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 September 30, 2019
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	**27-3440894**
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
201 Redwood Shores Parkway, Suite 315, Redwood City, California	**94065**
(Address of Principal Executive Offices)	(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)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	None	None

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, and 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

The registrant had 293,320,891 shares of its $0.001 par value common stock outstanding as of November 11, 2019.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report") 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, but not limited to, the risks described in *"Risk Factors"* in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended June 30, 2019 (the "2019 Form 10-K"), filed with the Securities and Exchange Commission ("SEC") on September 10, 2019.

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 Report, 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 Report 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 Report, except as otherwise required by applicable law.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Rezolute, Inc.

Unaudited Condensed Consolidated Balance Sheets
(in thousands, except per share amounts)

	September 30, 2019	June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 22,104	$ 11,573
Restricted cash	3,111	-
Receivables from related parties	247	-
Prepaid expenses and other	454	571
Total current assets	25,916	12,144
Right-of-use assets	552	-
Property and equipment, net	41	44
Intangible assets, net	28	29
Lease security deposits	35	35
Total assets	$ 26,572	$ 12,252
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 1,320	$ 563
Accrued liabilities:		
Compensation and benefits	201	790
Other	159	526
Current portion of license fees payable to Xoma	3,609	6,500
Current portion of operating lease liabilities	234	-
Total current liabilities	5,523	8,379
Operating lease liabilities, net of current portion	346	-
Other non-current liabilities	85	121
License fees payable to Xoma, net of current portion	-	2,000
Total liabilities	5,954	10,500
Commitments and contingencies (Notes 4, 5 and 7)		
Stockholders' equity:		
Preferred Stock, $0.001 par value; 20,000 shares authorized, no shares issued	-	-
Common Stock, $0.001 par value, 500,000 shares authorized; 293,321 and 210,390 shares issued and outstanding as of September 30, 2019 and June 30, 2019, respectively	293	210
Additional paid-in capital	152,308	128,445
Accumulated deficit	(131,983)	(126,903)
Total stockholders' equity	20,618	1,752
Total liabilities and stockholders' equity	$ 26,572	$ 12,252

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

Rezolute, Inc.

Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Three Months Ended September 30,	
	2019	**2018**
Operating expenses:		
Research and development:		
Compensation and benefits, net of related party reimbursements	$ 1,418	$ 557
Clinical trial costs	991	3
Consulting and outside services	486	47
Material manufacturing costs	187	73
Facilities and other	152	250
Total research and development	3,234	930
General and administrative:		
Compensation and benefits	1,336	1,250
Professional fees	360	166
Facilities and other	249	239
Total general and administrative	1,945	1,655
Gain on sale of equipment	-	(23)
Net operating expenses	5,179	2,562
Operating loss	(5,179)	(2,562)
Non-operating income (expense):		
Interest expense	-	(911)
Interest and other income	99	108
Total non-operating income (expense)	99	(803)
Net loss	$ (5,080)	$ (3,365)
Net loss per common share - basic and diluted	$ (0.02)	$ (0.05)
Weighted average number of common shares outstanding - basic and diluted	270,452	62,166

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

Rezolute, Inc.

Unaudited Condensed Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except per share amounts)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount			
Three Months Ended September 30, 2019:					
Balances, June 30, 2019	210,390	$ 210	$ 128,445	$ (126,903)	$ 1,752
Stock-based compensation	-	-	1,394	-	1,394
Fair value of warrants issued to consultants for services	-	-	2	-	2
Issuance of common stock for cash:					
Related parties at $0.29 per share	68,966	69	19,931	-	20,000
Other investors at $0.29 per share	13,965	14	4,036	-	4,050
Advisory fees and other offering costs	-	-	(1,500)	-	(1,500)
Net loss	-	-	-	(5,080)	(5,080)
Balances, September 30, 2019	293,321	$ 293	$ 152,308	$ (131,983)	$ 20,618
Three Months Ended September 30, 2018:					
Balances, June 30, 2018	62,166	$ 62	$ 90,161	$ (94,184)	$ (3,961)
Stock-based compensation	-	-	878	-	878
Fair value of warrants issued to consultants for services	-	-	5	-	5
Net loss	-	-	-	(3,365)	(3,365)
Balances, September 30, 2018	62,166	$ 62	$ 91,044	$ (97,549)	$ (6,443)

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

Rezolute, Inc.

Unaudited Condensed Consolidated Statements of Cash Flows
(in thousands)

	Three Months Ended September 30,	
	2019	**2018**
Cash Flows From Operating Activities:		
Net loss	$ (5,080)	$ (3,365)
Stock-based compensation expense	1,394	878
Depreciation and amortization expense	5	27
Fair value of warrants issued for services	2	5
Accretion of debt discount and issuance costs	-	703
Gain on sale of equipment	-	(23)
Derivative gains	-	(19)
Changes in operating assets and liabilities:		
Decrease (increase) in prepaid expenses and other assets	170	(3)
Increase in receivables from related parties	(247)	-
Increase in accounts payable	736	156
Increase (decrease) in accrued liabilities	(1,018)	209
Decrease in license fees payable to Xoma	(4,891)	-
Net cash used in operating activities	(8,929)	(1,432)
Cash Flows Provided by Investing Activities:		
Proceeds from sale of equipment	-	187
Cash Flows From Financing Activities:		
Proceeds from issuance of Common Stock:		
Related parties	20,000	-
Other investors	4,050	-
Payments for commissions and other offering costs	(1,479)	-
Net cash provided by financing activities	22,571	-
Net increase (decrease) in cash, cash equivalents and restricted cash	13,642	(1,245)
Cash, cash equivalents and restricted cash, beginning of period	11,573	1,646
Cash, cash equivalents and restricted cash, end of period	$ 25,215	$ 401
Cash, Cash Equivalents and Restricted Cash:		
Cash and cash equivalents, end of period	$ 22,104	$ 401
Restricted cash, end of period	3,111	-
Cash, cash equivalents and restricted cash, end of period	$ 25,215	$ 401
Supplementary Cash Flow Information:		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	-	-
Cash paid under operating lease obligations	68	85
Non-Cash Investing and Financing Activities:		
Right-of-use assets acquired in exchange for operating lease liabilities upon adoption of new accounting standard	$ 605	$ -
Payable for equity offering costs	21	-

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

NOTE 1 — NATURE OF OPERATIONS AND SUMMARY OF SIGNFICANT ACCOUNTING POLICIES

Nature of Operations

Rezolute, Inc. (the "Company") is a clinical stage biopharmaceutical company incorporated in Delaware in 2010.

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 ("GAAP") and the rules and regulations of the 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, 2019, 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 2019 Form 10-K, 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, 2019.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with 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 months ended September 30, 2019 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, 2020.

Comprehensive income (loss)

Comprehensive income (loss) is defined as net income (loss) plus other comprehensive income (loss). Other comprehensive income (loss) is comprised of revenues, expenses, gains, and losses that under GAAP are reported as separate components of stockholders' equity (deficit) instead of net income (loss). For the three months ended September 30, 2019 and 2018, the only component of comprehensive loss was the Company's net loss.

Segment Information

The Company's Chief Executive Officer also serves as the Company's chief operating decision maker (the "CODM") for purposes of allocating resources and assessing performance based on financial information of the Company. Since its inception, the Company has determined that its activities as a clinical stage biopharmaceutical company are classified as a single reportable operating segment.

Reclassifications

Certain amounts in the previously issued comparative interim financial statements for the three months ended September 30, 2018 have been reclassified to conform to the current interim financial statement presentation. These reclassifications had no effect on the previously reported net loss, working capital, cash flows and stockholders' equity (deficit).

Consolidation

The Company has three wholly owned subsidiaries consisting of AntriaBio Delaware, Inc., Rezolute (Bio) Ireland Limited, and Rezolute Bio UK, Ltd. The accompanying consolidated financial statements include the accounts of the Company and its three wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with 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, fair value of share-based payments and warrants, management's assessment of going concern, clinical trial accrued liabilities, 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 risks and uncertainties including financial, operational, regulatory and other risks associated with a clinical stage company, including the potential risk of business failure as discussed further in Note 2.

Research and Development Costs

Research and development costs are expensed as incurred. Intangible assets for in-licensing costs incurred under license agreements with third parties are charged to expense, unless the licensing rights have separate economic value in alternative future research and development projects or otherwise.

Clinical Trial Accruals

Clinical trial costs are a component of research and development expenses. The Company accrues and expenses clinical trial activities performed by third parties based upon estimates of the percentage of work completed over the life of the individual study in accordance with agreements established with clinical research organizations and clinical trial sites. The Company determines the estimates through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services.

Nonrefundable advance payments for goods and services that will be used or rendered in future research and development activities, are deferred and recognized as expense in the period that the related goods are delivered, or services are performed.

Stock Options with Market, Performance and Service Conditions

The Company grants certain stock options with vesting that is dependent on achieving market, performance and service criteria. For purposes of recognizing compensation cost, the Company determines the requisite service period as the longest of the explicit, implicit and derived vesting periods for each of the market, performance and service conditions, respectively. The derived vesting period for market conditions will be based on a valuation performed using a Monte Carlo model. Compensation cost will be recognized beginning on such date that achievement of the performance criterion is considered probable and continuing through the end of the requisite service period.

If the stock options do not ultimately vest as a result of failure to achieve the service criterion, any previously recognized compensation cost will be reversed for options that never vest. However, if the service and performance criteria are achieved, compensation cost will not be reversed even if the market condition is never achieved.

Leases

The Company determines if an arrangement includes a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, accrued and other current liabilities and other non-current liabilities on the Company's Condensed Consolidated Balance Sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses the incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments. The operating lease ROU asset also excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise any such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company has elected not to apply the recognition requirements for short-term leases. For lease agreements with lease and non-lease components, the Company generally accounts for them separately.

Recent Accounting Pronouncements

Recently Adopted Standards. The following accounting standards were adopted during the three months ended September 30, 2019:

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires the Company to recognize right-of-use assets and operating lease liabilities on the balance sheet and also disclose key information about leasing arrangements. On July 1, 2019, the Company adopted this new standard using the modified retrospective approach in accordance with Leases - Targeted Improvements (ASU No. 2018-11). The Company elected the package of practical expedients permitted under the transition guidance within ASU No. 2018-11, which among other things, allowed the Company to carry forward the historical lease classification of those leases in place as of July 1, 2019. The impact of adoption resulted in the recognition of right-of-use assets and operating lease liabilities for the discounted present value of the future lease payments on leases that were in effect on July 1, 2019, as follows (in thousands):

Right-of-use assets recorded under new standard	$ 605
Operating lease liabilities recorded under new standard:	
Current	$ 227
Long-term	406
Total	633
Eliminate previously existing deferred rent liability	(28)
Net increase in liabilities due to adoption of new standard	$ 605

Please refer to Note 3 for further information about the right-of-use assets and operating lease liabilities recognized under this standard. Due to the Company's election to adopt this standard effective July 1, 2019, rent expense was recognized under the accounting standard that was previously in effect for all periods prior to July 1, 2019.

In June 2018, the FASB issued ASU 2018-07, "*Compensation — Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*," which expands the scope of ASC 718 to include share-based payment transactions for acquiring goods and services from non-employees. The new standard does not apply to warrants issued to a lender or investor in a financing transaction. The Company adopted ASU 2018-07 effective July 1, 2019. Prior to the adoption of ASU 2018-07, the Company accounted for stock options and warrants granted to non-employees based on the fair value of the goods and services, or the equity instrument, whichever could be measured more reliably. If fair value of the equity instrument was more reliably determined, fair value of the equity instrument was required to be re-measured until the performance commitment date was achieved, which resulted in the recognition of subsequent gains and losses. Under the new standard, the fair value of the goods and services acquired from non-employees is solely determined using the fair value of the equity instruments issued and measurement of fair value is fixed on the grant date. The Company also made an accounting policy election to recognize the impact of forfeitures of non-employee awards in the period that the forfeiture occurs. The impact of adopting this standard was immaterial to the Company's unaudited condensed consolidated financial statements.

Standard Required to be Adopted in Future Years. The following accounting standard is not yet effective; management has not completed its evaluation to determine the impact that adoption of this standard will have on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* ASU 2016-13 amends the guidance on the impairment of financial instruments. This update adds an impairment model (known as the current expected credit losses model) that is based on expected losses rather than incurred losses. Under the new guidance, an entity recognizes, as an allowance, its estimate of expected credit losses. In November 2018, ASU 2016-13 was amended by ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses.* ASU 2018-19 changes the effective date of the credit loss standards (ASU 2016-13) to fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Further, the ASU clarifies that operating lease receivables are not within the scope of ASC 326-20 and should instead be accounted for under the new leasing standard, ASC 842.

Other accounting standards that have been issued or proposed by the FASB or other standards-setting bodies that do not require adoption until a future date are not currently expected to have a material impact on our financial statements upon adoption.

NOTE 2 — LIQUIDITY

The Company is in the clinical stage and has not yet generated any revenues. For the fiscal year ended June 30, 2019, the Company incurred a net loss of $30.4 million and net cash used in operating activities amounted to $15.3 million. For the three months ended September 30, 2019, the Company incurred a net loss of $5.1 million and net cash used in operating activities amounted to $8.9 million. As of September 30, 2019, the Company had an accumulated deficit of $132.0 million. As of September 30, 2019, the Company had cash, cash equivalents and restricted cash of $25.2 million and total liabilities of $6.0 million.

As discussed in Note 5, in July and August 2019 the Company received aggregate net proceeds of approximately $22.6 million from the issuance of approximately 82.9 million shares of Common Stock to investors in a private placement. Management believes the Company's existing cash, cash equivalents and restricted cash balance of $25.2 million is adequate to carry out currently planned activities at least through November 2020. The Company's contractual obligations and other planned spending through November 2020 includes (i) licensing obligations to Xoma Corporation of $3.6 million as discussed in Note 4, (ii) research and development spending on RZ358, RZ402, and AB101 for a total of approximately $10.5 million, and (iii) an aggregate of approximately $8.9 million for spending on compensation, benefits, rent, and public company costs for auditing and professional fees. The Company expects to continue pursuing equity and/or debt financings to provide funding for planned activities for the fiscal year ending June 30, 2021 and beyond. To the extent that additional funding is obtained during the remainder of the current fiscal year, the Company plans to accelerate timing to complete clinical trials and other research and development activities which would result in increased spending. However, the Company has the flexibility to delay clinical programs to ensure that adequate capital resources are available.

There are no assurances that the Company will be able to obtain additional financing through other sources, such as equity offerings and bank financings in the future. Even if these other financing sources are available, they may be on terms that are not acceptable to management and the Company's stockholders.

NOTE 3 — RIGHT-OF-USE ASSETS

As discussed in Note 1, the Company adopted ASU 2016-02, *Leases* (Topic 842) effective July 1, 2019. As of July 1, 2019, the Company had two leases in effect, consisting of (i) a lease for its headquarters location in Redwood City, California that was entered into on January 25, 2019, that provides for monthly rent of approximately $21,000 through the expiration date in March 2022, and (ii) a lease for office space in Bend, Oregon entered into on February 7, 2019, that provides for monthly rent of approximately $2,700 through the expiration date in February 2021. The impact of adoption of ASU 2016-02 resulted in the recognition of right-of-use ("ROU") assets for $0.6 million and operating lease liabilities for the discounted present value of the future lease payments on these leases of approximately $0.6 million. For the three months ended September 30, 2019, the Company had operating lease expense of approximately $68,000 under ASC 842. For the three months ended September 30, 2018, the Company had operating lease expense of approximately $152,000 under the previous lease accounting standard.

The Company determined the operating lease liability of approximately $633,000 based upon a discount rate of 10.0% and assuming that the Company will not exercise its option to extend the lease for an additional three years. The discount rate represents the Company's estimated incremental borrowing rate for collateralized debt with a payment structure and term similar to the underlying operating lease terms.

Balance Sheet Presentation

As of September 30, 2019 and on the adoption date of July 1, 2019, the carrying value of ROU assets and operating lease liabilities are as follows (in thousands):

	September 30, 2019	July 1, 2019
Right-of-Use Assets	$ 552	$ 605
Operating Lease Liabilities:		
Current	$ 234	$ 227
Long-term	346	406
Total	$ 580	$ 633

As of September 30, 2019, the weighted average remaining lease term under operating leases was 2.3 years and the weighted average discount rate for operating lease liabilities was 10.0%.

Future Lease Payments

Future payments under operating lease agreements as of September 30, 2019 are as follows (in thousands):

Fiscal year ending June 30,	
Remainder of fiscal year 2020	$ 207
2021	272
2022	170
Total lease payments	649
Less imputed interest	(69)
Present value of operating lease liabilities	$ 580

NOTE 4 — LICENSE AGREEMENTS

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. On January 7, 2019, the License Agreement was amended whereby the Company was required to make five cash payments to Xoma totaling $8.5 million on or before specified staggered future dates (the "Future Cash Payments"). The Future Cash Payments are due for $1.5 million by September 30, 2019, $1.0 million by December 31, 2019, $2.0 million by September 30, 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, the Company recognized a liability in January 2019 for the entire $8.5 million of Future Cash Payments.

The amended License Agreement provides that if future qualified financings occur before the Future Cash Payments are fully paid, the Company is required to pay Xoma 15% of the net proceeds from such financings ("Early Payments") to be credited against the remaining unpaid Future Cash Payments in the 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. As discussed in Note 5, the Company completed equity financings for net proceeds of approximately $22.6 million in July and August 2019, which resulted in the obligation to make Early Payments of approximately $3.4 million. Presented below is a summary of the amounts payable under the amended License Agreement along with cash payments made for the three months ended September 30, 2019 (in thousands):

	Payable June 30, 2019	Cash Activity		Payable September 30, 2019
Future Payment Date		**Early Payments**	**Scheduled Payments**	
September 30, 2019	$ 1,500	$ -	$ (1,500)	$ -
December 31, 2019	1,000	-	-	1,000
March 31, 2020	2,000	-	-	2,000
June 30, 2020	2,000	(1,391)	-	609
September 30, 2020	2,000	(2,000)	-	-
Total	8,500	$ (3,391)	$ (1,500)	3,609
Less long-term portion of payable	(2,000)			-
Current portion of payable	$ 6,500			$ 3,609

The amendment to the License Agreement also 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. Additionally, upon the future commercialization of RZ358, the Company would be required to pay royalties to Xoma based on the net sales of the related products.

As of September 30, 2019, Xoma owns approximately 8.1 million shares of the Company's Common Stock. The License Agreement provides Xoma with the right and option to require the Company to use its best efforts to facilitate orderly sales of the shares to a third party or purchase the shares (the "Put Option"). Under the amended License Agreement, the Put Option becomes effective if the Company fails to list its shares of Common Stock on the Nasdaq Stock Market or a similar national exchange prior to December 31, 2019. Xoma may exercise the Put option for up to a total of 2.5 million shares of Common Stock for the fiscal year ending December 31, 2020, and up to an additional 2.5 million shares thereafter. If the Put Option becomes exercisable, the Company may be required to pay a price per share equal to the average of the closing bid and asked prices of the Common Stock on the date the Put Option is exercised.

ActiveSite License Agreement

On August 4, 2017, the Company entered into a Development and License Agreement with ActiveSite Pharmaceuticals, Inc. ("ActiveSite") pursuant to which the Company acquired the rights to ActiveSite's Plasma Kallikrein Inhibitor program ("PKI Program"). The Company desires to use the PKI Program to develop, file, manufacture, market and sell products for diabetic macular edema and other human therapeutic indications. The ActiveSite License Agreement requires various milestone payments ranging from $1.0 million to $10.0 million when milestone events occur, up to $36.0 million of aggregate milestone payments. The first milestone payment for $1.0 million is due after completion of the preclinical work and submission of an IND application to the FDA. The Company is also required to pay royalties equal to 2.0% of any sales of products that use the PKI Program, up to a maximum of $10.0 million in total royalty payments. Through September 30, 2019, no milestone payments and royalties have been incurred.

NOTE 5 — STOCKHOLDERS' EQUITY

Equity Offerings

In January 2019, the Company closed an equity offering with two new investors (the "New Investors") that resulted in cash proceeds of $25.0 million and the issuance of an aggregate of approximately 113.6 million shares of the Company's Common Stock in April 2019.

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 was entitled 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 ("VWAP") of the Company's Common Stock during the thirty consecutive trading days prior to the date of the notice.

In June 2019, the Company entered into a financial advisory agreement to undertake a private placement of (i) the shares of Common Stock issuable under the call option issued to the New Investors for a total of $20.0 million, plus (ii) between approximately $20 million and $30 million of equity or equity equivalent securities to be issued to other investors. On July 23, 2019, the Company entered into a purchase agreement whereby the New Investors exercised their call option to purchase an aggregate of approximately 69.0 million shares of Common Stock for gross cash proceeds of $20.0 million. Since VWAP for the previous thirty consecutive trading days was $0.20 per share, the New Investors exercised the call option at a purchase price of $0.29 per share. In addition, during July and August 2019 other investors purchased an aggregate of approximately 14.0 million shares of Common Stock at a purchase price of $0.29 per share for gross cash proceeds of $4.1 million. Pursuant to the financial advisory agreement, the Company agreed to pay a fee of 6.0% of the gross proceeds received from these private placements. The total advisory fees and other offering costs related to these issuances in July and August 2019 amounted to approximately $1.5 million, resulting in net proceeds of $22.6 million for the three months ended September 30, 2019. As discussed in Note 4, the completion of these financings resulted in the obligation to make Early Payments of approximately $3.4 million under the License Agreement with Xoma.

Restricted Cash

In connection with the private placement discussed above, one of the investors purchased approximately 13.1 million shares of Common Stock for gross proceeds of $3.8 million. The Company agreed to spend the proceeds for research and development of RZ358 or for the Company's planned uplisting of its Common Stock to a national stock exchange. For the three months ended September 30, 2019, the Company made qualified expenditures of $0.7 million leaving a restricted cash balance of $3.1 million.

Reverse Stock Split

In August 2019, the Company's Board of Directors approved a reverse stock split (the "Reverse Stock Split") that was subject to stockholder approval at a special meeting that was concluded on October 28, 2019. As discussed in Note 13, stockholders approved the proposal whereby the Board of Directors have the ability at any time on or before October 23, 2020 to execute the Reverse Stock Split and set the exchange ratio between 20 and 100 shares of the Company's outstanding Common Stock, $0.001 par value per share, into one issued and outstanding share of Common Stock, without any change in the par value per share or the number of shares of common stock authorized. If the Reverse Stock Split is subsequently implemented, the number of shares subject to outstanding stock options and warrants will also be adjusted with a corresponding increase in the related exercise prices.

NOTE 6 — STOCK-BASED COMPENSATION AND WARRANTS

Stock Option Plans

The Company currently has three active stock option plans consisting of the 2015 Non-Qualified Stock Option Plan (the "2015 Plan"), the 2016 Non-Qualified Stock Option Plan, as amended (the "2016 Plan"), and the 2019 Non Qualified Stock Option Plan (the "2019 Plan"). On July 31, 2019, the 2019 Plan was adopted by the Board of Directors and provides authority to grant non-qualified stock options for up to 15.0 million shares of the Company's Common Stock. The Company also has stock options outstanding to purchase up to approximately 2.2 million shares of Common Stock under the 2014 Stock and Incentive Plan (the "2014 Plan") that terminated on March 21, 2019. Stock options outstanding under the 2014 Plan expire pursuant to their contractual provisions on various dates in 2021. Presented below is a summary of the number of shares authorized, outstanding, and available for future grants under each of the Company's stock option plans (in thousands):

	Termination	Number of Shares		
Description	Date	Authorized	Outstanding	Available
2014 Plan	March 2019	2,185	2,185	-
2015 Plan	February 2020	6,850	2,610	4,240
2016 Plan	October 2021	28,000	26,630	1,370
2019 Plan	July 2029	15,000	15,000	-
Total		52,035	46,425	5,610

July 2019 Grants

On July 31, 2019, the Board of Directors granted stock options for an aggregate of approximately 34.0 million shares of Common Stock to certain officers and employees at an exercise price of $0.29 per share. The closing price of the Company's shares of Common Stock on the date of grant was approximately $0.21 per share. The option grants were designated for approximately 19.0 million shares under the 2016 Plan and 15.0 million shares under the 2019 Plan. As of July 31, 2019, the number of shares subject to stock options, the related fair value and compensation that was immediately recognized for vested options are as follows (in thousands):

	Time-Based Vesting Number of Shares		Hybrid Vesting Shares	Total
	Vested	Unvested		
Executive officers	3,588[1]	11,562[1][3]	7,550[2][3]	22,700
Other employees	921[1]	6,629[1]	3,700[2]	11,250
Total	4,509	18,191	11,250[6]	33,950
Total fair value	$ 817[4]	$ 3,297[5]		

(1) Stock options are subject to time-based vesting in two tranches, whereby (i) 25% of such options are immediately exercisable for employees who have been employed by the Company for more than one year, and for employees that have been employed by the Company less than one year, 25% of such options will vest on the one year anniversary of the employee's start date, and (ii) the remaining 75% of the stock options will vest ratably over a period of 36 months beginning on the vesting date for the initial 25% tranche.

(2) Stock options that commence vesting upon the achievement of market, performance and service conditions ('Hybrid" terms). These options will vest ratably over a period of 36 months beginning when all of the following have occurred: (i) the option recipient has been employed by the Company for at least one year, (ii) the Company's shares of Common Stock have been listed for trading on a national stock exchange, and (iii) such date no later than July 31, 2023, when the Company's closing stock price exceeds $0.58 per share for 20 trading days in any consecutive 30 day period.

(3) In August 2019, an executive officer terminated employment which resulted in forfeiture of stock options shown in the table above with time-based vesting for 0.8 million shares and performance vesting for 0.4 million shares.

(4) Represents the aggregate grant date fair value for stock options that were immediately vested on the grant date, which is included in stock-based compensation expense for the three months ended September 30, 2019.

(5) Represents the aggregate grant date fair value for stock options that were not immediately vested on the grant date and will be charged to expense from the grant date through the respective vesting dates through July 2023.

(6) A Monte Carlo valuation model will be used to determine the grant date fair value of these stock options that commence vesting upon the achievement of market, performance and service conditions. The Company has not recognized any expense related to these stock options for the three months ended September 30, 2019, since it is not yet probable that the performance criterion will be achieved. The Company will begin recognizing compensation expense at such time that the performance criterion is achieved and continuing through the end of the requisite service period which will also be determined upon completion of the Monte Carlo valuation.

Stock Options Outstanding

The following table sets forth a summary of the combined stock option activity under all of the Company's stock option plans for the three months ended September 30, 2019 (shares in thousands):

	Shares	Price [1]	Term [2]
Outstanding, beginning of period	13,865	$ 1.60	6.4
Granted	33,950	0.29	
Forfeited	(1,390)	0.47	
Outstanding, end of period	46,425	0.68	8.8
Vested, end of period	16,365	1.27	7.1

(1) Represents the weighted average exercise price.

(2) Represents the weighted average remaining contractual term for the number of years until the stock options expire.

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

	Three Months Ended September 30,	
	2019	2018
Research and development	$ 574	$ 130
General and administrative	820	748
Total	$ 1,394	$ 878

Unrecognized stock-based compensation expense related to stock options that provide solely for time-based vesting as of September 30, 2019 is approximately $5.3 million. This amount is expected to be recognized over a remaining weighted average period of 2.4 years. The Company has not completed its Monte Carlo valuation of stock options with hybrid vesting criteria so the related unrecognized compensation has not yet been determined. The three-year vesting period for these stock options commences upon achievement of all three of the market, performance and service conditions discussed above. If the market condition is not achieved by July 31, 2023, the stock options will expire. Unrecognized compensation related to stock options with hybrid vesting criteria will be based on a derived service period and is expected to be recognized starting when it is considered probable that the performance criterion will be achieved.

For the three months ended September 30, 2019, the aggregate fair value of stock options granted for approximately 22.7 million shares of Common Stock that provide solely for time-based vesting, amounted to $4.1 million or approximately $0.18 per share as of the grant date. Fair value was computed using the Black-Scholes-Merton ("BSM") option-pricing model and will result in the recognition of compensation cost ratably over the expected vesting period of the stock options. For the three months ended September 30, 2019, the fair value of each time-based option was estimated on the date of grant using the BSM option-pricing model, with the following weighted-average assumptions:

Valuation Inputs	
Fair value of common stock on grant date	$ 0.21
Exercise price of stock options	0.29
Expected volatility	118%
Risk free interest rate	1.9%
Expected term (years)	6.5
Dividend yield	0%

Warrants

The Company has issued warrants in conjunction with various debt and equity financings and for services. For the three months ended September 30, 2019, no warrants were granted or exercised. Presented below is a summary of warrant activity for the three months ended September 30, 2019 (shares in thousands):

	Shares	Price [1]	Term [2]
Outstanding, beginning of period	45,997	$ 1.34	2.3
Warrant expirations	(451)	1.85	
Outstanding, end of period	45,546	1.33	2.1

(1) Represents the weighted average exercise price.

(2) Represents the weighted average remaining contractual term for the number of years until the warrants expire.

NOTE 7 — COMMITMENTS AND CONTINGENCIES

Employment Agreements

As of September 30, 2019, the Company is subject to employment agreements with three executive officers and two employees that provide for aggregate annual base salaries of approximately $1.8 million. In addition, the employment agreements provide for potential annual bonus compensation ranging from 25% to 60% of the officers' base salaries. In the event the Company terminates employment of the executive officers without cause, severance benefits include (i) between six-months and three years of base salary which range from $280,000 to $490,000, (ii) up to 150% of annual target bonuses applicable to the terminated executive, and (iii) continuation of certain medical and dental benefits. In addition, vesting is generally accelerated for unvested stock options that would have otherwise vested during the period that the severance benefits are paid out.

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 September 30, 2019, 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.

NOTE 8 — RELATED PARTY TRANSACTIONS

Equity Issuances

As discussed in Note 5, on July 23, 2019 the New Investors agreed to purchase an aggregate of approximately 69.0 million shares of Common Stock at an issuance price of $0.29 per share for gross proceeds of $20.0 million. This purchase was made pursuant to the terms of the call option that was issued in connection with an equity offering in January 2019. The New Investors currently own an aggregate of approximately 62% of the Company's outstanding shares of Common Stock.

Master Services Agreement

Effective July 1, 2019, the Company entered into a Master Services Agreement ("MSA") with the New Investors whereby the Company agreed to assist the New Investors in an evaluation of their long acting growth hormone program referred to as GX-H9. For the three months ended September 30, 2019, the Company charged the New Investors for employee services of $103,000 and reimbursable expenses incurred with unrelated parties of $144,000, for a total of approximately $247,000. This amount is included in Receivables from Related Parties in the accompanying unaudited condensed consolidated balance sheet as of September 30, 2019. In October 2019, the Company collected $125,000 of these receivables. Amounts charged under the MSA for employee services are reflected as a reduction of research and development compensation costs in the accompanying unaudited condensed consolidated statement of operations for the three months ended September 30, 2019.

NOTE 9 — SUPPLEMENTAL FINANCIAL INFORMATION

Bonuses and Termination of Employment Agreement

On July 31, 2019, the Board of Directors approved cash bonus payments to three executive officers for past services totaling $448,000. The liability is included in accrued compensation and benefits in the consolidated balance sheet as of June 30, 2019. In August 2019, the Company paid the cash bonus payments to the three executive officers. On July 31, 2019, the Company also entered into an employment agreement with an executive officer that provided for an annual base salary of $265,000, which was subsequently terminated in August 2019.

Interest Expense

Between January 2018 and April 2018, the Company entered into convertible note agreements (the "Fiscal 2018 Notes") for total borrowings of $5.3 million, with interest at 15.0% per annum that was payable at maturity. Debt discount and issuance costs amounted to an aggregate of $3.2 million that was accreted to interest expense using the effective interest method. The Fiscal 2018 Notes plus accrued interest were converted to equity in January 2019. For the three months ended September 30, 2019 and 2018, interest expense was solely attributable to the Fiscal 2018 Notes as follows (in thousands):

	2019	2018
Interest expense at contractual rate	$ -	$ 208
Accretion of discount	-	703
Total interest expense	$ -	$ 911

Depreciation and Amortization

Depreciation and amortization expense related to property and equipment amounted to approximately $3,000 and $25,000 for the three months ended September 30, 2019 and 2018, respectively. Amortization expense related to intangible assets amounted to approximately $2,000 for each of the three months ended September 30, 2019 and 2018.

Restructuring

In April 2018, the Company implemented a restructuring plan to discontinue manufacturing activities in Colorado. The restructuring plan consisted of a reduction in the Company's workforce by 30 employees, the decision to sell substantially all laboratory equipment and other manufacturing assets, and the decision to begin efforts to terminate operating leases in Colorado. Through June 30, 2018, the Company sold a significant portion of the equipment for proceeds of approximately $1.6 million. For the three months ended September 30, 2018, the Company completed additional sales of furniture, fixtures, and laboratory equipment for proceeds of $187,000. These transactions resulted in a gain on sale of approximately $23,000 for the three months ended September 30, 2018. In December 2018, the Company entered into agreements that resulted in the termination of all operating leases and subleases for facilities in Colorado.

NOTE 10 — 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.

For the three months ended September 30, 2019, 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 months ended September 30, 2019 and 2018.

NOTE 11 — EARNINGS PER SHARE

For the three months ended September 30, 2019 and 2018, basic and diluted net loss per share were the same since all common stock equivalents were anti-dilutive. As of September 30, 2019 and 2018, the following potential common stock equivalents outstanding were excluded from the computation of diluted net loss per share since the impact of inclusion was anti-dilutive (in thousands):

	2019	2018
Stock options	46,425	18,837
Warrants	45,546	45,651
Total	91,971	64,488

NOTE 12 — FINANCIAL INSTRUMENTS AND SIGNIFICANT CONCENTRATIONS

Fair Value Measurements

Fair value is defined as the price that would be received upon sale of an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. When determining fair value, the Company considers the principal or most advantageous market in which it transacts and considers assumptions that market participants would use when pricing the asset or liability. The Company applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair measurement:

Level 1—Quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2—Other than quoted prices included in Level 1 that are observable for the asset and liability, either directly or indirectly through market collaboration, for substantially the full term of the asset or liability.

Level 3—Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any market activity for the asset or liability at measurement date.

Due to the relatively short maturity of the respective instruments, the fair value of cash and cash equivalents, restricted cash, receivables from related parties, accounts payable and accrued liabilities approximated their carrying values as of September 30, 2019 and June 30, 2019. The Company did not have any assets and liabilities measured at fair value on a recurring basis as of September 30, 2019 and June 30, 2019. The Company's policy is to recognize asset or liability transfers among Level 1, Level 2 and Level 3 as of the actual date of the events or change in circumstances that caused the transfer. During the three months ended September 30, 2019 and 2018, the Company did not have any transfers of its assets or liabilities between levels of the fair value hierarchy.

Significant Concentrations

Financial instruments that subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents at high-quality financial institutions. Cash deposits often exceed the amount of federal insurance provided on such deposits. As of September 30, 2019 and June 30, 2019, the Company had cash, cash equivalents, and restricted cash with a single financial institution with an aggregate balance of $25.2 million and $11.6 million, respectively. The Company has never experienced any losses related to its investments in cash and cash equivalents.

NOTE 13 — SUBSEQUENT EVENT

The Company held a special meeting of stockholders that concluded on October 28, 2019, whereby the stockholders approved an amendment to the Company's Certificate of Incorporation to provide authority for the Company's Board of Directors to subsequently effect a Reverse Stock Split of the Company's $0.001 par value Common Stock at a ratio ranging between 1-to-20 and 1-to-100. Please refer to Note 5 for additional information about the Reverse Stock Split.

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

Certain figures, such as interest rates and other percentages included in this section have been rounded for ease of presentation. Percentage figures included in this section have not in all cases been calculated on the basis of such rounded figures but on the basis of such amounts prior to rounding. For this reason, percentage amounts in this section may vary slightly from those obtained by performing the same calculations using the figures in our consolidated financial statements or in the associated text. Certain other amounts that appear in this section may similarly not sum due to rounding.

Recent Developments

Presented below is a summary of Recent Developments. For additional details, reference is made to the footnotes to our unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report. As discussed further in Note 13, on October 28, 2019, our stockholders approved an amendment to our Certificate of Incorporation to provide authority for the Board of Directors to subsequently effect a Reverse Stock Split of our $0.001 par value Common Stock at a ratio ranging between 1-to-20 and 1-to-100. To date, our Board of Directors has not exercised its authority to effect the Reverse Stock Split.

As discussed further in Note 5, in July 2019 the New Investors exercised their call options, resulting in the issuance of an aggregate of approximately 69.0 million shares of Common Stock at a purchase price of $0.29 per share for gross cash proceeds of $20.0 million. In addition, during July and August 2019 other investors purchased an aggregate of approximately 14.0 million shares of Common Stock at a purchase price of $0.29 per share for gross cash proceeds of approximately $4.1 million. Pursuant to a financial advisory agreement entered into in June 2019, we agreed to pay a fee of 6.0% of the gross proceeds received from these private placements. The total advisory fees and other offering costs related to these issuances in July and August 2019 amounted to approximately $1.5 million, resulting in net proceeds of $22.6 million for the three months ended September 30, 2019.

As discussed further in Note 4, the financings completed in July and August 2019 resulted in our obligation to make Early Payments of approximately $3.4 million under the License Agreement with Xoma. The Early Payments were paid in August 2019 and eliminated the requirement to make Future Cash Payments that would have otherwise been due on September 30, 2020 for $2.0 million and on June 30, 2020 for approximately $1.4 million.

As discussed further in Note 6, in July 2019 we adopted a new stock option plan that provides authority to grant 15.0 million shares of our Common Stock. We granted stock options for an aggregate of approximately 34.0 million shares of Common Stock to our officers and employees at an exercise price of $0.29 per share.

As discussed further in Note 8, we entered into a Master Services Agreement with the New Investors in July 2019, whereby certain of our employees are providing services on behalf of the New Investors. Under this agreement, the New Investors owe us a total of approximately $247,000 for services and reimbursable expenses incurred through September 30, 2019.

For our fiscal year ending June 30, 2020, we have the following objectives to advance our development strategy: (i) initiate the Phase 2b clinical study for RZ358 in the US and/or Europe, (ii) complete the necessary toxicology studies for RZ402 to enable the filing of an IND and the initiation of clinical studies thereafter, and (iii) complete the Phase 1 study for AB101 and explore partnership opportunities. We are also proceeding with our efforts to uplist our Common Stock to a national stock exchange during our fiscal year 2020.

Factors impacting our Results Operations

We have not generated any revenues since our inception in March 2010. Since inception, we have engaged in organizational activities, conducted private placements to raise additional capital, built out a manufacturing suite and produced material for our lead product candidate under good laboratory practices ("GLP"), conducted studies using the GLP material, subsequently changed our strategy to a licensing model that resulted in disposal of our manufacturing assets, and conducted other research and development activities on our pipeline product candidates.

Due to the time required to conduct clinical trials and obtain regulatory approval for any of our product candidates, we anticipate it will be some time before we generate substantial revenues, if ever. We expect to generate operating losses for the foreseeable future; therefore we expect to continue efforts to raise additional capital to maintain our current operating plans beyond the next year. We cannot assure you that we will secure such financing or that it will be adequate for the long-term execution of our business strategy. Even if we obtain additional financing, it may be costly and may require us to agree to covenants or other provisions that will favor new investors over our existing stockholders.

Our stated strategy has been to build a metabolic focused biotechnology company by in-licensing compelling compounds that we believe clearly target different diseases where there is an unmet need. In December 2017, we completed the latest phase of this strategy by in-licensing RZ358 from Xoma Corporation. RZ358 is a fully human monoclonal antibody that is currently in Phase 2b clinical development. RZ358 is being developed to treat congenital hyperinsulinism, a devastating ultra-orphan pediatric disease.

We believe that RZ358 complements our two other metabolic pipeline opportunities including: (i) our plasma kallikrein inhibitor, RZ402, which is a late stage preclinical program that offers the potential of an oral therapy to treat diabetic macular edema, the leading cause of blindness in adults in the US, and (ii) our super-long-acting basal insulin, AB101, which is currently in Phase 1 clinical development to assess the safety and tolerability, pharmacokinetics and pharmacodynamics of AB101 in patients with diabetes mellitus.

Key Components of Consolidated Statements of Operations

Research and development expenses. Research and development expenses consist primarily of material manufacturing costs, clinical trial costs and in-licensing costs. Our research and development expenses also include (i) an allocable portion of our cash and stock-based compensation, employee benefits, and consulting costs related to personnel engaged in the design and development of product candidates and other scientific research projects, and (ii) an allocable portion of our facilities and overhead costs related to such personnel.

General and administrative expenses. General and administrative expenses consist primarily of (i) an allocable portion of our cash and stock-based compensation, employee benefits and consulting costs related to personnel engaged in our administrative, finance, accounting, and executive functions, and (ii) an allocable portion of our facilities and overhead costs related to such personnel. General and administrative expenses also include travel, legal, auditing, investor relations and other costs primarily related to our status as a public company.

Interest expense. The components of interest expense include the amount of interest payable in cash at the stated interest rate, and accretion of debt discounts and issuance costs ("DDIC") using the effective interest method. DDIC arises from the issuance of debt instruments at a discount to the original principal balance, the fair value of warrants issued in connection with a debt instrument, and incremental and direct costs incurred to consummate the financing.

Interest and other income. Interest and other income consist primarily of interest income earned on temporary cash investment, rental income related to subleases that were in effect until December 2018, and gains on changes in the fair value of embedded derivatives that were terminated in January 2019.

Critical Accounting Policies and Significant Judgments and Estimates

Overview

Our management's discussion and analysis of financial condition and results of operations is based on our unaudited condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these unaudited condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue and expenses during the reporting periods. These items are monitored and analyzed for changes in facts and circumstances, and material changes in these estimates could occur in the future. We base our estimates on historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Changes in estimates are reflected in reported results for the period in which they become known. Actual results may differ from these estimates under different assumptions or conditions.

With respect to our significant accounting policies that are described in Note 1 to our consolidated financial statements included in Item 8 of our 2019 Form 10-K and in Note 1 of this Report, we believe that the following accounting policies involve a greater degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our unaudited condensed consolidated financial condition and results of operations.

Research and Development

Research and development costs are expensed as incurred. Intangible assets related to in-licensing costs under license agreements with third parties are charged to expense unless we are able to determine that the licensing rights have an alternative future use in other research and development projects or otherwise.

Clinical Trial Accruals

Clinical trial costs are a component of research and development expenses. The Company accrues and expenses clinical trial activities performed by third parties based upon estimates of the percentage of work completed over the life of the individual study in accordance with agreements established with clinical research organizations and clinical trial sites. The Company determines the estimates through discussions with internal clinical personnel and external service providers as to the progress or stage of completion of trials or services and the agreed-upon fee to be paid for such services.

Nonrefundable advance payments for goods and services that will be used or rendered in future research and development activities, are deferred and recognized as expense in the period that the related goods are delivered, or services are performed.

Stock Options with Market, Performance and Service Conditions

From time to time, we grant stock options with vesting that is dependent on achieving certain market, performance and service criteria. For purposes of recognizing compensation cost, we determine the requisite service period as the longest of the explicit, implicit and derived vesting periods for each of the market, performance and service conditions, respectively. The derived vesting period for market conditions and the estimated fair value of the related stock options will be based on a valuation performed using a Monte Carlo model. Compensation cost is recognized beginning on such date that achievement of the performance criterion is considered probable and continuing through the end of the requisite service period.

If the stock options do not ultimately vest as a result of failure to achieve the service criterion, any previously recognized compensation cost will be reversed for options that never vest. However, if the service and performance criteria are achieved, compensation cost will not be reversed even if the market condition is never achieved.

Valuation of Stock Options and Warrants

We measure the fair value of services received in exchange for all stock options granted based on the fair market value of the award as of the grant date. We compute the fair value of stock options with time-based vesting using the Black-Scholes-Merton (“BSM”) option-pricing model and recognize the cost of the equity awards over the period that services are provided to earn the award. For awards granted which contain a graded vesting schedule, and the only condition for vesting is a service condition, compensation cost is recognized on a straight-line basis over the requisite service period as if the award was, in substance, a single award. We recognize the impact of 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.

Debt

DDIC incurred to obtain new debt financing or modify existing debt financing consists of incremental direct costs incurred for professional fees and due diligence services, and the fair value of warrants issued in connection with the financing. DDIC is accreted to interest expense using the effective interest method.

If we amend our debt arrangements, we evaluate the terms to determine if the amendment should be accounted for as a troubled debt restructuring (“TDR”), a modification or an extinguishment. If we determine that the lender has provided a concession and we are experiencing financial difficulties, we would generally recognize a TDR gain. If we conclude that accounting as a modification is required, then any costs incurred on behalf of the lenders is accounted for as additional DDIC. If we conclude that accounting as an extinguishment is required, we measure the extinguishment charge on the date of the amendment based on the amount by which the fair value of the new debt instrument exceeds the net carrying value of the original debt instrument, and all previously unaccreted issuance costs are charged to expense.

Leases

The Company determines if an arrangement includes a lease at inception. Operating leases are included in operating lease right-of-use (ROU) assets, accrued and other current liabilities and other non-current liabilities on the Company's Condensed Consolidated Balance Sheets. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The Company uses the incremental borrowing rate based on the information available at lease commencement date in determining the present value of future payments. The operating lease ROU asset also excludes lease incentives. The Company's lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise any such options. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company has elected not to apply the recognition requirements for short-term leases. For lease agreements with lease and non-lease components, the Company generally accounts for them separately.

Results of Operations

Three Months Ended September 30, 2019 and 2018

Results of operations for the three months ended September 30, 2019 and 2018 reflect net losses of approximately $5.1 million and $3.4 million, respectively. Our unaudited condensed consolidated statements of operations for the three months ended September 30, 2019 and 2018, along with the changes between periods, are presented below (in thousands):

	2019	2018	Change
Operating expenses:			
Research and development:			
Compensation and benefits, net of related party reimbursements	$ 1,418	$ 557	$ 861
Clinical trial costs	991	3	988
Consulting and outside services	486	47	439
Material manufacturing costs	187	73	114
Facilities and other	152	250	(98)
Total research and development	3,234	930	2,304
General and administrative:			
Compensation and benefits	1,336	1,250	86
Professional fees	360	166	194
Facilities and other	249	239	10
Total general and administrative	1,945	1,655	290
Gain on sale of equipment	-	(23)	23
Net operating expenses	5,179	2,562	2,617
Operating loss	(5,179)	(2,562)	(2,617)
Non-operating income (expense):			
Interest expense	-	(911)	911
Interest and other income	99	108	(9)
Total non-operating income (expense)	99	(803)	902
Net loss	$ (5,080)	$ (3,365)	$ (1,715)

Presented below is a discussion of the key factors that resulted in changes in our results of operations for these periods.

Revenue. As a clinical stage company, we did not generate any revenue for the three months ended September 30, 2019 and 2018. 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 several years.

Research and Development Expenses. Research and development ("R&D") costs increased from approximately $0.9 million for the three months ended September 30, 2018 to $3.2 million for the three months ended September 30, 2019, an increase of $2.3 million. This increase was primarily attributable to increases in compensation and benefits, clinical trials costs, and consulting and outside services as discussed below.

For the three months ended September 30, 2019, we had an increase of $0.9 million in compensation and benefits for our R&D workforce, which was attributable to an increase of $0.4 million in stock-based compensation expense, and increased salaries and benefits cost of $0.6 million as we added eight employees to our R&D workforce between September 30, 2018 and September 30, 2019. The total increase in compensation and benefits for our R&D workforce amounted to $1.0 million and was partially offset by $0.1 million billed to the New Investors under the Master Services Agreement discussed in Note 8 to the unaudited condensed consolidated financial statements included in Part I, Item 1 of this Report.

For the three months ended September 30, 2019, we had a $1.0 million increase in clinical trial costs. This increase was due to higher spending for the three months ended September 30, 2019, which consisted of $0.6 million related to RZ358 and $0.4 million for AB101. For the three months ended September 30, 2018, we did not have any material spending related to our clinical trials.

For the three months ended September 30, 2019, consulting and outside services increased from approximately $47,000 for the three months ended September 30, 2018 to $0.5 million for the three months ended September 30, 2019. This increase was due to higher spending for the three months ended September 30, 2019, which consisted of $0.1 million related to RZ358, $0.1 million for RZ402, and $0.2 million for patent defense costs. For the three months ended September 30, 2018, consulting and outside services of $47,000 was primarily comprised of contract laboratory consulting costs of $32,000.

Material manufacturing costs increased from $0.1 million for the three months ended September 30, 2018 to $0.2 million for the three months ended September 30, 2019. This increase was due to higher spending for the three months ended September 30, 2019, which consisted of $0.1 million related to RZ358 and a total of $0.1 million for AB101 and RZ402. For the three months ended September 30, 2018, substantially all of our $0.1 million of material manufacturing costs was related to AB101.

Costs allocable to R&D activities for facilities and other costs decreased from $0.2 million for the three months ended September 30, 2018 to $0.1 million for the three months ended September 30, 2019. The reduction in facilities costs was attributable to our decision to sublease and ultimately terminate our facility leases in Colorado in December 2018.

As discussed below under the caption *Liquidity and Capital Resources*, we intend to use the proceeds from our recently completed financings to advance our clinical programs and fulfill our development obligations under the amended License Agreement with Xoma, and our milestone payments under the ActiveSite License Agreement entered into in August 2017. Accordingly, we expect to continue increasing our R&D spending over the next 12 months.

General and Administrative Expenses. General and administrative ("G&A") expenses increased from approximately $1.6 million for the three months ended September 30, 2018 to $1.9 million for the three months ended September 30, 2019, an increase of $0.3 million. This increase was primarily attributable to an increase in professional fees of $0.2 million and compensation and benefits for our administrative and executive workforce of $0.1 million. The increase in professional fees was attributable to higher costs for the filing of our 2019 Form 10-K, costs incurred for our proxy statement to approve the Reverse Stock Split, costs related to our application to uplist to the Nasdaq Capital Market, and incremental professional fees associated with several complex transactions that occurred during the three months ended September 30, 2019. The increase of $0.1 million in compensation and benefits was primarily attributable to an increase in stock-based compensation expense.

Our facilities and other costs amounted to $0.2 million for each of the three months ended September 30, 2019 and 2018. However, the mix of costs in this category changed where facilities costs decreased by $0.1 million and other administrative costs increased by $0.1 million. The reduction in facilities costs was attributable to our decision to sublease and ultimately terminate our facility leases in Colorado in December 2018. The Colorado facilities were replaced by leasing smaller facilities in California and Oregon in 2019 at lower monthly rental costs.

In order to support increases in our planned spending for R&D over the next 12 months, we expect to also increase our G&A spending in comparison to our historical results for the 12 months ended September 30, 2019.

Gain on Sale of Property and Equipment. For the three months ended September 30, 2018, we sold excess laboratory and other equipment from our former facility in Colorado for proceeds of $0.2 million, which resulted in recognition of a gain of $23,000. For the three months ended September 30, 2019, we did not recognize any gains or losses from the sale of property and equipment.

Interest Expense. Interest expense was approximately $0.9 million for the three months ended September 30, 2018. Due to the repayment of the Fiscal 2018 Notes in January 2019, we did not incur any interest expense for the three months ended September 30, 2019. Interest expense attributable to the Fiscal 2018 Notes for the three months ended September 30, 2018 consisted of accretion of discount of $0.7 million, and interest expense of $0.2 million based on the contractual rate of 15.0%.

Interest and Other Income. Interest and other income decreased from $108,000 for the three months ended September 30, 2018 to $99,000 for the three months ended September 30, 2019, a decrease of $9,000. Interest and other income for the three months ended September 30, 2019 was primarily attributable interest income earned on temporary cash investments. For the three months ended September 30, 2018, interest and other income was primarily attributable to rental income of $89,000 that was derived from subleases that terminated in December 2018, and gains on changes in the fair value of embedded derivatives of $19,000. Effective with the conversion of the Fiscal 2018 Notes to equity in January 2019, we no longer have any embedded derivatives.

Income Taxes. For the three months ended September 30, 2019 and 2018, we did not recognize any income tax benefit due to our net losses and our determination that a full valuation allowance was required for our deferred tax assets.

As of June 30, 2019, we had NOL carryforwards of approximately $81.0 million for U.S. federal income tax purposes, of which approximately $41.0 million does not expire and $40.0 million will begin to expire in 2030. Under provisions of the Internal Revenue Code, substantial changes in ownership may result in limitations on the amount of NOL carryforwards that we can utilize in future years. Due to our recent financing activities, we experienced ownership changes that are 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, which could result in our inability to utilize a significant portion of our net operating loss carryforwards that were generated prior to any change of control.

Liquidity and Capital Resources

As of September 30, 2019, we have approximately cash, cash equivalent and restricted cash totaling approximately $25.2 million and working capital was approximately $20.4 million. We have incurred cumulative net losses of $132.0 million since our inception and as a clinical stage company we have not generated any revenue to date. Presented below is a discussion of recent developments for the three months ended September 30, 2019 that have resulted in a significant improvement in our liquidity.

July and August 2019 Financings

In connection with the Series AA offering completed with the New Investors in January 2019, we granted a call option to provide additional financing whereby the New Investors were entitled to elect to purchase up to $20.0 million of our 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 ("VWAP") of the our Common Stock during the thirty consecutive trading days prior to the date of the notice. In June 2019, we entered into a financial advisory agreement to undertake a private placement of (i) the shares of Common Stock issuable under the call option issued to the New Investors for a total of $20.0 million, plus (ii) between approximately $20 million and $30 million of equity or equity equivalent securities to be issued to other investors. On July 23, 2019, we entered into a purchase agreement whereby the New Investors exercised their call option to purchase an aggregate of approximately 69.0 million shares of Common Stock for gross cash proceeds of $20.0 million. Since VWAP for the previous thirty consecutive trading days was $0.20 per share, the New Investors exercised the call option at a purchase price of $0.29 per share.

Pursuant to the financial advisory agreement entered into in June 2019, we issued approximately 14.0 million shares of Common Stock in July and August 2019 to other investors in a private placement. These shares were issued at a purchase price of $0.29 per share and resulted in gross proceeds of approximately $4.1 million. Total advisory fees and other offering costs related to the July and August 2019 financings amounted to approximately $1.5 million, resulting in net proceeds of approximately $22.6 million.

Xoma License Agreement

In January 2019, we entered into an amendment of our License Agreement with Xoma. This amendment eliminated the previous requirement that equity securities would be issued to Xoma upon the closing of a qualified financing in consideration for the payment to Xoma of approximately $5.9 million in cash in February 2019. Additionally, we agreed to make five cash payments to Xoma totaling $8.5 million (the "Future Cash Payments") in quarterly installments between September 2019 and September 2020. We recognized a liability in January 2019 for the entire $8.5 million of Future Cash Payments.

The amended License Agreement provides that if future qualified financings occur before the Future Cash Payments are fully paid, we are required to pay Xoma 15% of the net proceeds from such financings ("Early Payments") to be credited against the remaining unpaid Future Cash Payments in the 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. The completion of equity financings in July and August 2019 for net proceeds of approximately $22.6 million triggered our obligation to make Early Payments of approximately $3.4 million. Presented below is a summary of the amounts payable under the amended License Agreement along with cash payments made for the three months ended September 30, 2019 (in thousands):

Future Payment Date	Payable June 30, 2019	Cash Activity: Early Payments	Cash Activity: Scheduled Payments	Payable September 30, 2019
September 30, 2019	$ 1,500	$ -	$ (1,500)	$ -
December 31, 2019	1,000	-	-	1,000
March 31, 2020	2,000	-	-	2,000
June 30, 2020	2,000	(1,391)	-	609
September 30, 2020	2,000	(2,000)	-	-
Total	$ 8,500	$ (3,391)	$ (1,500)	$ 3,609

The amendment to the License Agreement also revised the amount we are required to expend on development of RZ358 and related licensed products and revised provisions with respect to our diligence efforts in conducting clinical studies. Additionally, upon the future commercialization of RZ358, we will be required to pay royalties to Xoma based on the net sales of the related products.

ActiveSite License Agreement

In August 2017, we entered into a Development and License Agreement with ActiveSite Pharmaceuticals, Inc. ("ActiveSite") pursuant to which we acquired the rights to ActiveSite's Plasma Kallikrein Inhibitor program ("PKI Program"). We are planning to use the PKI Program to develop, file, manufacture, market and sell products for diabetic macular edema and other human therapeutic indications. The ActiveSite License Agreement requires various milestone payments ranging from $1.0 million to $10.0 million when milestone events occur, up to an aggregate of $36.0 million of aggregate milestone payments. The first milestone payment for $1.0 million would be due after completion of the preclinical work and submission of an IND application to the FDA for AB101, which we are attempting to complete in calendar year 2020. We will also be required to pay royalties equal to 2.0% of any sales of products that use the PKI Program, up to a maximum of $10.0 million in total royalty payments. Through September 30, 2019, no milestone payments and royalties have been incurred.

Planned Spending

As a result of the equity financings completed in July and August 2019, we believe our existing cash balance of $25.2 million as of September 30, 2019, is adequate to carry out planned activities at least through November 2020. Our contractual obligations and other planned spending for the period from October 2019 through November 2020 include (i) contractual licensing obligations of $3.6 million to Xoma, (ii) planned spending on clinical programs of approximately $10.5 million to initiate a Phase 2b program for RZ358 in the U.S. and/or Europe, completion of the necessary toxicology studies for RZ402 to enable the filing of an IND and initiation of clinical studies, and completion of an ongoing Phase 1 study for AB101 along with related milestone payments, and (iii) net spending on compensation, benefits, rent, and public company costs for auditing and professional fees for approximately $8.9 million. Our planned spending on clinical programs includes $3.1 million of restricted cash that we are required to spend on development of RZ358 or our planned uplisting of our Common Stock to a national stock exchange.

We expect to continue to pursue equity and/or debt financings to provided funding for planned activities for the fiscal year ending June 30, 2021 and beyond. To the extent that additional funding is obtained during the remainder of the fiscal year ending June 30, 2020, we plan to accelerate timing to complete clinical trials and other research and development activities which would result in increased spending. However, we have the flexibility to delay clinical programs to ensure that adequate capital resources are available. There are no assurances that we will be able to obtain any additional financing. Even if additional financing sources are available, they may not be pursued if the terms are not acceptable to us.

Cash Flows Summary

Presented below is a summary of our operating, investing and financing cash flows for the three months ended September 30, 2019 and 2018 (in thousands):

	2019	2018	Change
Net cash provided by (used in):			
Operating activities	$ (8,929)	$ (1,432)	$ (7,497)
Investing activities	-	187	(187)
Financing activities	22,571	-	22,571

Cash Flows Used in Operating Activities

For the three months ended September 30, 2019 and 2018, cash flows used in operating activities amounted to $8.9 million and $1.4 million, respectively. The key components in the calculation of our cash used in operating activities are as follows (in thousands):

	2019	2018	Change
Net loss	$ (5,080)	$ (3,365)	$ (1,715)
Non-cash expenses	1,401	1,613	(212)
Non-cash gains	-	(42)	42
Changes in operating assets and liabilities, net	(5,250)	362	(5,612)
Total	$ (8,929)	$ (1,432)	$ (7,497)

For the three months ended September 30, 2019, our net loss was $5.1 million compared to $3.4 million for the three months ended September 30, 2018. For further discussion about changes in our operating results for the three months ended September 30, 2019 and 2018, please refer to *Results of Operations* above.

For the three months ended September 30, 2019, non-cash expenses of $1.4 million was primarily attributable to stock-based compensation expense. For the three months ended September 30, 2018, non-cash expenses totaled $1.6 million, which consisted of stock-based compensation expense of $0.9 million, and accretion of debt discounts and issuance costs related to the Fiscal 2018 Notes of $0.7 million.

We did not have any non-cash gains for the three months ended September 30, 2019. For the three months ended September 30, 2018, non-cash gains consisted of a gain from the sale of equipment at our former Colorado facility of $23,000, and a gain of $19,000 on the change in fair value of embedded derivatives related to the Fiscal 2018 Notes which were converted to equity in January 2019.

For the three months ended September 30, 2019, net changes in operating assets and liabilities used operating cash flow of $5.3 million which was primarily due to a $4.9 million decrease in payables to Xoma under the amended License Agreement, a decrease in accrued compensation and other liabilities of $1.0 million, and an increase in related party receivables under our Master Services Agreement of $0.2 million. These uses of operating cash flow totaled $6.1 million and were partially offset by an increase in accounts payable of $0.8 million and a decrease in prepaid expenses and other assets of $0.1 million.

For the three months ended September 30, 2018, net changes in operating assets and liabilities resulted in operating cash flow of $0.4 million which was primarily due to an increase in accounts payable and accrued expenses of $0.2 million, and an increase in accrued interest on the Fiscal 2018 Notes of $0.2 million.

Cash Flows Provided by Investing Activities

We did not have any cash flows from investing activities for the three months ended September 30, 2019. Net cash provided by investing activities for the three months ended September 30, 2018 amounted to $0.2 million which was attributable to proceeds from the sale of equipment that was no longer needed as a result of the termination of the leases for our former facilities in Colorado.

Cash Flows Provided by Financing Activities

Net cash provided by financing activities for the three months ended September 30, 2019 amounted to $22.6 million. This amount consisted of (i) $20.0 million received from the New Investors in July 2019 for the purchase of approximately 69.0 million shares of Common Stock at a purchase price of $0.29 per share and (ii) $4.1 million received from other investors in July and August 2019 for the purchase of approximately 14.0 million shares of our Common Stock at a purchase price of $0.29 per share. The gross proceeds from these equity issuances totaled $24.1 million and was partially offset by fees of $1.5 million under a financial advisory agreement to result in net proceeds of $22.6 million. For the three months ended September 30, 2018, we did not have any financing cash flows.

Recent Accounting Pronouncements

Please refer to Note 1 to the consolidated financial statements included in Part I, Item 1 of this Report regarding the impact of certain accounting pronouncements on our unaudited condensed consolidated financial statements.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet transactions for the periods covered by this Report.

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 Financial Officer (our principal financial and 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 September 30, 2019, 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) due to our limited number of employees, we have not adequately segregated certain duties, (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 internal reviews, and (4) we did not have effective review controls over financial reporting and related disclosures in accordance with U.S. GAAP and SEC rules and regulations. Beginning in the three months ended March 31, 2019, we began mitigating these weaknesses through hiring additional employees and engaging a consulting firm to supplement our technical accounting and financial reporting resources.

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. Factors that could cause our actual results to differ materially from those in this Report are any of the risks described in Item 1.A. *Risk Factors* of our 2019 Form 10-K. Any of these factors could result in a significant or material adverse effect on our results of operations or financial condition. Additional risk factors not presently known to us or that we currently deem immaterial may also impair our business or results of operations.

Our ability to uplist our common stock to the NASDAQ Capital Market is contingent on us meeting applicable initial listing criteria.

We have applied for our common stock to be listed on the NASDAQ Capital Market, a national securities exchange. Each exchange requires companies desiring to list their common stock to meet certain listing criteria including total number of stockholders; minimum stock price, total value of public float, and in some cases total shareholders' equity and market capitalization. Our failure to meet such applicable listing criteria could prevent us from listing our common stock on either exchange. In the event we are unable to uplist our common stock, our common stock will continue to trade on the OTCQB market, which is generally considered less liquid and more volatile than a national securities exchange. Our failure to uplist our common stock could make it more difficult for you to trade our common stock, could prevent our common stock trading on a frequent and liquid basis and could result in the value of our common stock being less than it would be if we were able to uplist

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

There were no reportable issuances of unregistered shares of the Company's equity securities other than as reported in the Company's Current Reports on Form 8-K filed with the SEC on July 30, 2019 and August 13, 2019.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit Number	Description of Exhibits
10.1*	Master Services Agreement with Genexine, Inc. and Handok, Inc., effective as of July 1, 2019
31.1*	Certification of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
31.2*	Certification of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1*	Certification of Chief Executive Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
32.2*	Certification of Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
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

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: November 14, 2019

By: /s/ Nevan Elam

Nevan Elam
Chief Executive Officer
(Principal Executive Officer)

Date: November 14, 2019

By: /s/ Keith Vendola

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

Exhibit 10.1

MASTER SERVICES AGREEMENT

This MASTER SERVICES AGREEMENT (this "**Agreement**") is made as of July 1, 2019 (the "**Effective Date**"), by and amongst Rezolute, Inc., a corporation incorporated in Delaware ("**Rezolute**" or "**Service Provider**"), Genexine, Inc., a corporation incorporated under the laws of the Republic of Korea ("**Genexine**") and Handok, Inc., a corporation incorporated under the laws of the Republic of Korea ("**Handok**"). Genexine and Handok shall be referred to collectively as the "**Program Owner**". For purposes of this Agreement, Genexine and Handok are equally responsible for all matters herein as the Program Owner, including without limitation, the payment of monies that may be owed to Rezolute in performance of the services set forth below. Genexine, Handok and Rezolute may be referred to individually as a "**Party**" or collectively, as the "**Parties**").

RECITALS

WHEREAS, Genexine and Handok have collaborated on developing a long acting growth hormone program known as GX-H9 (the "**Program**") and now desire to obtain the assistance of Rezolute in (among other matters) further advancing the Program into global clinical studies including making the Program ready for Phase 3 studies in the US and Europe.

WHEREAS, Rezolute desires to assist Genexine and Handok on the terms and subject to the conditions set forth herein.

AGREEMENT

NOW, THEREFORE, in consideration of the premises and covenants set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Services.

(a) Scope of the Services. During the Term (as defined below), Rezolute shall provide to Program Owner, and Program Owner agrees to purchase from Rezolute, the services set forth on Exhibit A attached hereto (as may be amended by the Parties in writing from time to time, Exhibit A") (the "**Initial Services**"), in each case, on the terms set forth therein. During the Term, Program Owner may from time to time request that Rezolute provide to Program Owner additional services (the "**Additional Services**", and with the Initial Services, the "**Services**"). In the event that Program Owner requests that Rezolute provide Additional Services, and Rezolute agrees to provide such Additional Services to Program Owner, the Parties shall amend Exhibit A to include a description of such Additional Services and the relevant terms related thereto. Rezolute shall provide Program Owner any related services, functions or responsibilities not specifically described in this Agreement as forming part of the Services that are an inherent, necessary or customary part of the Services or are required or reasonably necessary for the proper performance or provision of the Services in accordance with this Agreement.

(b) Access to Information and Personnel. During the Term, Program Owner shall provide Rezolute access to facilities, personnel and other information as may reasonably be requested by Rezolute to enable Rezolute to timely perform its obligations hereunder, except as otherwise expressly set forth in Exhibit A.

(c) Standard of Care.

(i) Subject to the terms of this Agreement, Rezolute shall provide the Services in a professional and workman-like manner and at no less than the level of quality and commitment employed by Program Owner in connection with providing the Services (or services of like nature and scope) to Program Owner own business, and in compliance with the laws and regulations of any and all countries which may be applicable to the performance of the Services.

(ii) In the performance of this Agreement and in connection with the Services, no expenditures for other than for lawful purposes will be made, and Rezolute has not and will not in the future directly or indirectly offer, pay, promise to pay or authorize the giving of anything of value to: (A) any government official, any political party or official thereof, or any candidate for political office; (B) any other person while knowing or having reason to know that all or a portion of such money or thing of value will be offered, given or promised, directly or indirectly, to any such official, to any such political party or official thereof, or to any candidate for political office; for the purpose of (x) influencing any action or decision of such official party or official thereof, or candidate in his or its capacity, including a decision to fail to perform his or its official functions; or (y) influencing such official party or official thereof, or candidate to use his or its influence with any government or instrumentality thereof to effect or influence any act or decision of such government or instrumentality.

(iii) With respect to any particular Service(s) to be provided under this Agreement, Rezolute shall, unless otherwise specified in Exhibit A, determine the means and resources used to provide such Service(s) in accordance with its prudent and reasonable business judgment. Rezolute shall regularly inform Program Owner of the resources that it is utilizing.

(iv) Rezolute shall select, employ, pay, supervise, direct and discharge the personnel providing Services under this Agreement. Program Owner shall, unless otherwise specified in Exhibit A, be solely responsible for the payment of all benefits and any other direct and indirect compensation for personnel of Rezolute assigned to perform Services under this Agreement. Rezolute shall be an independent contractor in connection with the performance of Services under this Agreement and the employees performing Services in connection herewith shall not be deemed to be employees of Program Owner.

(v) In providing the Services hereunder, Rezolute may utilize the services of any affiliate or any independent contractor to provide Services ("**Independent Party**"); provided, however, that Rezolute shall remain responsible for the performance of its obligations under this Agreement.

(vi) Rezolute will provide, upon reasonable written notice, such periodic reports with respect to the Services it provides hereunder as are reasonably requested by Program Owner.

Pursuant to this Section 1, Rezolute covenants and agrees that it shall regularly inform Program Owner of the scope of resources and means that it deems necessary to perform the Services and agrees that it shall seek the approval of Program Owner with respect to any potential engagement by a third party to assist in performing the Services. Further, Rezolute agrees that it will be regularly available by telephone and email during reasonable business hours to discuss the Services with Program Owner. Upon five (5) business days notice, Program Owner shall have the right to audit the Services being provided by Rezolute including meeting with Rezolute at Rezolute's corporate headquarters. Rezolute covenants and agrees to furnish all relevant information to facilitate any such audit, including without limitation, Rezolute' books and records relating to the Services. The Parties agree that email approvals by any Party shall suffice for matters set forth in this Agreement.

(d) Compensation for Services.

(i) Service Fees. The Services shall be provided by Rezolute to Program Owner at the costs set forth on Exhibit A (collectively, the "**Service Fees**").

(ii) Service Expenses. The Services shall be provided by Rezolute to Program Owner and out-of-pocket expenses that can be reimbursed as set forth on Exhibit A (collectively, the "**Service Expenses**") shall be reimbursed by Program Owner to Rezolute.

(iii) Billing and Payment Terms. Unless otherwise specified on Exhibit A, statements of amounts due will be invoiced monthly and such invoices shall be payable within thirty (30) days. All amounts invoiced will be equally divided between Genexine and Handok.

(iv) Payment Instructions. Invoices shall be paid by wire transfer of immediately available funds to a bank account designated by Rezolute, or such other method as may be designated by Rezolute.

2. Proprietary Rights.

(a) No Transfer. The performance of the Services hereunder will not affect the ownership of any properties, assets or intellectual property rights owned or controlled by any Party or any Party's affiliates. No Party will gain, by virtue of the Services provided hereunder, any rights of ownership of any properties, assets or intellectual property rights owned or controlled by the other Party.

(b) Necessary Rights. To the extent that the Services include the provision of written marketing materials, video or audio production services, or any other services or materials which will be displayed or performed in respect of the general public, Program Owner represents and warrants that it owns or has obtained all necessary intellectual property rights required in respect of any such display or performance, and does hereby grant to Rezolute non-exclusive, non-transferable license in such materials and services to the extent required for such display or performance.

3. Term of Agreement; Termination.

(a) The term of this Agreement (the "Term") shall commence on the Effective Date and shall continue (unless earlier terminated pursuant to this Section 3) through the third anniversary of the Effective Date, and thereafter shall be automatically renewed for successive one (1) year terms, unless a Program Owner delivers written notice to Rezolute (or vice versa) not less than thirty (30) days prior to the expiration of the then-current term of such Party's intent to not extend the term of this Agreement.

(b) Program Owner shall have the right to immediately terminate this Agreement upon not less than 60 days (60) days written notice to the other Party.

4. Confidentiality.

For purposes of this Agreement, "Confidential Information" means any information disclosed by a Party ("Providing Party") to the other Party ("Receiving Party") pursuant to this Agreement relating to any proprietary or confidential information of Providing Party, including business, finances, scientific matters, research and development, technology or operations of Providing Party; provided, however, that Confidential Information excludes information that (a) was in the public domain at the time it was disclosed or has become in the public domain through no fault of Receiving Party; (b) becomes known to Receiving Party through lawful means, at the time of disclosure; or (c) was independently developed by Receiving Party without any use of the Confidential Information. In the event that Receiving Party, or any of its representatives, becomes legally compelled by deposition, interrogatory, request for documents, subpoena, civil investigative demand or similar judicial or administrative process to disclose any Providing Party's Confidential Information, Receiving Party shall provide notice of such requirement and cooperate with Providing Party to obtain a protective order or similar remedy to cause Providing Party's Confidential Information not to be disclosed. In the event that such protective order or other similar remedy is not obtained, Receiving Party will exercise commercially reasonable efforts to obtain assurance that "highly confidential" or other similar protective treatment will be accorded such Confidential Information. Receiving Party will (i) treat as confidential all Confidential Information of Providing Party; (ii) not use such Confidential Information except to exercise its rights and perform its obligations under this Agreement; and (iii) not disclose such Confidential Information to any third party, in each case, except as reasonably necessary to fulfill its obligations hereunder or as required by law. Each Party will use at least the same degree of care (and not less than a reasonable degree of care) it uses to prevent the disclosure of its own confidential information of like importance, to prevent the disclosure of Providing Party's Confidential Information. Each Receiving Party will promptly notify Providing Party of any actual or suspected misuse or unauthorized disclosure of Providing Party's Confidential Information.

5. Disclaimer; Limitation of Liability.

(a) EXCEPT AS SET FORTH IN SECTION 1, NO PARTY HERETO MAKES ANY REPRESENTATIONS OR WARRANTIES WHATSOEVER, EXPRESS OR IMPLIED, WITH RESPECT TO THE SERVICES TO BE PROVIDED UNDER THIS AGREEMENT.

(b) NO PARTY SHALL UNDER ANY CIRCUMSTANCES BE LIABLE TO ANY OTHER PARTY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE OR CONSEQUENTIAL DAMAGES (INCLUDING LOSS OF PROFITS OR REVENUE) RESULTING OR ARISING FROM THIS AGREEMENT, ANY PERFORMANCE OR NONPERFORMANCE UNDER THIS AGREEMENT OR TERMINATION OF THIS AGREEMENT. THIS LIMITATION APPLIES REGARDLESS OF WHETHER SUCH DAMAGES OR OTHER RELIEF ARE SOUG\HT BASED ON BREACH OF WARRANTY, BREACH OF CONTRACT, NEGLIGENCE, STRICT LIABILITY IN TORT, OR ANY OTHER LEGAL OR EQUITABLE THEORY.

6. Notice. Any notice, request, demand or other communication required or permitted hereunder shall be in writing and shall be deemed to have been given (i) if delivered or sent by facsimile or electronic mail transmission, upon acknowledgment of receipt by the recipient, or (ii) if sent by a nationally recognized overnight courier, properly addressed with postage prepaid, on the next business day (or Saturday if sent for Saturday delivery). All notices will be sent to the most current address, electronic mail address or facsimile number provided by a Party.

7. Governing Law; Dispute Resolution. This Agreement shall be governed, construed and interpreted in accordance with the laws of the State of California, without giving effect to principles of conflicts of law. If any dispute or claim arises from or related to this Agreement or the relationship of the Parties, the Parties shall attempt to settle that dispute or claim through good faith negotiation by authorized representatives of the Parties. Any party may initiate this informal dispute process by sending notice of the dispute to another Party. If the Parties are unable to resolve the dispute at the end of forty-five (45) days following receipt of that notice, a Party may then file a claim for arbitration.

If a Party files a claim for arbitration, any dispute arising out of or in connection with this Agreement, including any question regarding its existence, validity, or termination, is to be referred to and finally resolved under the rules of the International Chamber of Commerce. Those rules are incorporated by reference into this clause. If the amount in dispute is less than or equal to USD $250,000, the number of arbitrators will be one. If the amount in dispute is greater than USD $250,000, the number of arbitrators will be three. The seat, or legal place, of the arbitration will be San Francisco, California, United States. The arbitral proceedings will be conducted in English.

8 . Assignment. No Party may assign or transfer this Agreement without the prior written consent of the other Parties. Subject to the foregoing, this Agreement and the obligations of the Parties hereunder shall be binding upon and enforceable by, and shall inure to the benefit of, the Parties and their respective successors, executors, administrators, estates, heirs and permitted assigns.

9 . Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

10. Relationship Between Parties. The relationship between the Parties created under this Agreement is that of independent contractors. With respect to the relationship created under this Agreement and the pre-existing Program relationship between Genexine and Handok, the Parties are not joint ventures, partners, principal and agent, master and servant or employer and employee, and have no relationship other than as independent contracting parties.

11. Undertaking in the Ordinary Course. This Agreement is entered into by the Parties in furtherance of the ordinary and customary conduct of the authorized business of each such Party.

12. Entire Agreement. This Agreement, including Exhibit A, and the documents referred to herein contain the entire agreement between the Parties and supersede any prior understandings, agreements or representations by or between the Parties, written or oral, which may have related to the subject matter hereof in any way.

13. Amendments and Waiver. This Agreement may not be amended or modified, nor may compliance with any condition or covenant set forth in this Agreement be waived, except by a writing within thirty (30) days, duly and validly executed by each of the Parties, or in the case of a waiver, the Party waiving compliance. No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any such right, power or privilege, or any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

14. Construction. As used in this Agreement, the words "include" and "including" and variations thereof, shall not be deemed to be terms of limitation. The captions in this Agreement are for convenience only and shall not affect the construction or interpretation of any term or provision hereof.

15. Counterparts. This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. The delivery of a counterpart hereto by facsimile or other electronic transmission shall be deemed an original.

[Remainder of Page Intentionally Blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be duly executed as of the date first written above.

GENEXINE, INC.

700 Daewangpangyo-ro
Korea Bio-Park, Building B
Bundang-gu,
Seongnam-si, Gyeonggi-do 13488
Republic of Korea

By: /s/ You Suk Suh
Name: You Suk Suh
Title: Chief Executive Officer

HANDOK, INC.

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

By: /s/ Young Jin Kim
Name: Young Jin Kim
Title: Chief Executive Officer

REZOLUTE, INC.

201 Redwood Shores Parkway
Redwood City, CA 94065 US

By: /s/ Nevan Elam
Name: Nevan Elam
Title: Chief Executive Officer

EXHIBIT A

Services, Service Fee, and Service Expenses

Services

Rezolute shall, during the Term, perform the following Services:

- Establish Overall development strategy and plans for US and EU regulatory approval and market entrance and specific plans for each regulatory milestone (FDA Phase I IND, Type C Meeting, End of Phase II MT)
- CMC Quality and Technical investigation and remediation
- Prepare, file and maintain US IND with supporting materials
- Provide input and oversight of Phase 1 trial design and protocol development
- Phase 1 site selection, study start-up, and study execution
- CMC formulation, process and product optimization for Phase 3
- Prepare, file, conduct and respond to Type C and End of Phase 2 meetings
- Immunogenicity assessment
- Device consideration
- Any and all other Additional Services related to the Program requested by Program Owner

Fees

- Rezolute employees shall keep track of the hours that they work on the Program and any invoice submitted by Rezolute shall specify the description of work performed, who performed the work, and the hours spent for each work.
- Rezolute Employee Hourly Fee: $200 USD.
- Rezolute shall seek prior approval of Program Owner before engaging in any work related to the Services that would exceed $25,000 on an annualized basis.
- Rezolute shall only bill for work performed by non-general and administrative employees
- The fees and expenses of an Independent Party shall be submitted via invoice for reimbursement. Rezolute shall obtain the pre-approval of Program Owner for fees of expenses of any Independent Party that would exceed $25,000 on an annualized basis.

Reimbursable Service Expenses

Direct, actual and necessary out-of-pocket expenses reasonably incurred, sufficiently described and documented with itemized backups by Rezolute including, without limitation, travel.

EXHIBIT 31.1

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

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: November 14, 2019

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

EXHIBIT 31.2

CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

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: November 14, 2019

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

EXHIBIT 32.1

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 September 30, 2019, 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: November 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. Inc. to be furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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 September 30, 2019, 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: November 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. Inc. to be furnished to the Securities and Exchange Commission or its staff upon request.