UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 10-Q

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

For the quarterly period ended October 31, 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 000-55654

NUTRIBAND INC.

(Exact name of registrant as specified in its charter)

NEVADA	81-1118176
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
121 South Orange Ave., Suite 1500, Orlando, FL	32801
(Address of Principal Executive Offices)	(Zip Code)

(407) 377-6695
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act: 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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange 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 number of shares outstanding of the issuer's common stock, par value $0.001 per share, was 5,423,956 shares as of December 10, 2019.

NUTRIBAND INC.
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FORWARD LOOKING STATEMENTS

This report contains forward-looking statements regarding our business, financial condition, results of operations and prospects. Words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates” and similar expressions or variations of such words are intended to identify forward-looking statements, but are not deemed to represent an all-inclusive means of identifying forward-looking statements as denoted in this report. Additionally, statements concerning future matters are forward-looking statements.

Although forward-looking statements in this report reflect the good faith judgment of our management, such statements can only be based on facts and factors currently known by us. Consequently, forward-looking statements are inherently subject to risks and uncertainties and actual results and outcomes may differ materially from the results and outcomes discussed in or anticipated by the forward-looking statements. Factors that could cause or contribute to such differences in results and outcomes include, without limitation, those specifically addressed under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our annual report on Form 10-K for the year ended January 31, 2018, in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Form 10-Q and information contained in other reports that we file with the SEC. You are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this report.

We file reports with the SEC. The SEC maintains a website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC, including us.

We undertake no obligation to revise or update any forward-looking statements in order to reflect any event or circumstance that may arise after the date of this report, except as required by law. Readers are urged to carefully review and consider the various disclosures made throughout the entirety of this quarterly report, which are designed to advise interested parties of the risks and factors that may affect our business, financial condition, results of operations and prospects.

References to “we,” “us,” “our” and words of like import refer to Nutriband Inc. and its subsidiaries unless the context indicates otherwise. Unless the context indicates otherwise, references to 4P Therapeutics relate to the operations of 4P Therapeutics LLC prior to our acquisition of 4P Therapeutics on August 1, 2018.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NUTRIBAND INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	October 31, 2019 (Unaudited)	January 31, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 97,470	$ 474,653
Accounts receivable	71,989	13,088
Prepaid expenses	93,917	102,725
Total Current Assets	263,376	590,466
PROPERTY & EQUIPMENT-net	119,809	146,147
OTHER ASSETS:		
Goodwill	1,719,235	1,719,235
Right of use asset-net	14,414	-
Intangible assets-net	323,968	351,770
TOTAL ASSETS	$ 2,440,802	$ 2,807,618
LIABILITIES AND STOCKHOLDERS’ EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 683,742	$ 291,781
Customer deposits	-	71,225
Operating lease liability	14,906	-
Derivative liability	478,852	
Notes payable	190,000	40,000
Convertible debt- net of debt discount of $270,000 and $-0- as of October 31, 2019 and January 31, 2019, respectively	-	-
Total Current Liabilities	1,367,500	403,006
Commitments and Contingencies	-	-
STOCKHOLDERS’ EQUITY:		
Preferred stock, $.001 par value, 10,000,000 shares authorized, -0- outstanding	-	-
Common stock, $.001 par value, 25,000,000 shares authorized; 5,423,956 shares issued and outstanding at October 31, 2019 and January 31, 2019	5,424	5,424
Additional paid-in-capital	9,026,024	8,579,890
Accumulated other comprehensive loss	(304)	(52)
Accumulated deficit	(7,957,842)	(6,180,650)
Total Stockholders’ Equity	1,073,302	2,404,612
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 2,440,802	$ 2,807,618

See notes to unaudited consolidated financial statements

NUTRIBAND INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

	For the Three Months Ended October 31, 2019	For the Three Months Ended October 31, 2018	For the Nine Months Ended October 31, 2019	For the Nine Months Ended October 31, 2018
Revenue	$ 82,567	$ 162,815	$ 351,070	$ 162,815
Costs and expenses:				
Cost of revenues	106,126	206,283	422,879	206,283
Selling, general and administrative expenses	307,015	445,152	1,281,538	2,772,022
Total Costs and Expenses	413,141	651,435	1,704,417	2,978,305
Loss from operations	(330,574)	(488,620)	(1,353,347)	(2,815,490)
Other income (expense)				
Derivative expense	(352,136)		(352,136)	-
Loss on change in fair value of derivative	(70,150)	-	(70,150)	-
Interest expense	(414)	-	(1,559)	-
	(422,700)	-	(423,845)	-
Loss from operations before provision for income taxes	(753,274)	(488,620)	(1,777,192)	(2,815,490)
Provision for income taxes	-	-	-	-
Net loss	$ (753,274)	$ (488,620)	$ (1,777,192)	$ (2,815,490)
Net loss per share of common stock-basic and diluted	$ (0.14)	$ (0.09)	$ (0.33)	$ (0.53)
Weighted average shares of common stock outstanding - basic and diluted	5,423,956	5,456,025	5,423,956	5,265,406
Other Comprehensive Income (Loss):				
Net loss	$ (753,274)	$ (488,620)	$ (1,777,192)	$ (2,815,490)
Foreign currency translation adjustment	-	(4)	(252)	394
Total Comprehensive Income (Loss)	$ (753,274)	$ (488,624)	$ (1,777,444)	$ (2,815,096)

See notes to unaudited consolidated financial statements

NUTRIBAND INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Nine Months Ended October 31, 2018

	Total	Common Stock Number of shares	Common Stock Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit
Balance, February 1, 2018	$ 121,508	5,219,275	$ 5,219	$ 2,966,145	$ (446)	$ (2,849,410)
Issuance of common stock for services	1,763,950	80,500	80	1,763,870	-	-
Sale of common stock for cash	1,000,000	62,500	63	999,937	-	-
Common stock issued uon the exercise of warrants	500,000	31,250	31	499,969	-	-
Common stock issued for acquisition	1,850,000	62,500	63	1,849,937	-	-
Foreign currency translation adjustment	394	-	-	-	394	-
Net loss for the nine months ended October 31, 2018	(2,815,490)	-	-	-	-	(2,815,490)
Balance, October 31, 2018	$ 2,420,362	5,456,025	$ 5,456	$ 8,079,858	$ (52)	$ (5,664,900)

Nine Months Ended October 31, 2019

	Total	Common Stock Number of shares	Common Stock Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit
Balance, February 1, 2019	$ 2,404,612	5,423,956	$ 5,424	$ 8,579,890	$ (52)	$ (6,180,650)
Issuance of warrants for services	252,700	-	-	252,700	-	-
Relative fair value of warrants issued with debt	193,434			193,434		

	Total	Number of shares	Amount	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit
Net loss for the nine months ended October 31, 2019	(1,777,192)	-	-	-	-	(1,777,192)
Foreign currency translation adjustment	(252)	-	-	-	(252)	-
Balance, October 31, 2019	$ 1,073,302	5,423,956	$ 5,424	$ 9,026,024	$ (304)	$ (7,957,842)

NUTRIBAND INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

Three Months Ended October 31, 2018

		Common Stock		Additional	Accumulated Other	
	Total	Number of shares	Amount	Paid In Capital	Comprehensive Income (Loss)	Accumulated Deficit
Balance, August 1, 2018	$ 2,908,986	5,456,025	$ 5,456	$ 8,079,858	$ (48)	$ (5,176,280)
Foreign currency translation adjustment	(4)	-	-	-	(4)	-
Net loss for the three months ended October 31, 2018	(488,620)	-	-	-	-	(488,620)
Balance, October 31, 2018	$ 2,420,362	5,456,025	$ 5,456	$ 8,079,858	$ (52)	$ (5,664,900)

Three Months Ended October 31, 2019

		Common Stock		Additional	Accumulated Other	
	Total	Number of shares	Amount	Paid In Capital	Comprehensive Income (Loss)	Accumulated Deficit
Balance, August 1, 2019	$ 1,633,142	5,423,956	$ 5,424	$ 8,832,590	$ (304)	$ (7,204,568)
Relative fair value of warrants issued with debt	193,434			193,434		
Net loss for the three months ended October 31, 2019	(753,274)	-	-	-	-	(753,274)
Foreign currency translation adjustment	-	-	-	-	-	-
Balance, October 31, 2019	$ 1,073,302	5,423,956	$ 5,424	$ 9,026,024	$ (304)	$ (7,957,842)

See notes to unaudited consolidated financial statements

NUTRIBAND INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31, 2019	Nine Months Ended October 31, 2018
Cash flows from operating activities:		
Net loss	$ (1,777,192)	$ (2,815,490)
Adjustments to reconcile net loss to net cash used in operating activities:		
Expenses paid on behalf of the Company by related party	-	24,300
Depreciation and amortization	54,140	59,527
Derivative expense	352,136	-
Loss on change in fair value of derivative	70,150	-
Amortization of right of use asset	14,413	-
Stock-based compensation	252,700	1,763,950
Changes in operating assets and liabilities:		
Accounts receivable	(58,901)	(93,930)
Prepaid expenses	8,808	80,320
Customer deposits	(71,225)	-
Operating lease liability	(13,921)	-
Accounts payable and accrued expenses	391,961	158,751
Net Cash Used In Operating Activities	(776,931)	(822,572)
Cash flows from investing activities:		
Payment on acquisition	-	(400,000)
Purchase of equipment	-	(4,163)
Net Cash Used in Investing Activities	-	(404,163)
Cash flows from financing activities:		
Payment of bank overdraft	-	(762)
Proceeds from sale of common stock	-	1,000,000
Proceeds from exercise of warrants	-	500,000
Proceeds from notes payable	150,000	25,000
Proceeds from sale of convertible debt and warrants	250,000	-
Payment of notes payable	-	(1,820)

Proceeds from related parties	4,250	2,500
Payment of related party payables	(4,250)	(41,038)
Net Cash Provided by Financing Activities	400,000	1,483,880
Effect of exchange rate on cash	(252)	400
Net change in cash	(377,183)	257,545
Cash and cash equivalents - Beginning of period	474,653	-
Cash and cash equivalents - End of period	$ 97,470	$ 257,545
Supplementary information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -
Supplemental disclosure of non-cash investing and financing activities		
Common stock to be issued for services	$ -	$ 1,763,950
Adoption of ASC 842 Operating lease asset and liability	$ 28,827	$ -
Common stock issued for deposit on acquisition	$ -	$ 1,850,000
Debt discount on convertible notes	$ 270,000	$ -

See notes to unaudited consolidated financial statements

NUTRIBAND INC. AND SUBSIDIARIES
Notes to Unaudited Consolidated Financial Statements
as of and for the Nine Months Ended October 31, 2019 and 2018

1. ORGANIZATION AND DESCRIPTION OF BUSINESS

Organization

Nutriband Inc. (the "Company") is a Nevada corporation, incorporated on January 4, 2016. In January 2016, the Company acquired Nutriband Ltd., an Irish company which was formed by the Company's chief executive officer in 2012 to enter the health and wellness market by marketing transdermal patches. References to the Company relate to the Company and its subsidiaries unless the context indicates otherwise.

On August 1, 2018, the Company acquired 4P Therapeutics LLC ("4P Therapeutics") for $2,250,000, consisting of 62,500 shares of common stock, valued at $1,850,000, and $400,000, and a royalty payable to the former owner of 4P Therapeutics, of 6% on all revenue generated by the Company from the abuse deterrent intellectual property that had been developed by 4P Therapeutics. The former owner of 4P Therapeutics has been a director of the Company since April 2018, when the Company entered into the agreement to acquire 4P Therapeutics.

4P Therapeutics is engaged in the development of a series of transdermal pharmaceutical products that are in the preclinical stage of development. Prior to the acquisition of 4P Therapeutics, the Company's business was the development and marketing of a range of transdermal consumer patches. Most of these products are considered drugs in the United States and cannot be marketed in the United States without approval by the Food and Drug Administration (the "FDA"). The Company is not presently taking any steps to seek FDA approval of its consumer transdermal products and its consumer products are not being marketed in the United States.

With the acquisition of 4P Therapeutics, 4P Therapeutics' drug development business became the Company's principal business. The Company's approach is to use generic drugs that are off patent and incorporate them into the Company's transdermal drug delivery system. Although these medications have received FDA approval in oral or injectable form, the Company needs to conduct a transdermal product development program which will include the preclinical and clinical trials that are necessary to receive FDA approval before the Company can market any pharmaceutical transdermal products.

Reverse Stock Split and Reduction in Authorized Common Stock

On June 25, 2019, the Company effected one-for-four reverse split, pursuant to which each share of common stock became and was converted into 0.25 share of common stock, and the Company decreased its authorized common stock from 100,000,000 shares to 25,000,000 shares. The reverse split became effective in the marketplace on July 24, 2019. All share and per share information in these financial statements retroactively reflect the reverse split.

Going Concern

The Company's consolidated financial statements for the nine months ended October 31, 2019 have been prepared on a going concern basis which contemplates the realization of assets and settlement of liabilities in the normal course of business. The Company did not generate any revenue prior to the quarter ended October 31, 2018. For the nine months ended October 31, 2019, the Company generated revenue of $351,070 on which it recorded cost of revenues of $422,879 and a loss from operations of $1,353,347. The Company requires substantial funding to execute its strategic business plan. Successful business operations and its transition to attaining profitability are dependent upon obtaining significant additional financing, generating revenue primarily from its professional services to cover its overhead, developing its products, and obtaining FDA approval to market any product it develops and implementing a marketing program for such products. The Company will not be able to generate any revenue from its proposed transdermal pharmaceutical products without FDA approval. These factors raise substantial doubt about ability of the Company to continue as a going concern.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated balance sheet as of October 31, 2019 and the consolidated statements of operations, stockholders' equity, and cash flows for the periods presented have been prepared by the Company and are unaudited. The consolidated financial statements are prepared in accordance with the requirements for unaudited interim periods pursuant to Rule 8-03 of Regulation S-X, and consequently, do not include all disclosures required to be made in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations, changes in stockholders' equity and cash flows for all periods presented have been made. The information for the consolidated balance sheet as of January 31, 2019 was derived from audited financial statements of the Company. The Company's significant accounting policies are found below. These policies should be read in conjunction with Note 1 in the Company's audited financial statements for the year ended January 31, 2019.

Principles of Consolidation

The consolidated financial statements of the Company include the Company and its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated. The operations of 4P Therapeutics are included in the Company's financial statements from the date of acquisition of August 1, 2018.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates including, but not limited to, those related to such items as income tax exposures, accruals, depreciable/useful lives, allowance for doubtful accounts and valuation allowances. The Company bases its estimates on historical experience and on various other assumptions that are believed to be 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. Actual results could differ from those estimates.

Revenue Recognition

The Company recognized revenue in accordance with Topic 606 "Revenue from Contracts with Customers. Topic 606 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to a customer. The Company adopted the guidance under the new revenue standards using the modified retrospective method effective February 1, 2018 and determined no cumulative effect adjusted to retained earnings was necessary upon adoption. Topic 606 requires the Company to recognize revenues when control of the promised goods or services and receipt of payment is probable. The Company recognizes revenue based on the five criteria for revenue recognition established under Topic 606: 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price among the performance obligations, and 5) recognize revenue as the performance obligations are satisfied.

Upon adoption, Topic 606 replaced most existing revenue recognition guidance in U.S. GAAP. The adoption of Topic the new revenue recognition standards did not have any impact on its consolidated financial statements since the Company did not recognize any revenue prior to the third quarter of 2018, and all revenue is recognized pursuant to Topic 606.

Revenue Service Types

The following is a description of the Company's revenue service types, which include professional services and sale of goods:

- Professional services include contract research and development related services with clients in the life sciences field on an as-needed basis. Deliverables primarily consist of detailed findings and conclusion reports provided to the client for each given research project engaged.
- Sales revenues are derived from the sale of products. To date, sales related to consumer products sold to the Company's South Korean distributor. Upon receipt of a purchase order, the Company has the order filled and shipped.

Contracts with Customers

A contract with a customer exists when (i) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) the Company determines that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For the Company's different revenue types, the performance obligation is satisfied at different times. The Company's performance obligations include providing products and professional services in the area of research. The Company recognizes product revenue performance obligations in most cases when the product has shipped to the customer. When the Company performs professional service work, it recognizes revenue when it has the right to invoice the customer for the work completed, which typically occurs on a monthly basis for the work performed during that month.

All revenue recognized in the statement of operations is revenue from contracts with customers.

Disaggregation of Revenues

The Company disaggregates its revenue from contracts with customers by service type and by geographical location. The following tables set forth revenue by service type and by geographical location.

Revenue by service type:

	Three months ended October 31,		Nine months ended October 31,	
	2019	2018	2019	2018

Sale of goods	$ -	$ 49,000	$ 142,450	$ 49,000
Services	82,567	113,815	208,620	113,815
Total	$ 82,567	$ 162,815	$ 351,070	$ 162,815

Revenue by geographic location:

	Three months ended October 31,		Nine months ended October 31,	
	2019	2018	2019	2018
United States	$ 82,567	$ 113,815	$ 208,620	$ 113,815
Non-United States	-	49,000	142,450	49,000
Total	$ 82,567	$ 162,815	$ 351,070	$ 162,815

Property, Plant and Equipment

The Company depreciates its plant and equipment on a straight-line basis over the estimated useful life of the assets. Property, plant and equipment is stated at historical cost. Expenditures for minor repairs, maintenance and replacement parts which do not increase the useful lives of the assets are charged to expense as incurred. All major additions and improvements are capitalized. Depreciation is computed using the straight-line method. The lives over which the fixed assets are depreciated range from 3 to 5 years as follows:

Lab equipment	5 years
Furniture, fixtures and equipment	3 years

Intangibles Assets

Intangibles assets include trademarks, intellectual property and customer base acquired through business combinations. The Company accounts for Other Intangible Assets under the guidance of ASC 350, “Intangibles-Goodwill and Other.” The Company capitalizes certain costs related to patent technology. A substantial component of the purchase price related to the Company’s acquisition of 4P Therapeutics in 2018 has also been assigned to intellectual property and other intangibles. Under the guidance, other intangible assets with definite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are tested annually for impairment. Trademarks, intellectual property and customer base are being amortized over their estimated useful lives of ten years.

Goodwill

Goodwill represents the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition. Goodwill is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. The Company does not amortize goodwill in accordance with ASC 350.

Long-lived Assets

Management reviews long-lived assets for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. If an impairment exists, the resulting write-down would be the difference between fair market value of the long-lived asset and the related net book value.

Earnings per Share

Basic earnings per share of common stock is computed by dividing net earnings by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net earnings by the weighted average number of shares of common stock and potential shares of common stock outstanding during the period. Potential shares of common stock consist of shares issuable upon the exercise of outstanding options and common stock purchase warrants. As of October 31, 2019 and 2018, there were 133,214 and 182,500 common stock equivalents outstanding, respectively, that were not included in the calculation of dilutive earnings per share as their effect would be anti-dilutive.

Stock-Based Compensation

ASC 718, “Compensation - Stock Compensation,” prescribes accounting and reporting standards for all share-based payment transactions in which employee services, and, since February 1, 2019, non-employees, are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options and other equity instruments such as employee stock ownership plans and stock appreciation rights. Share-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

For the nine months ended October 31, 2018, the Company accounted for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, “Equity - Based Payments to Non-Employees.” Measurement of share-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date. As of February 1, 2019, pursuant to ASU 2018-07, ASC 718 was applied to stock-based compensation for both employees and non-employees.

Leases

In February 2016, the FASB issued ASU 2016-02, “Leases” (Topic 842), to provide a new comprehensive model for lease accounting under this guidance, lessees and lessors should apply a “right-of-use” model in accounting for all leases (including subleases) and eliminate the concept of operating leases and off-balance-sheet leases. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. Similar modifications have been made to lessor accounting in-line with revenue recognition guidance.

The Company adopted ASU 2016-02 as amended effective February 1, 2019 using the modified retrospective approach. In connection with the adoption, the Company elected to utilize the Comparative Under 840 Option whereby the Company will continue to present prior period financial statements and disclosures under ASC 840. In addition, the Company elected the transition package of three practical expedients permitted under the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification and initial direct costs. The Company completed the necessary changes to its accounting policies, processes, disclosure and internal control over financial reporting.

Adoption of the new standard resulted in the recording of right-to-use assets in the amount of $28,827 and lease liabilities related to operating leases in the amount of $28,827 on the Company's consolidated balance sheet as of February 1, 2019. See Note 10, Leases, for Topic 842 disclosures in connection with the adoption of ASU 2016-02.

Fair Value Measurements

FASB ASC 820, "Fair Value Measurements and Disclosure" ("ASC 820"), defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be to measure fair value.

The Company utilizes the accounting guidance for fair value measurements and disclosures for all financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the consolidated financial statements on a recurring basis during the reporting period. The fair value is an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants based upon the best use of the asset or liability at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability. ASC 820 establishes a three-tier value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers are defined as follows:

Level 1 -Observable inputs such as quoted market prices in active markets.

Level 2 -Inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3 -Unobservable inputs about which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The carrying value of our financial instruments including cash and cash equivalents, accounts receivable, prepaid expenses, and accrued expenses approximate their fair value due to the short maturities of these financial instruments.

Derivative liabilities are determined based on "Level 3" inputs, which are significant and unobservable and have the lowest priority. The recorded values of all other financial instruments approximate their current fair value because of their nature and respective short maturity dates or durations.

Our financial assets and liabilities carried at fair value measured on a recurring basis as of October 31, 2019, consisted of the following:

	Total fair value at October 31, 2019	Quoted Price in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
	$	$	$	$
Description:				
Derivative liability (1)	478,852	-	-	478,852
Total	478,852	-	-	478,852

(1) The Company has estimated the fair value of this liability using the Binomial Model.

Derivative Liabilities

The Company accounts for derivative instruments in accordance with ASC Topic 815, "Derivatives and Hedging" and all derivative instruments are reflected as either assets or liabilities at fair value on the balance sheet. The Company uses estimates at fair value to value its derivative instruments. Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, the Company's policy in estimating fair values is to first look at observable market prices for identical assets and liabilities in active markets, when available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The value presented may not represent future fair values and may not be reliable. The Company categorizes its fair value estimates in accordance with ASC 820 based on the hierarchical framework associated with the three levels of price transparency utilized in measuring financial instruments at fair value as discussed above. As of October 31, 2019, the Company had a $478,852 derivative liability.

Fair value estimates are made at a specific point in time, based on relevant market information about the financial statement. These estimates are subjective in nature and involve uncertainties and matter of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Recent Accounting Standards

The Company has implemented all new pronouncements, including the adoption of ASC 842 and 718, that are in effect and that may impact its consolidated financial statements and does not believe that there are any other new accounting pronouncements that have been issued that might have a material impact on its consolidated financial statements or results of operations.

3. PROPERTY AND EQUIPMENT

	October 31, 2019	January 31, 2019

Lab equipment	$	144,585	$	144,585
Furniture, fixtures and equipment		19,643		19,643
		164,228		164,228
Less: Accumulated depreciation		(44,419)		(18,081)
Net Property and Equipment	$	119,809	$	146,147

Depreciation expense amounted to $26,338 and $347 for the nine months ended October 31, 2019 and 2018, respectively.

4. NOTES PAYABLE/CONVERTIBLE DEBT

On September 12, 2017, the Company borrowed $15,000 on an interest-free basis from a minority stockholder. In April 2018, the Company borrowed an additional $25,000 from the minority stockholder. During 2019, the Company borrowed an additional $150,000. The loans are interest free and due upon demand. The balance due on such loans was $190,000 on October 31, 2019, and $40,000 on January 31, 2019, which is included in notes payable.

During the nine months ended October 31, 2019, the Company's chief financial officer advanced the Company $4,250, all of which was repaid as of October 31, 2019.

On October 30, 2019, the Company entered into a securities purchase agreement with two investors pursuant to which the Company issued to the investors (i) 6% one-year convertible promissory notes in the principal amount of $270,000 and (ii) three-year warrant to purchase 50,000 shares of common stock at an exercise price equal to the lesser of (i) $20.90 or (ii) if the Company completes a public offering, 110% of the initial public offering price of the common stock in the public offering. The gross proceeds from this financing were $250,000, and net proceeds were approximately $203,000.

The notes are convertible at a conversion price equal to the lesser of (i) the per share price of our common stock offered in a public offering or (ii) the variable conversion price, which is defined as 70% of the lowest trading price of the common stock during the 20 trading days preceding the date of conversion. The conversion price and the percentage of the trading price is subject to downward adjustment in the event the Company fails to comply with the obligations under the notes. The Company has the right to prepay the notes during the 180 days following the issuance of the notes at a premium of 115% of the outstanding principal and interest during the 60 days following the date of issuance of the note, which percentage increases to 125% during the remainder of the 180 day period. The Company is required to pay the notes one business day after the closing of the first to occur of (a) the next public offering of the Company's securities or (b) the next private placement of the Company's equity or debt securities in which the Borrower received net proceeds of at least $1.0 million, (c) issuance of securities pursuant to an equity line of credit or (d) a financing with a bank or other institutional lender.

The Company recorded a debt discount of $270,000 as of October 31, 2019. The debt discount will be amortized over the life of the note.

The Company is also required to increase its authorized common stock to 250,000,000 shares as soon as practical, but in event later than 90 days following the date the securities purchase agreement, which would be January 28, 2020.

5. ACQUISITION OF BUSINESS

On August 1, 2018, the Company acquired 100% of the membership interests of 4P Therapeutics, pursuant to an agreement dated April 5, 2018, for $2,250,000, consisting of 62,500 shares of common stock, valued at $1,850,000, a payment of $400,000, and a royalty payable to the former owner of 4P Therapeutics of 6% on all revenue generated by us from the abuse deterrent intellectual property that had been developed by 4P Therapeutics. The primary purpose of the acquisition is to acquire the intellectual property of 4P Therapeutics and complete the development and seek FDA approval on a number of transdermal pharmaceutical products under development by 4P Therapeutics which are in the preclinical stage. As a result of the acquisition of 4P Therapeutics, the Company has a pipeline of potential products. Acquisition costs, which were minimal, have been expensed as incurred in accordance with ASC 350.

Details of the net assets acquired are as follows:

		Fair Value Recognized On Acquisition
Equipment	$	160,065
Customer base		136,500
Intellectual property		234,200
Goodwill		1,719,235
Net assets acquired	$	2,250,000
Satisfied by:		
Common stock issued		(1,850,000)
Cash outflows on acquisition	$	400,000)

The following unaudited pro forma condensed financial information presents the combined results of operations of the Company and 4P Therapeutics as if the acquisition occurred as of the beginning of nine-month period ended July 31, 2018. The unaudited pro forma condensed financial information is not intended to represent or be indicative of the consolidated results of operations of the Company that would have been reported had the acquisition occurred at the beginning of the period presented and should not be taken as being representation of the future consolidated results of operations of the Company.

	Nine months ended October 31, 2018			
	As Reported		Pro Forma	
Revenue	$	162,815	$	494,679
Net loss	$	(2,815,490)	$	(2,910,123)
Loss per share of common stock (basic and diluted)	$	(0.53)	$	(0.55)

6. INTANGIBLE ASSETS AND GOODWILL

At October 31, 2019 and January 31, 2019, intangible assets consisted of intellectual property, customer base and trademarks, net of amortization, as follows:

	October 31, 2019	January 31, 2019
Customer base	$ 136,500	$ 136,500
Intellectual property	234,200	234,200
Goodwill	1,719,235	1,719,235
Total	2,089,935	2,089,935
Less: Accumulated amortization	(46,732)	(18,930)
Net Intangible Assets	$ 2,043,203	$ 2,071,005

The value of the intangible assets, consisting of intellectual property and customer base has been recorded at their fair value by the Company after completing a valuation and are being amortized over a period of ten years. Amortization expense for the nine months ended October 31, 2019 and 2018 was $27,802 and $-0- respectively.

No value has been given to the potential royalty payable to the former owner since the royalty is contingent upon the Company generating revenue from any source and there is no marketable product and there are material uncertainties, including the need for FDA approval, as to whether or when any revenue will be generated from the intellectual property subject to the royalty. If any royalties are paid to the former owner of 4P Therapeutics, the royalties will be expensed as incurred and treated as a cost of revenue.

Intangible assets consist of:

Intellectual property	$ 234,200
Accumulated amortization	(29,670)
Book value at October 31, 2019	$ 204,530
Customer base	$ 136,500
Accumulated amortization	(17,062)
Book value at October 31, 2019	$ 119,438
Total Intangible Assets, Net	$ 323,968

Estimated Amortization:	Trademarks and Intellectual Property	Customer Base	Total
Year Ended January 31,			
2020	$ 5,855	$ 3,413	$ 9,268
2021	23,420	13,650	37,070
2022	23,420	13,650	37,070
2023	23,420	13,650	37,070
2024 and thereafter	128,415	75,075	203,490
	$ 204,530	$ 119,438	$ 323,968

7. DERIVATIVE LIABILITIES

The embedded conversion option of the convertible debentures described in Note 4 contain conversion features that qualify for embedded derivative classification. The fair value of the liabilities will be re-measured at the end of every reporting period and the change in fair value will be reported in the statement of operations as a gain or loss on derivative financial instruments.

The table below sets forth a summary in the fair value of the Company’s Level 3 financial liabilities:

	October 31, 2019
Balance at the beginning of the period	$ -
Fair value of derivative liabilities in excess of notes proceeds received	408,702
Change in value of embedded conversion option	70,150
	$ 478,852

The Company uses Level 3 inputs for its valuation methodology for the embedded conversion option liabilities as their fair value were determined by using the Binomial Model based on various assumptions.

At issuance, the expected volatility was 159.01%; risk-free interest rate of 1.58%; and expected term of one year. For the re-valuation at October 31, 2019, the expected volatility was 159.54%; risk-free interest rate of 1.58%; and expected term of one year.

8. RELATED PARTY TRANSACTIONS

a) The former owner of 4P Therapeutics has been a director of the Company since April 2018, when the Company entered into an agreement to acquire 4P

Therapeutics. See Note 4 in connection with the terms of the acquisition of 4P Therapeutics from the former owner. The former owner was not a director of the Company when the acquisition agreement was signed.

b) During the nine months ended October 31, 2018, the Company issued 68,000 shares of common stock, valued at $1,419,300, issued to executive officers and their affiliates; and 7,500 shares of common stock, valued at $222,000, issued to the Company's independent directors.

c) On February 19, 2019, the Company granted an executive officer an option to purchased 25,000 shares of the Company's common stock at an exercise price equal to 75% of the market price on the date the Company receives notice of exercise. The fair value of the warrant on the date of grant using the Black Scholes model was $252,700 and was expensed during the nine months ended October 31, 2019. The warrant expired unexercised on May 19, 2019.

d) During the nine months ended October 31, 2019, the Company's chief financial officer advanced the Company $4,250, all of which was repaid as October 31, 2019.

9. COMMON STOCK

During the nine months ended October 31, 2018, the Company issued a total of 80,500 shares for services valued at $1,763,950 as follows:

(i) 68,000 shares of common stock, valued at $1,419,300, issued to executive officers and their affiliates;
(ii) 7,500 shares of common stock, valued at $222,000, issued to the Company's independent directors;
(iii) 2,500 shares of common stock, valued at $74,000, issued to the Company's advisory board member; and
(iv) 2,500 shares of common stock, valued at $48,600, issued to a non-affiliated party for services.

On May 2, 2018, the Company sold to an unrelated party for $1.0 million, 62,500 shares stock and 30-day warrants to purchase 62,500 shares of common stock at $16.00 per share. On May 27, 2018, the unrelated party exercised warrants to purchase 31,250 shares of common stock for proceeds of $500,000 and on June 2, 2018, warrants to purchase 31,250 shares of common stock expired unexercised.

On July 31, 2018, the Company issued 62,500 shares of common stock valued at $1,850,000 representing a portion of the purchase price for the equity of 4P Therapeutics. See Notes 4 and 6.

In November 2018, one of the defendants in the legal proceedings with Advanced Health Brands, Inc., returned 50,000 shares of common stock that had been issued to her, and these shares were cancelled as of January 31, 2019.

On May 24, 2019, the board of directors created a series of preferred stock consisting of 2,500,000 shares designated as the Series A Convertible Preferred Stock ("Series A Preferred Stock"). On June 20, 2019, the Series A preferred Stock was terminated and the 2,500,000 shares were restored to the status of authorized but unissued shares of Preferred Stock, without designation as to series, until such stock is once more designated as part of a particular series by the board of directors.

10. WARRANTS AND OPTIONS

The following table summarizes the changes in warrants outstanding and the related price of the shares of the Company's common stock issued to non-employees of the Company.

	Shares	Weighted average Exercise Price	Remaining Life	Intrinsic Value
Outstanding, January 31, 2019	182,500	$ 6.32	0.35 years	$ 4,101,000
Granted	50,000	20.90	3.00 years	-
Expired/Cancelled	(125,000)	2.80	-	-
Exercised	-	-	-	-
Outstanding-period ending October 31, 2019	107,500	$ 17.21	1.53 years	$ 837,500
Exercisable - period ending October 31, 2019	107,500	$ 17.21	1.53 years	$ 837,500

1 The exercise price for these warrants is the lesser of (i) $20.90 or, (ii) if the Company completes a public offering of its common stock, 110% of the initial public offering price of the Common Stock in the next firm commitment public offering of the Company's securities. Since the Company has not completed a public offering since the issuance of the warrants, an exercise price of $20.90 has been used in the foregoing table and in the table below.

The following table summarizes additional information relating to the warrants outstanding at October 31, 2019:

Range of Exercise Prices	Number Outstanding	Remaining Contractual Life(Years)	Exercise Price for Shares Outstanding	Number Exercisable	Exercise Price for Shares Exercisable
$ 20.90	50,000	3.00	$ 20.90	50,000	$ 20.90
$ 14.00	57,500	0.25	$ 14.00	57,500	$ 14.00

The following table summarizes the changes in options outstanding and the related price of the shares of the Company's common stock issued to non-employees of the Company.

	Shares	Exercise Price	Remaining Life	Intrinsic Value
Outstanding, January 31, 2019	-	$ -	-	$ -
Granted	25,000	25.64	0.05 years	232,750
Expired	(25,000)	25.64	-	-
Exercised	-	-	-	-
Outstanding-period ending October 31, 2019	-	$ -	-	$ -
Exercisable - period ending October 31, 2019	-	$ -	-	$ -

11. LEASES

The Company has operating leases for its facilities used for research and development, sales and administration. These leases have remaining lease terms of less than one year. Certain of these leases contain options to extend the term of the lease and certain of these leases contain options to terminate the lease within a specified period of time. The options to extend or terminate a lease are included in the lease term when it is reasonably likely that the Company will elect that option. The Company is not a party to any material sublease arrangements.

The components of lease expense, which are included in cost of revenues and general and administrative expense, based on the underlying uses of the right of use asset, were as follows:

	Nine Months Ended October 31, 2019
Amortization of right-of-use asset	$ 14,414
Interest on lease liability	1,559
Operating lease costs	-
Total Lease Cost	$ 15,973

Supplementary cash flow information related to leases are as follows:

	Nine Months Ended October 31, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 14,414
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ 28,827

Supplementary balance sheet information related to leases are as follows:

	October 31, 2019
Operating Leases:	
Operating lease right-of -use assets	$ 14,414
Operating lease liabilities	14,906
Weighted-Average Remaining Lease Term:	
Operating leases	0.75
Weighted-Average Discount Rate:	
Operating leases	9.24%

Our discount rate is based on our incremental borrowing rate.

Maturities of lease liabilities were as follows as of October 31, 2019:

Year Ending January 31,	Operating Leases
2020-remaining	$ 5,160
2021-remaining	10,320
Total undiscounted cash flows	15,480
Less: imputed interest	(574)
Present value of lease liabilities	$ 14,906

12. CONTINGENCIES

On July 27, 2018, the Company commenced an action in the Circuit Court of the Ninth Judicial Circuit in and for Orange County, Florida, against Advanced Health Brands, Inc., Raymond Kalmar, Paul Murphy, Michelle Polly-Murphy, Laura Fillman and John Baker, together with a Motion for Temporary Injunction Without Notice and a Motion for Prejudgment Writ of Replevin arising from the Company's decision to seek to rescind for misrepresentation the agreement by which the Company acquired advanced Health Brans, Inc. for 1,250,000 shares of common stock valued at $2,500,000 and seek return of the shares. On August 2, 2018, the court entered a Temporary Injunction Without Notice and an Order to Show Cause against the defendants. Defendants Kalmar, Murphy, Polly-Murphy, and Baker filed a Motion to Dismiss our Verified Complaint, Motion to Dissolve Temporary Injunction Without Notice and Response to Order to Show Cause, and Motion to Compel Arbitration. On January 4, 2019, the court dismissed the Company's complaint with prejudice, and directed the defendants to assign the Company within 30 days, the six patents never duly transferred to the Company. On February 1, 2019, the Company appealed the court's order. Pursuant to a settlement agreement with one of the defendants, that defendant returned the 50,000 shares which had been issued to her, and the shares were cancelled as of January 31, 2019. On June 7, 2019, the individual defendants (other than the defendant with whom we have a settlement agreement), filed a motion for sanctions and civil contempt against us, which generally claimed that we failed to comply with the Court's January 4, 2019 order by refusing to issue the Rule 144 letters that would allow the defendants to transfer their shares of our common stock. On October 29, 2019 the court denied defendants' motion.

On August 22, 2018, four of the defendants in the Florida action described in the previous paragraph filed a complaint against the Company in the Franklin County, Ohio Court of Common Pleas seeking a declaratory judgment permitting them to sell the shares of common stock they received pursuant to the acquisition agreement. The parties have agreed to a stay pending the outcome of the Florida litigation.

On April 29, 2019, the Company filed a securities fraud action in the U.S. District Court for the Eastern District of New York against Raymond Kalmar, Paul Murphy, Michelle Polly-Murphy, Advanced Health Brands and TD Therapeutic, Inc. In the complaint the Company alleges that in 2017, the defendants fraudulently and deceitfully obtained 1,250,000 shares of common stock by orchestrating a months-long scheme to defraud us. We are seeking the return of the 1,250,000 shares of common stock and monetary damages resulting from the defendants' fraudulent conduct. The defendants have advised the court that they intend to file a motion to dismiss the complaint and requested a pre-motion conference. The defendants filed their motion to dismiss on August 23, 2019, and we filed our response on September 13, 2019.

13. SUBSEQUENT EVENTS

In accordance with ASC 855-10, management reviewed all material events through the date of this report. There are no material subsequent events to report.

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

The following discussion of our financial condition and results of operations should be read in conjunction with our consolidated financial statements, including the notes thereto and other financial information included elsewhere in this report.

Overview

We are primarily engaged in the development of a portfolio of transdermal pharmaceutical products. Our lead product is our abuse deterrent fentanyl transdermal system which we are developing to provide clinicians and patients with an extended-release transdermal fentanyl product for use in managing chronic pain requiring around the clock opioid therapy combined with properties designed to help combat the opioid crisis by deterring the abuse and misuse of fentanyl patches. We believe that our abuse deterrent technology can also be utilized in transdermal patches to deter the abuse of other drugs and we are exploring follow-on applications. In addition, we are also exploring the development of generic transdermal patches and the application of our transdermal technology for the transdermal delivery of commercially available drugs or biologics that are typically delivered by injection.

Through July 31, 2018, our business was the development of a line of consumer and health products that are delivered through a transdermal patch which we plan to sell internationally. Consumer products are products that are sold over the counter and do not require a prescription. Most of our consumer products require FDA approval for sale in the United States, and we have not sought to obtain, and we do not plan to seek to obtain, FDA approval to market these product in the United States at this time. Presently our efforts with respect to our consumer transdermal products is limited to our distribution agreement with EMI-Korea (Best Choice), Inc. ("Best Choice"), which is planning to market our consumer products in South Korea upon receipt of regulatory approval. Through April 30, 2019, we generated modest revenue from the sale of our consumer products to Best Choice, which is conducting preliminary marketing activities in South Korea pending obtaining the necessary regulatory approvals necessary to market the products to consumers in South Korea. Since Best Choice has not yet obtained the necessary regulatory approval to market our consumer products in South Korea, we do not anticipate generating any significant revenue from Best Choice during the year ending January 31, 2020. We cannot assure you that Best Choice will obtain necessary regulatory approval in South Korea or in any other country in which it has distribution rights or that, if it does obtain the necessary approval, that we will generate any significant revenue from Best Choice. Our agreement with Best Choice had an initial term which initially expired on April 30, 2019 and was extended to April 30, 2020. The agreement provides for an automatic renewal for an additional three years and for five-year terms thereafter if certain minimum purchases are made.

With our acquisition of 4P Therapeutics on August 1, 2018, our focus changed, and we are seeking to develop and seek FDA approval on a number of transdermal pharmaceutical products under development by 4P Therapeutics. As a result of the acquisition of 4P Therapeutics, we have a pipeline of potential products.

4P Therapeutics has not generated any revenue from any of its products under development. Rather, prior to our acquisition, 4P Therapeutics generated revenue to provide cash for its operations through contract research and development and related services for a small number of clients in the life sciences field on an as-needed basis. We are, for the near term, continuing this activity, although we do not anticipate that it will generate significant revenues or gross margin. Currently, there are no long-term contractual obligations for us, and either party can terminate the engagement at any time. During the nine months ended October 31, 2019, we experienced a significant decline in revenue from 4P Therapeutics' largest customer, as a result of which our revenue from 4P Therapeutics was $208,620. Our revenue from our South Korean distributor for the nine months ended October 31, 2019 was $142,450, all of which was generated in the quarter ended April 30, 2019. Our cost of revenue for the nine months ended October 31, 2019 was $422,879. Our cost of revenue includes fixed expenses, such as the compensation for Dr. Alan Smith, who is our chief operating officer and president of 4P Therapeutics, and the rent for 4P Therapeutics' facilities. As a result, if we cannot generate sufficient revenue to cover the fixed expenses of 4P Therapeutics, we will continue to generate a negative gross margin from these operations.

With the change in our focus, our capital requirement have increased substantially. The process of developing pharmaceutical products and submitting them for FDA approval is both time consuming and expensive, with no assurance of obtaining approval from the FDA to market our product in the United States. We have budgeted $5.0 million for research and development of our abuse deterrent fentanyl transdermal system, including clinical manufacturing and clinical trials that need to be completed in order to obtain FDA approval. However, the total cost could be substantially in excess of that amount. We do not presently have the funds to enable us to develop our lead product, and we are seeking funding from a proposed public offering for this purpose for which we have filed a registration statement. We cannot assure you that we will complete this offering and, even if we complete the offering, the net proceeds of the offering will not be sufficient to complete the development and clinical testing necessary for FDA approval for our lead product. In the event that we are not able to complete this offering, we may not be able to raise the funds to finance our operations, either through a private placement or a joint venture agreement or strategic relationship, and, if we cannot raise funds as required or enter into a joint venture or other strategic relationship, we may not be able to fund the development of our product pipeline. Any money we raise in a private placement will most likely be at a discount to the then current market price and the discount could be significant, which would result in significant dilution to our stockholders with no assurance any proceeds we raise will be sufficient for us to complete the development of our lead product.

Results of Operations

Three and Nine Months Ended October 31, 2019 and 2018

For the nine months ended October 31, 2019, we generated revenue of $351,070 and our costs of revenues were $422,879, resulting in negative gross profit of $71,809. For the nine months ended October 31, 2018, we generated revenue of $162,815 and our cost of revenue was $206,283 resulting in negative gross profit of $43,668. We commenced generating revenues during the third quarter of 2018. Our revenue for 2019 was derived from two sources – a continuation of research and development contracts of the type that 4P Therapeutics performed prior to our acquisition, which accounted for $208,620, and sales of our consumer transdermal product to our South Korean distributor, which accounted for 142,450, which our distributor purchased for its preliminary marketing efforts since the product has not obtained regulatory approval for retail sales in South Korea. We anticipate that all of our revenue for the quarter ended January 31, 2020 will be generated from research and development contracts. Our cost of revenue for 2019 was $331,411 for our research and development contracts and $91,468 for the consumer patches. Since we do not have the funds for the development of our lead product, the 4P Therapeutics fixed costs are allocated to the contract services that we perform for clients.

For the nine months ended October 31, 2019 our selling, general and administrative expenses were $1,281,538, primarily legal, accounting and payroll expense, compared to $2,772,022 in the nine months ended October 31, 2018. The decrease from 2018 is primarily due to a decrease in payroll related expenses offset by an increase in legal fees during the nine months. Stock-based compensation was $252,700 for the nine months ended October 31, 2019 and $1,763,950 for the nine months ended October 31, 2018.

During the nine months ended October 31, 2019, we incurred derivative expense of $352,136 and a loss on change in fair value of derivatives of $70,150 in connection with our October 2019 financing in which we raised gross proceeds of $250,000 and net proceeds of approximately $203,000 from the sale of convertible notes and warrants. We had no derivative expense during the nine months ended October 31, 2018.

We incurred interest expense of $1,559 for the nine months ended October 31, 2019. We had no interest expense in the nine months ended October 31, 2018.

As a result of the foregoing, we sustained a net loss of $1,777,192, or $(0.33) per share (basic and diluted) for the nine months ended October 31, 2019, compared with a loss of $2,815,490, or $(0.53) per share (basic and diluted) for the nine months ended October 31, 2018.

For the three months ended October 31, 2019, we generated revenue of $82,567 and our costs of revenues were $106,126 resulting in negative gross profit of $23,559. For the three months ended October 31, 2018, we generated revenue of $162,815 and our costs of revenue were $206,283 resulting in negative gross profit of $43,468. Our revenue in 2019 was derived from the continuation of research and development contracts of the type that 4P Therapeutics performed prior to our acquisition. There were no sales of transdermal products during the third quarter of 2019.

For the three months ended October 31, 2019, our selling, general and administrative expenses were $307,015, primarily legal, accounting and payroll expense, compared to $445,152 in the three months ended October 31, 2018. The decrease from 2018 is primarily due to a decrease in payroll related expenses offset by an increase in legal during the quarter.

During the three months ended October 31, 2019, the Company incurred derivative expense of $352,136 and a loss on change in fair value of derivatives of $70,150 in connection with our October 2019 financing described above. We had no derivative expense during the three months ended October 31, 2018.

We incurred interest expense of $414 for the three months ended October 31, 2019. We had no interest expense in the three months ended October 31, 2018.

As a result of the foregoing, we sustained a net loss of $753,274, or $(0.14) per share (basic and diluted) for the three months ended October 31, 2019, as compared with a loss of $488,620 or $(0.09) per share (basic and diluted) for the three months ended October 31, 2018.

Liquidity and Capital Resources

As of October 31, 2019, we had $97,470 in cash and cash equivalents and a working capital deficiency of $1,104,124, as compared with cash and cash equivalents of $474,653 and working capital of $187,460 at January 31, 2019. In October 2019, we received gross proceeds of $250,000 and net proceeds of approximately $203,000 from the sale of convertible notes in the principal amount of $270,000 and warrants to purchase 50,000 shares of common stock. We also received a $150,000 loan from a minority stockholder.

For the nine months ended October 31, 2019, we used cash of $776,931 in our operations. The principal adjustments to our net loss of $1,777,192 were stock-based compensation of $252,700, derivative expense of $352,136, loss on change in fair value of derivatives of $70,150, an increase in accounts payable and accrued expenses of $391,961, a decrease in prepaid expenses of $8,808, depreciation and amortization of $54,140 offset by an increase in accounts receivable of $58,901 and a decrease is customer deposits of $71,225.

For the nine months ended October 31, 2018, we used $822,572 in our operations. The principal adjustments to our net loss of $2,815,490, were stock-based compensation of $1,763,950, an increase is accounts payable and accrued expenses of $158,751, a decrease in prepaid expenses of $80,320 and expenses paid by a related party of $24,300.

For the nine months ended October 31, 2019, we had no cash flow from investing activities. For the nine months ended October 31, 2018, the Company made a payment of $400,000 in connection with the 4P acquisition.

For the nine months ended October 31, 2019, we had cash flow of $400,000 from financing activities, primarily $150,000 from a non-interest bearing loan from a minority stockholder and gross proceeds of $250,000 from the sale of convertible debt in the principal amount of $270,000 and warrants to purchase common stock.

Off Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future material effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Critical Accounting Policies

Going Concern

Our consolidated financial statements for the nine months ended October 31, 2019 have been prepared on a going concern basis which contemplates the realization of assets and settlement of liabilities in the normal course of business. We did not generate any revenue prior to the quarter ended October 31, 2018. For the nine months ended October 31, 2019, we generated revenue of $351,070 on which we recorded a negative gross profit of $71,809 and a loss from operations of $1,777,192. During the nine months ended October 31, 2019, we generated revenues of $208,620 and cost of revenues of $331,411 resulting from a significant decrease in sales from 4P Therapeutics' major customer with the result that the revenue was insufficient to cover the fixed costs that are included in cost of revenue. Further, the revenue from the sales of consumer products reflects sales to Best Choice, our South Korean distributor, in the quarter ended April 30, 2019 for its preliminary marketing efforts, and until it has obtained regulatory clearance to sell the products at retail, we do not anticipate generating significant revenues from Best Choice, which is our only distributor. We require substantial funding to execute our strategic business plan. Successful business operations and our transition to attaining profitability are dependent upon obtaining significant additional financing and achieving a level of revenue to support our cost structure, developing our products and obtaining FDA approval to market any products we develop and implementing a marketing program for such products. These factors raise substantial doubt about our ability to continue as a going concern for a period of at least one year from the date of issuance of the financial statements.

Use of Estimates

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates including, but not limited to, those related to such items as income tax exposures, accruals, depreciable/useful lives, allowance for doubtful accounts and valuation allowances. We base our estimates on historical experience and on various other assumptions that are believed to be 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. Actual results could differ from those estimates.

Revenue Recognition

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"), which amends the accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount an entity expects to be entitled when products are transferred to a customer. We adopted the guidance under the new revenue standards using the modified retrospective method effective February 1, 2018. Topic 606 requires us to recognize revenues when control of the promised goods or services and receipt of payment is probable. The Company recognizes revenue based on the five criteria for revenue recognition established under Topic 606: 1) identify the contract, 2) identify separate performance obligations, 3) determine the transaction price, 4) allocate the transaction price among the performance obligations, and 5) recognize revenue as the performance obligations are satisfied.

Revenue Service Types

The following is a description of our revenue service types, which include professional services and sales of goods:

- Professional services include the contract of research and development related services with our clients in the life sciences field on an as-needed basis. Deliverables primarily consist of detailed findings and conclusion reports provided to the client for each given research project engaged.

- Sales revenues are generated from the sale of our products. Upon the receipt of a purchase order, we have the order filled and shipped.

Contracts with Customers

A contract with a customer exists when (i) we enter into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (ii) the contract has commercial substance and, (iii) we determine that collection of substantially all consideration for services that are transferred is probable based on the customer's intent and ability to pay the promised consideration.

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer, and is the unit of account in the new revenue standard. The contract transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. For the Company's different revenue service types, the performance obligation is satisfied at different times. Our performance obligations include providing products and professional services in the area of research. We recognize product revenue performance obligations in most cases when the product has shipped to the customer. When we perform professional service work, we recognize revenue when we have the right to invoice the customer for the work completed, which typically occurs on a monthly basis for work performed during that month.

All revenue recognized in the statement of operations is considered to be revenue from contracts with customers.

Intangible Assets

Intangible assets include intellectual property and other customer base acquired through business combinations. We account for Other Intangible Assets under the guidance of ASC 350, "Intangibles-Goodwill and Other." We capitalize certain costs related to patent technology, as a substantial portion of the purchase price related to our acquisition has been assigned to the intellectual property and other intangibles. Under the guidance, other intangible assets with definite lives are amortized over their estimated useful lives. Intangible assets with indefinite lives are tested annually for impairment. Intellectual property and customer base are being amortized over their useful lives of ten years.

Goodwill

Goodwill represents the difference between the total purchase price and the fair value of assets (tangible and intangible) and liabilities at the date of acquisition. Goodwill is reviewed for impairment annually, and more frequently as circumstances warrant, and written down only in the period in which the recorded value of such assets exceed their fair value. In accordance with ASC 350, we do not amortize goodwill.

Long-lived Assets

Management reviews long-lived assets for potential impairment whenever significant events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment exists when the carrying amount of the long-lived asset is not recoverable and exceeds its fair value. The carrying amount of a long-lived asset is not recoverable if it exceeds the sum of the estimated undiscounted cash flows expected to result from the use and eventual disposition of the asset. If an impairment exists, the resulting write-down would be the difference between fair market value of the long-lived asset and the related net book value.

In May 2017, we agreed to acquire the rights, title and interests in transdermal patch and formulation pursuant to an acquisition agreement with Advanced Health

Brands and its stockholders in exchange for 1,250,000 shares of common stock valued at $2,500,000, based on the market price of the common stock at that date, for which we were to receive the stock of Advanced Health Brands and a related company, which shares were not delivered to us. Advanced Health Brands was an early-stage transdermal development company with an intellectual property portfolio consisting of provisional patents relating to prescription medications to be delivered through transdermal technology. Because in January 2018, we had not received the stock of Advanced Health Brands and the intellectual property owned by Advanced Health Brands and we determined that the intellectual property owned by Advanced Health Brands did not have any value to us, we recorded and impairment loss of $2,500,000 for the year ended January 31, 2018.

Stock-Based Compensation

ASC 718, "Compensation — Stock Compensation," prescribes accounting and reporting standards for all stock-based payment transactions in which employee services, and, since February 1, 2019, non-employee services, are acquired. Transactions include incurring liabilities, or issuing or offering to issue shares, options and other equity instruments such as employee stock ownership plans and stock appreciation rights. Stock-based payments to employees, including grants of employee stock options, are recognized as compensation expense in the financial statements based on their fair values. That expense is recognized over the period during which an employee is required to provide services in exchange for the award, known as the requisite service period (usually the vesting period).

For the year ended January 31, 2019, we account for stock-based compensation issued to non-employees and consultants in accordance with the provisions of ASC 505-50, "Equity — Based Payments to Non-Employees." Measurement of stock-based payment transactions with non-employees is based on the fair value of whichever is more reliably measurable: (a) the goods or services received; or (b) the equity instruments issued. The fair value of the share-based payment transaction is determined at the earlier of performance commitment date or performance completion date.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases" (Topic 842), to provide a new comprehensive model for lease accounting under this guidance, lessees and lessors should apply a "right-of-use" model in accounting for all leases (including subleases) and eliminate the concept of operating leases and off-balance-sheet leases. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. Similar modifications have been made to lessor accounting in-line with revenue recognition guidance.

We adopted ASU 2016-02 as amended effective February 1, 2019 using the modified retrospective approach. In connection with the adoption, we elected to utilize the Comparative Under 840 Option whereby we will continue to present prior period financial statements and disclosures under ASC 840. In addition, we elected the transition package of three practical expedients permitted under the standard, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification and initial direct costs. We completed the necessary changes to our accounting policies, processes, disclosure and internal control over financial reporting.

Adoption of the new standard resulted in the recording of right-to-use assets in the amount of $28,827 and lease liabilities related to operating leases in the amount of $28,827 on our consolidated balance sheet as of February 1, 2019.

Foreign Currency Translation

The functional currency of our Irish subsidiary is the Euro. The assets and liabilities of the subsidiary are translated into US dollars using the prevailing exchange rate as of the balance sheet date and income and expenses are translated into US dollars using the average exchange rate during the reporting period. Translation adjustments are recorded in other comprehensive (loss).

Business Combinations

Business combinations are accounted for using the acquisition method in accordance with ASC Topic 805, Business Combinations ("ASC 805"). Under the acquisition method of accounting, we allocate the purchase price of a business acquisition based on the fair value of the identifiable tangible and intangible assets. The difference between the total cost of the acquisition and the sum of the fair values of the acquired tangible and identifiable intangible assets less liabilities is recorded as goodwill or bargain purchase gain. Under ASC 805, acquisition related transaction costs (such as advisory, legal, valuation, and other professional fees) are expensed as incurred.

New Financial Accounting Standards

Management does not believe that any other recently issued, but not yet effective, accounting standard if currently adopted would have a material effect on the consolidated financial statements included herewith.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures.

As of the end of period covered by this report, we carried out an evaluation, with the participation of our chief executive officer and chief financial officer, of the effectiveness of our disclosure controls and procedures pursuant to Securities Exchange Act Rule 13a-15. Based upon that evaluation, we concluded that for reasons discussed in our annual report on Form 10-K for the year ended January 31, 2019, our disclosure controls and procedures are not effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms.

As reported in our Form 10-K, management has determined that our internal controls contain material weaknesses due to the absence of segregation of duties, as well as lack of qualified accounting personnel, excessive reliance on third party consultants for accounting, financial reporting and related activities, and the lack of any separation of duties. Because of our financial condition it is unlikely that we will be able to implement effective internal controls over financial reporting in the near future.

Until we generate significantly greater revenues and employ accounting personnel, it is doubtful that we will be able implement any system which provides us with any degree of internal controls over financial reporting. Due to the nature of this material weakness in our internal control over financial reporting, there is more than a remote likelihood that misstatements which could be material to our annual or interim financial statements could not be prevented or detected.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Changes in internal controls over financial reporting.

No changes were made to our internal controls in the quarterly period covered by this report that have materially affected, or are reasonably likely materially to affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 6. EXHIBITS.

Exhibits

Exhibit Number	Description of Exhibits
31.1	Section 302 Certificate of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer
32.1	Section 906 Certificate of Chief Executive Officer and Principal Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Schema Document
101.CAL	XBRL Taxonomy Calculation Linkbase Document
101.DEF	XBRL Taxonomy Definition Linkbase Document
101.LAB	XBRL Taxonomy Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Exchange Act, the Company has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

December 12, 2019

NUTRIBAND INC.

By: /s/ Gareth Sheridan
Gareth Sheridan,
Chief Executive Officer
(Principal Executive Officer)

December 12, 2019

By: /s/ Serguei Melnik
Serguei Melnik,
Chief Financial Officer
(Principal Financial Officer)

EX-31.1 2 f10q1019ex31-1_nutriband.htm CERTIFICATION

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Gareth Sheridan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nutriband 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. 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 (the registrant's 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. 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 (or persons performing the equivalent functions):

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: December 12, 2019

/s/ Gareth Sheridan
Gareth Sheridan,
Chief Executive Officer
(Principal Executive Officer)

EX-31.2 3 f10q1019ex31-2_nutriband.htm CERTIFICATION

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES OXLEY ACT OF 2002

I, Serguei Melnik, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Nutriband 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. 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 (the registrant's 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. 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 (or persons performing the equivalent functions):

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: December 12, 2019

/s/ Serguei Melnik
Serguei Melnik,
Chief Financial Officer
(Principal Financial Officer)

EX-32.1 4 f10q1019ex32-1_nutriband.htm CERTIFICATION

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 Nutriband Inc. (the "Company") on Form 10-Q for the quarter ended October 31, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Gareth Sheridan, chief executive officer, and I, Serguei Melnik, 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:

(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 result of operations of the Company.

December 12, 2019

/s/ Gareth Sheridan
Gareth Sheridan,
Chief Executive Officer
(Principal Executive Officer)

December 12, 2019

/s/ Serguei Melnik
Serguei Melnik,
Chief Financial Officer
(Principal Financial Officer)