen percent (15%) of the net proceeds from each future financing following the closing of the Qualified Financing, which amounts shall be credited against the Future Cash Payments in reverse order of their timing and to end after the Future Cash Payments are made (e.g., Payment #5 will be credited first, followed by Payment #4, etc. and this mechanism will end after the above \$8.5M total is reached).

(e) Sections 4.7.2, 4.7.3 and 4.9 of the License Agreement are hereby deleted.

(f) New Section 12.16 is added to the License Agreement to read in its entirety as follows:

2.16 Amendment and Modification. This Agreement may only be amended, modified or supplemented by an agreement in writing signed by each Party hereto.

Section 2. Effect of Amendment. Except as expressly provided for herein, all terms and conditions of the License Agreement shall remain in full force and effect.

Section 3. Governing Law. The validity, construction and interpretation of this Amendment and any determination of the performance which it requires shall be governed by and construed in accordance with the laws of the State of California without any reference to any rules of conflicts of laws.

Section 4. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall be deemed to be one and the same Amendment. A signed copy of this Amendment delivered by facsimile, e-mail or other means of electronic transmission shall be deemed to have the same legal effect as delivery of an original signed copy of this Amendment.

REZOLUTE, INC.

XOMA (US) LLC

By: /s/ Keith Vendola
Name: Keith Vendola
Title: CFO

By: /s/ Jim Neal
Name: Jim Neal
Title: CEO

REZOLUTE, INC.

PURCHASE AGREEMENT FOR SHARES OF SERIES AA PREFERRED STOCK

1. **Share Purchase:** Each undersigned purchaser ("**Purchaser**") irrevocably agrees to purchase from Rezolute, Inc., a Delaware corporation ("**Rezolute**" or the "**Company**"), that number of Shares of Series AA Preferred Stock of Rezolute set forth on the signature page hereto (the "**Offered Shares**" or the "**Securities**") at a price of \$10.00 per Offered Share (the "**Purchase Price**"). The Purchasers shall receive a credit for the \$1,500,000 exclusivity payment previously paid to the Company. All figures are in United States Dollars unless otherwise specified.

Upon receipt by Rezolute of the Purchase Price and satisfaction of the subject to Conditions set forth herein in Section 7 of this Agreement (the "**Conditions**"), the Company shall sell to the Purchaser the Offered Shares free and clear of all encumbrances, and the Purchaser shall purchase the Offered Shares ("**Closing**"). The Closing shall take place on or about January 11, 2019, or such other date as the Parties may agree in writing (the "**Closing Date**"). The Securities purchased for herein, will not be deemed issued to, or owned by, Purchaser until, the Purchase Agreement has been executed by Purchaser and accepted by Rezolute, and all payments required to be made herein have been made. Within twenty (20) days after the Closing, Rezolute will deliver the certificates representing the Offered Shares purchased by Purchaser at the address set forth in the registration instructions set forth on the signature page (unless Purchaser otherwise instructs Rezolute in writing). None of the Offered Shares to be issued under this Agreement have been registered under the Securities Act of 1933, as amended ("**U.S. Securities Act**"), or the securities laws of any state in the United States. The Closing is subject to the fulfillment of the Conditions, which Conditions Rezolute and Purchaser covenant to exercise their reasonable best efforts to have fulfilled on or prior to the Closing Date:

- (i) Purchaser shall have tendered the Purchase Price to Rezolute;
- (ii) all relevant documentation and approvals as may be required by applicable securities statutes, regulations, policy statements and interpretation notes, by applicable securities regulatory authorities and by applicable rules shall have been obtained and, where applicable, executed by or on behalf of Purchaser;
- (iii) Rezolute shall have authorized and approved the execution and delivery of this Purchase Agreement and the issuance, allotment and delivery of the Securities; and
- (iv) the representations and warranties of the Company and Purchaser set forth in this Agreement shall be true and correct as of the Closing Date.

2. **Representations and Warranties of Purchaser:** Purchaser hereby represents and warrants to Rezolute:

(a) **General:**

- (i) Purchaser has all requisite authority to purchase the Offered Shares, enter into this Purchase Agreement and to perform all the obligations required to be performed by Purchaser hereunder, and such purchase will not contravene any law, rule or regulation binding on Purchaser or any investment guideline or restriction applicable to Purchaser.
 - (ii) Purchaser will comply with all applicable laws and regulations in effect in any jurisdiction in which Purchaser purchases or sells Offered Shares and obtain any consent, approval or permission required for such purchases or sales under the laws and regulations of any jurisdiction to which Purchaser is subject or in which Purchaser makes such purchases or sales, and the Company shall have no responsibility therefor.
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(b) **Information Concerning the Company:**

- (i) Purchaser understands and accepts that the purchase of the Offered Shares involves various risks, including the risks outlined in Company's public filings and in this Purchase Agreement. Purchaser represents that it is able to bear any loss associated with an investment in the Offered Shares.
- (ii) Purchaser confirms that it is not relying on any communication (written or oral) of the Company or any of its affiliates, as investment advice or as a recommendation to purchase the Offered Shares. It is understood that information and explanations related to the terms and conditions of the Offered Shares provided by the Company or any of its affiliates shall not be considered investment advice or a recommendation to purchase the Offered Shares, and that neither the Company nor any of its affiliates is acting or has acted as an advisor to Purchaser in deciding to invest in the Offered Shares. Purchaser acknowledges that neither the Company nor any of its affiliates has made any representation regarding the proper characterization of the Offered Shares for purposes of determining Purchaser's authority to invest in the Offered Shares.
- (iii) Purchaser is familiar with the business and financial condition and operations of the Company. Purchaser has had access to such information concerning the Company and the Offered Shares as it deems necessary to enable it to make an informed investment decision concerning the purchase of the Offered Shares.
- (iv) Purchaser understands that no federal or state agency has passed upon the merits or risks of an investment in the Offered Shares or made any finding or determination concerning the fairness or advisability of this investment.

(c) **Non-reliance:**

- (i) Purchaser confirms that the Company has not (A) given any guarantee or representation as to the potential success, return, effect or benefit (either legal, regulatory, tax, financial, accounting or otherwise) of an investment in the Offered Shares or (B) made any representation to Purchaser regarding the legality of an investment in the Offered Shares under applicable legal investment or similar laws or regulations. In deciding to purchase the Offered Shares, Purchaser is not relying on the advice or recommendations of the Company and Purchaser has made its own independent decision that the investment in the Offered Shares is suitable and appropriate for Purchaser.

(d) **Status of Undersigned:**

- (i) Purchaser has such knowledge, skill and experience in business, financial and investment matters that Purchaser is capable of evaluating the merits and risks of an investment in the Offered Shares. With the assistance of Purchaser's own professional advisors, to the extent that Purchaser has deemed appropriate, Purchaser has made its own legal, tax, accounting and financial evaluation of the merits and risks of an investment in the Offered Shares and the consequences of this Purchase Agreement. Purchaser has considered the suitability of the Offered Shares as an investment in light of its own circumstances and financial condition and Purchaser is able to bear the risks associated with an investment in the Offered Shares and its authority to invest in the Offered Shares.
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- (ii) Purchaser is an “accredited investor” as defined in Rule 501(a) under the U.S. Securities Act. Purchaser agrees to furnish any additional information requested by the Company or any of its affiliates to assure compliance with applicable U.S. federal and state securities laws in connection with the purchase and sale of the Offered Shares.
- (e) **Restrictions on Transfer or Sale of Offered Shares:** As applies to Purchaser:
- (i) Purchaser is acquiring the Offered Shares solely for Purchaser’s own beneficial account, for investment purposes, and not with a view to, or for resale in connection with, any distribution of the Offered Shares. Purchaser understands that the Offered Shares have not been registered under the U.S. Securities Act or any state securities laws by reason of specific exemptions under the provisions thereof which depend in part upon the investment intent of Purchaser and of the other representations made by Purchaser in this Purchase Agreement. Purchaser understands that the Company is relying upon the representations and agreements contained in this Purchase Agreement (and any supplemental information) for the purpose of determining whether this transaction meets the requirements for such exemptions.
 - (ii) Purchaser understands that the Securities are “restricted securities” under applicable federal securities laws and that the U.S. Securities Act and the rules of the United States Securities and Exchange Commission (the “*SEC*” or the “*Commission*”) provide in substance that Purchaser may dispose of the Offered Shares only pursuant to an effective registration statement under the U.S. Securities Act or an exemption therefrom, and Purchaser understands that the Company has no obligation or intention to register any of the Offered Shares, or to take action so as to permit sales pursuant to the U.S. Securities Act (including Rule 144 thereunder). Accordingly, Purchaser understands that under the Commission's rules, Purchaser may dispose of the Offered Shares principally only in “private placements” which are exempt from registration under the U.S. Securities Act, in which event the transferee will acquire “restricted securities” subject to the same limitations as in the hands of Purchaser. Consequently, Purchaser understands that Purchaser must bear the economic risks of the investment in the Offered Shares for an indefinite period of time.
 - (iii) Purchaser agrees: (A) that Purchaser will not sell, assign, pledge, give, transfer or otherwise dispose of the Offered Shares or any interest therein, or make any offer or attempt to do any of the foregoing, except pursuant to a registration of the Offered Shares under the U.S. Securities Act and all applicable State Securities Laws, or in a transaction which is exempt from the registration provisions of the U.S. Securities Act and all applicable State Securities Laws; (B) that the certificates representing the Offered Shares will bear a legend making reference to the foregoing restrictions; and (C) that the Company and its affiliates shall not be required to give effect to any purported transfer of such Offered Shares except upon compliance with the foregoing restrictions. Purchaser acknowledges that neither the Company nor any other person offered to sell the Offered Shares to it by means of any form of general solicitation or advertising, including but not limited to: (A) any advertisement, article, notice or other communication published in any newspaper, magazine or similar media or broadcast over television or radio or (B) any seminar or meeting whose attendees were invited by any general solicitation or general advertising.
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- (f) **No Hedging:** Neither the Purchaser nor any of its affiliates will, directly or indirectly hold or maintain any short position in or engage in hedging transactions with respect to the common stock of the Company or any other securities of the Company, other than in accordance with the U.S. Securities Act.

3. **Representations and Warranties of the Company:** Rezolute hereby represents and warrants to Purchaser that:

(a) **Good Standing.** The Company is duly formed and validly existing under the laws of Delaware, with full power and authority to conduct its business as it is currently being conducted and to own its assets; and has secured any other authorizations, approvals, permits and orders required by law for the conduct by the Company of its business as it is currently being conducted.

(b) **Authorization.** The Offered Shares have been duly authorized and, when issued, delivered and paid for in the manner set forth in this Purchase Agreement, will be validly issued, fully paid and nonassessable. The rights, privileges and preferences of the Offered Shares are as stated in the Certificate and as provided by the Delaware General Corporation Law. This Agreement constitutes the valid and binding obligation of the Company, enforceable in accordance with its terms, except that enforcement of this Agreement and the terms of the Offered Shares may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to or affecting the rights of creditors generally and subject to the fact that equitable remedies are discretionary and may not be granted by a court of competent jurisdiction.

(c) **Subsidiaries.** The Company does not currently own or control, directly or indirectly, any interest in any other corporation, partnership, trust, joint venture, limited liability company, association, or other business entity. The Company is not a participant in any joint venture, partnership or similar arrangement.

(d) **No Default.** The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby do not and will not constitute a default under any of the terms, conditions or provisions of the Certificate of Incorporation or Bylaws of the Company, or any material contract, agreement or arrangement to which the Company is a party or by which it is bound.

(e) **Compliance with Laws; Permits.** The Company holds all material licenses, approvals, certificates, permits and authorizations necessary for the lawful conduct of its business and is in material compliance with all applicable laws, rules, regulations and ordinances. The Company has all franchises, permits, licenses, and any similar authority necessary for the conduct of its business, the lack of which could materially and adversely affect the business, properties, prospects or financial condition of the Company. The Company is not in default in any material respect under any such franchise, permit, license or other similar authority.

(f). Litigation. There is no action, suit, proceeding at law or in equity, arbitration or administrative or other proceeding by or before (or to the best knowledge, information and belief of the Company any investigation by) any governmental or other instrumentality or agency, pending, or, to the Company's knowledge, information and belief, threatened against or affecting the Company or any of its properties, intellectual property and patents, or other rights which could materially and adversely affect the right or ability of the Company to carry on its business as now conducted, or which could materially and adversely affect the condition, whether financial or otherwise, or properties or intellectual property of the Company; and the Company does not know of any valid basis for any such action, proceeding or investigation.

(g). Intellectual Property. To the knowledge of the Company, the Company owns or possesses or believes it can obtain on commercially reasonable terms sufficient legal rights to all patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses (software or otherwise), information, processes and similar proprietary rights (collectively "**Intellectual Property**") necessary to conduct the business of the Company as it is presently conducted or as presently contemplated to be conducted ("**Company Intellectual Property**") without any known conflict with, or infringement of, the rights of others. To the Company's knowledge, no product or service marketed or sold (or proposed to be marketed or sold) by the Company violates or will violate any license or infringes or will infringe any intellectual property rights of any other party. Except for agreements with its own employees, consultants and customers and standard end-user license agreements and as otherwise disclosed in the Company's annual or quarterly filings with the SEC, there are no outstanding options, licenses or agreements relating to the Company Intellectual Property, and the Company is not bound by or a party to any options, licenses or agreements with respect to the Intellectual Property of any other person or entity. The Company has not received any written communication alleging that the Company has violated or, by conducting its business, would violate any of the Intellectual Property of any other person or entity. To the knowledge of the Company, it will not be necessary to use any inventions of any of its employees or consultants (or persons it currently intends to hire) made prior to their employment by the Company. Each employee of the Company has executed a customary confidential information and invention assignment agreement. To the knowledge of the Company, no such employee or consultant is in violation of such confidential information and invention assignment agreement.

(h). Property. The property and assets that the Company owns are free and clear of all mortgages, deeds of trust, liens, loans and encumbrances, except for statutory liens for the payment of current taxes that are not yet delinquent and encumbrances and liens that arise in the ordinary course of business and do not materially impair the Company's ownership or use of such property or assets. With respect to the property and assets it leases, the Company is in material compliance with such leases and holds a valid leasehold interest free of any liens, claims or encumbrances other than those of the lessors of such property or assets. The Company does not own any real property.

(i). Tax Returns and Payments. There are no federal, state, county, local or foreign taxes due and payable by the Company which have not been timely paid. There are no accrued and unpaid federal, state, county, local or foreign taxes of the Company which are due, whether or not assessed or disputed. There have been no examinations or audits of any tax returns or reports by any applicable federal, state, local or foreign governmental agency. The Company has duly and timely filed all federal, state, county, local and foreign tax returns required to have been filed by it and there are in effect no waivers of applicable statutes of limitations with respect to taxes for any year.

(j). Governmental Consents and Filings. Assuming the accuracy of the representations made by the Investors in Section 2 of this Agreement, no consent, approval, order or authorization of, or registration, qualification, designation, declaration or filing with, any federal, state or local governmental authority on the part of the Company is required in connection with the consummation of the transactions contemplated by the Purchase Agreement, except for (i) the filing of the Charter with the Secretary of State of the State of Delaware and (ii) filings pursuant to Regulation D of the U.S. Securities Act, and applicable state securities laws, which have been made or will be made in a timely manner.

(k). Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation as defined in the United States Internal Revenue Code of 1986, as amended.

(l). Labor and Employment Matters. To the Company's knowledge, no Key Employee intends to terminate their employment with the Company, nor does the Company have a present intention to terminate the employment of any of the foregoing. The Company has complied in all material respects with all applicable laws related to labor or employment, including provisions thereof relating to wages, hours, working conditions, benefits, retirement, social welfare, equal opportunity and collective bargaining. For the purposes hereof, "**Key Employee**" means any executive-level employee (including division director and vice president-level positions).

(m). No "Bad Actor" Disqualifications. The Company has exercised reasonable care, in accordance with SEC rules and guidance, to determine whether any Covered Person (as defined below) is subject to any Disqualification Event (as defined in Rule 506(d)(1)(i) through (viii) under the U.S. Securities Act). To the Company's knowledge, no Covered Person is subject to a Disqualification Event, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3) under the U.S. Securities Act the Company has complied, to the extent applicable, with any disclosure obligations under Rule 506(e) under the U.S. Securities Act. "**Covered Persons**" are those persons specified in Rule 506(d)(1) under the U.S. Securities Act, including the Company; any predecessor or affiliate of the Company; any director, executive officer, other officer participating in the offering, general partner or managing member of the Company; any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power; any promoter (as defined in Rule 405 under the U.S. Securities Act) connected with the Company in any capacity at the time of the sale of the Securities; and any person that has been or will be paid (directly or indirectly) remuneration for solicitation of purchasers in connection with the sale of the Series AA Preferred Stock (a "**Solicitor**"), any general partner or managing member of any Solicitor, and any director, executive officer or other officer participating in the Offering of any Solicitor or general partner or managing member of any Solicitor.

4. **Registration Rights**

(a). Rezolute shall use reasonable commercial efforts to (i) prepare and file with the SEC within **sixty (60)** calendar days after the Closing Date a registration statement (on Form S-3, SB-1, SB-2, S-1, or other appropriate registration statement form reasonably acceptable to Purchaser) under the U.S. Securities Act (the “**Registration Statement**”), at the sole expense of Rezolute, in respect of Purchaser, so as to permit a public offering and resale of the shares of common stock issuable upon the conversion of the Offered Shares (collectively, the “**Registrable Securities**”) in the United States under the U.S. Securities Act by Purchaser as a selling stockholder and not as underwriter; and (ii) use commercially reasonable efforts to cause a Registration Statement to be declared effective by the SEC as soon as possible, but in any event not later than the earlier of **ninety (90)** calendar days following the Closing Date. Rezolute will notify Purchaser of the effectiveness of the Registration Statement within three (3) trading days (days in which the OTCQB is open for quotation). The initial Registration Statement shall cover the resale of 100% of the Registrable Securities, for an offering to be made on a continuous basis pursuant to Rule 415 (as promulgated by the Commission pursuant to the U.S. Securities Act, as such Rule may be amended from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule); provided, however, that if 100% of the Registrable Securities included hereunder cannot be registered, the number of Registrable Securities on the initial Registration Statement shall be reduced pro-rata among all Purchasers.

(b). Rezolute will use reasonable commercial efforts to maintain the Registration Statement or post-effective amendment filed under this Section 4 effective under the U.S. Securities Act until the earlier of the date (i) all of the Registrable Securities have been sold pursuant to such Registration Statement or (ii) Purchaser receives an opinion of counsel to Rezolute, which opinion and counsel shall be reasonably acceptable to Purchaser, the Company and the transfer agent, that the Registrable Securities may be sold under the provisions of Rule 144.

(c). All fees, disbursements and out-of-pocket expenses and costs incurred by Rezolute in connection with the preparation and filing of the Registration Statement and in complying with applicable securities and “blue sky” laws (including, without limitation, all attorneys’ fees of Rezolute, registration, qualification, notification and filing fees, printing expenses, escrow fees, blue sky fees and expenses and the expense of any special audits incident to or required by any such registration) shall be borne by Rezolute. Purchaser shall bear the cost of underwriting and/or brokerage discounts, fees and commissions, if any, applicable to the Registrable Securities being registered and the fees and expenses of its counsel. Rezolute shall qualify any of the Registrable Securities for sale in such states as Purchaser reasonably designates. However, Rezolute shall not be required to qualify in any state which will require an escrow or other restriction relating to Rezolute and/or the sellers, or which will require Rezolute to qualify to do business in such state or require Rezolute to file therein any general consent to service of process. Rezolute at its expense will supply Purchaser with copies of the applicable Registration Statement and the prospectus included therein and other related documents in such quantities as may be reasonably requested by Purchaser.

(d). Purchaser will cooperate with Rezolute in all respects in connection with this Agreement, including timely supplying all information reasonably requested by Rezolute (which shall include completing the Selling Shareholder Questionnaire attached hereto as **Exhibit A**, and all information regarding Purchaser and proposed manner of sale of the Registrable Securities required to be disclosed in any Registration Statement) and executing and returning all documents reasonably requested in connection with the registration and sale of the Registrable Securities and entering into and performing its obligations under any underwriting agreement, if the offering is an underwritten offering, in usual and customary form, with the managing underwriter or underwriters of such underwritten offering. Any delay or delays caused by Purchaser, or by any other purchaser of securities of Rezolute having registration rights similar to those contained herein, by failure to cooperate as required hereunder shall not constitute a breach or default of Rezolute under this Agreement. Purchaser understands and agrees that the Company's obligations under this Section 4 with respect to the preparation and filing of the Registration Statement are subject to Purchaser or any other purchaser of securities of Rezolute having registration rights similar to those contained herein, timely providing the Company with the Selling Shareholder Questionnaire and all information reasonably requested by the Company to prepare and file the Registration Statement.

5 . **Market Stand-Off:** Purchaser further agrees, if so requested by the Company or any representative of its underwriters, to enter into such underwriter's standard form of "lockup" or "market standoff" agreement in a form satisfactory to the Company and such underwriter. The Company may impose stop-transfer instructions with respect to securities subject to the foregoing restrictions until the end of any such restriction period. Notwithstanding the foregoing, this Section shall only apply to any Purchaser who own, at the time of such underwritten public offering, 3% of the issued and outstanding shares of common or preferred stock of the Company on a fully-diluted basis.

6 . **Legend:** The certificates representing the Offered Shares sold pursuant to this Purchase Agreement will be imprinted with a legend in substantially the following form:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OR (2) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE STATE SECURITIES LAWS AND THE SECURITIES LAWS OF OTHER JURISDICTIONS, AND IN THE CASE OF A TRANSACTION EXEMPT FROM REGISTRATION, UNLESS THE COMPANY HAS RECEIVED AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO IT THAT SUCH TRANSACTION DOES NOT REQUIRE REGISTRATION UNDER THE SECURITIES ACT AND SUCH OTHER APPLICABLE LAWS."

7. **Conditions to Closing:**

(a). **Conditions to Obligations of Purchaser:** The obligations of Purchaser to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Purchaser's waiver, at or prior to the Closing each of the following conditions.

i. The representations and warranties of the Company contained herein shall be true and correct in all respects as of the Closing with the same effect as though made at and as of such time.

ii. The Company shall deliver to Purchaser written resignations effective as of closing, of the following directors of the Company: Hoyoung Huh, David Welch, Tae Hoon Kim and Samir Patel.

iii. The Company shall have filed a Certificate of Designations with the Secretary of State of the State of Delaware designating the rights and preferences of the Offered Shares.

(b). **Conditions to Obligations of the Company:** The obligations of Company to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment or Purchaser's waiver, at or prior to the Closing each of the following conditions.

i. The representations and warranties of Purchaser contained herein shall be true and correct in all respects as of the Closing with the same effect as though made at and as of such time.

ii. The Company shall have received the Purchase Price.

iii. The Company shall have received a waiver from XOMA LLC to the terms of the License Agreement dated, December 6, 2018.

8. **Covenants:**

(a). **Call Option.**

i. Until the earlier to occur of (A) December 31, 2020, and (B) the date when the Company asks the Purchasers for further financing, each Purchaser may elect to purchase up to \$10,000,000 worth of shares of the Company's common stock at purchase price equal to the greater of:

1. \$0.29 per share or

2. 75% of the volume weighted average closing price of the Company's common stock during the thirty (30) consecutive trading days prior to the date of the Purchaser Notice.

ii. If the a Purchaser wishes to exercise its right to purchase shares of the Company's common stock pursuant to this Section, the Purchaser shall deliver to the Company a written notice (the "**Purchase Notice**") specifying the number of shares of common stock to be repurchased by the Purchaser.

iii. The closing of any purchase of common stock pursuant to this Section shall take place no later than five (5) days following receipt by the Company of the Purchase Notice.

iv. The Purchaser shall take all actions as may be reasonably necessary to consummate the sale contemplated by this Section.

(b). **Board Nomination Right.**

i. The Purchasers, their affiliates or designee shall have the right (but not the obligation) to nominate three (3) members of the Board of Directors of the Company (the "Purchaser Nominees") for so long as the Purchasers and their affiliates collectively hold at least 40% of the aggregate Offered Shares or Registrable Securities purchased by the Purchasers at the Closing; provided, that such nominee must qualify as an "independent" director as defined under NASDAQ Listing Rule 5605(a)(2). The Company agrees to take all necessary corporate and other actions, including increasing the size of the Board of Directors, if necessary, and/or to request a voting of the stockholders, to permit the Purchaser Nominees to be elected by the members of the Board of Directors pursuant to the Company's certificate of incorporations and Bylaws. One veto is available to Purchasers and their affiliates for directors not designated by Purchaser and their affiliates.

ii. Each Purchaser hereby covenants and agrees (A) not to designate or participate in the designation of any director designee who, to such Person's knowledge, is a Disqualified Designee and (B) that in the event such Person becomes aware that any individual previously designated by any such Person is or has become a Disqualified Designee, such Person shall as promptly as practicable take such actions as are necessary to remove such Disqualified Designee from the Board and designate a replacement designee who is not a Disqualified Designee. Any director designee to whom any Disqualification Event is applicable, except for a Disqualification Event as to which Rule 506(d)(2)(ii) or (iii) or (d)(3) is applicable, is referred to as a "Disqualified Designee".

(c). **Board Size.** The Purchaser and their affiliates shall set the size of the Board and the Company shall use commercially reasonable efforts to remain the size of Board at three (3) or more and up to five (5) directors

(d). **Employee Arrangements.** The Company will use commercially reasonable efforts during the 30 day period after Closing to retain and compensate key employees of the Company.

9 . **Governing Law:** This Purchase Agreement shall be binding upon the parties hereto, their heirs, executors, successors, and legal representatives. The laws of the State of Delaware shall govern the rights of the parties as to this Agreement.

10. **Indemnification:** Purchaser acknowledges that it understands the meaning and legal consequences of the representations and warranties contained herein, and it hereby agrees to indemnify and hold harmless Rezolute and any other person or entity relying upon such information thereof from and against any and all loss, damage or liability due to or arising out of a breach of any representation, warranty, or acknowledgement of Purchaser contained in this Agreement.

11. **Nonassignability:** Except as otherwise expressly provided herein, this Agreement may not be assigned by Purchaser.

1 2 . **Entire Agreement:** This Agreement, including any supplements, schedules, or exhibits hereto, as each is amended and supplemented from time to time contains the entire agreement among the parties with respect to the acquisition of the Offered Shares and the other transactions contemplated hereby, and there are no representations, covenants or other agreements except as stated, incorporated, or referred to herein.

13. **Amendment:** This Agreement may be amended or modified only by a writing signed by the party or parties to be charged with such amendment or modification.

14. **Binding On Successors:** All of the terms, provisions and conditions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, successors, and legal representatives.

15. **Titles:** The titles of the sections of this Agreement are for convenience of reference only and are not to be considered in construing this Agreement.

16. **Counterparts:** This Agreement may be executed in one or more counterparts, each of which shall be deemed an original and all of which shall be deemed an original and all of which taken together shall constitute one and the same document, notwithstanding that all parties are not signatories to the same counterpart.

17. **Severability:** The unenforceability or invalidity of any provision of this Agreement shall not affect the enforceability or validity of the balance of this Agreement.

18. **Disclosure Required Under State Law:** The offering and sale of the securities is intended to be exempt from registration under the securities laws of certain states. Purchasers who reside or purchase the Offered Shares may be required to make additional disclosures by the securities laws of various states and agrees to provide such additional disclosures as requested by Rezolute upon written request.

19. **Notices:** All notes or other communications hereunder (except payment) shall be in writing and shall be deemed to have been duly given if delivered personally or sent by registered or certified mail postage prepaid, or by Express Mail Service or similar courier, addressed as follows:

If to Purchaser: At the address designated on the signature page of this Agreement.

If to the Company: Rezolute, Inc.
570 El Camino Road Suite 150-403
Redwood City, California 94063
Attention: Nevan Elam, CEO

With Copy to: Dorsey & Whitney LLP
1400 Wewatta Street, Suite 400
Denver, Colorado 80202
Attention: Michael L. Weiner, Esq.

17. **Time of the Essence:** Time shall be of the essence of this Agreement in all respects.

18. **Facsimile and Counterpart Purchase Agreements:** Rezolute shall be entitled to rely on delivery of a facsimile or electronic copy of this Agreement executed by the purchaser, and acceptance by Rezolute of such executed Agreement shall be legally effective to create a valid and binding agreement between Purchaser and Rezolute in accordance with the terms hereof. In addition, this Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same document.

19. **Future Assurances:** Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after a Closing, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

IN WITNESS WHEREOF, Purchaser executed this Agreement this 4th day of January 2019.

PURCHASERS:

GENEXINE, INC.

700 Daewangpangyo-ro
Korea Bio-Park, Building B
Bundang-gu, Seongnam-si, Gyeonggi-do 463-400
Republic of Korea

By: /s/ You Suk Suh

Name: You Suk Suh

Title: CEO

Number of shares purchased: 1,250,000

HANDOK, INC.

132 Teheran-ro
Gangnam-gu
Seoul 06235
Republic of Korea

By: /s/ Young Jin Kim

Name: Young Jin Kim

Title: Chairman & CEO

Number of shares purchased: 1,250,000

REZOLUTE, INC.

By: /s/ Nevan Elam

Name: Nevan Elam

Title: Chief Executive Officer

EXHIBIT A
SCHEDULE OF PURCHASERS

<i><u>Name and Address</u></i>	<i><u>Number of Shares of Series AA Preferred Stock Purchased</u></i>	<i><u>Total Purchase Price</u></i>	<i><u>Exclusivity payment (2018.11.28)</u></i>	<i><u>Purchase Price Remaining</u></i>
<u>Initial Closing:</u> <u>January __, 2019</u>				
HANDOK, INC.	1,250,000	\$12,500,000	\$750,000	\$11,750,000
GENEXINE, INC.	1,250,000	\$12,500,000	\$750,000	\$11,750,000

CERTIFICATIONS

I, Nevan Elam, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rezolute, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. As the Registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. As the Registrant's certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 14, 2019

By: /s/ Nevan Elam
Nevan Elam
Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Keith Vendola, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rezolute, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects, the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report.
4. As the Registrant's certifying officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and
5. As the Registrant's certifying officer, I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors:
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: February 14, 2019

By: /s/ Keith Vendola
Keith Vendola
Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Rezolute, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nevan Elam, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2019

By: /s/ Nevan Elam

Nevan Elam
Chief Executive Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 has been provided to Rezolute, Inc. and will be retained by Rezolute, Inc. to be furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly report of Rezolute, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Keith Vendola, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 14, 2019

By: /s/ Keith Vendola

Keith Vendola
Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by Section 906 has been provided to Rezolute, Inc. and will be retained by Rezolute, Inc. to be furnished to the Securities and Exchange Commission or its staff upon request.
