**UNITED STATES**
**SECURITIES AND EXCHANGE COMMISSION**
**Washington, D.C. 20549**

**FORM 10-Q**

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

**For the quarterly period ended December 31, 2018**

**OR**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to**

**Commission File Number: 001-37619**

# STELLAR BIOTECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

| **British Columbia, Canada** | **N/A** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **332 E. Scott Street**<br>**Port Hueneme, California** | **93041** |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone number, including area code: **(805) 488-2800**

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 and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 Act). Yes ☐ No ☒

As of February 4, 2019 the registrant had 5,330,715 common shares issued and outstanding.

All historical references to common shares, warrants and share options outstanding prior to May 4, 2018 and the related exercise prices in this Form 10-Q have been adjusted to reflect the effect of the one for seven reverse split, effected at the close of market on May 4, 2018.

**Stellar Biotechnologies, Inc.**
**Quarterly Report on Form 10-Q**
**For the Quarter Ended December 31, 2018**

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**PART I — FINANCIAL INFORMATION**

**Item 1. Financial Statements.**

**Stellar Biotechnologies, Inc.**
Condensed Interim Consolidated Balance Sheets
(Unaudited)

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| **Assets:** | | |
| Current assets: | | |
| Cash and cash equivalents | **$ 7,364,662** | $ 4,225,521 |
| Accounts receivable | **71,685** | 41,246 |
| Short-term investments | **1,599,067** | 6,078,031 |
| Inventory | **212,079** | 224,267 |
| Prepaid and other assets | **214,903** | 86,919 |
| Total current assets | **9,462,396** | 10,655,984 |
| Noncurrent assets: | | |
| Equity investment in joint venture | **-** | 46,456 |
| Property, plant and equipment, net | **1,022,212** | 1,062,195 |
| Deposits | **15,340** | 15,340 |
| Total noncurrent assets | **1,037,552** | 1,123,991 |
| Total Assets | **$ 10,499,948** | $ 11,779,975 |
| **Liabilities and Shareholders' Equity:** | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | **$ 512,023** | $ 493,385 |
| Deferred revenue | **80,000** | - |
| Total Current Liabilities | **592,023** | 493,385 |
| Commitments *(Note 7)* | | |
| Shareholders' equity: | | |
| Common shares, unlimited common shares authorized, no par value, 5,330,715 issued and outstanding at December 31, 2018 and September 30, 2018 | **56,652,957** | 56,652,957 |
| Accumulated share-based compensation | **5,091,664** | 5,064,625 |
| Accumulated deficit | **(51,836,696)** | (50,430,992) |
| Total Shareholders' Equity | **9,907,925** | 11,286,590 |
| Total Liabilities and Shareholders' Equity | **$ 10,499,948** | $ 11,779,975 |

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

**Stellar Biotechnologies, Inc.**
Condensed Interim Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| **Revenues:** | | |
| Product sales | **$ 53,033** | $ 20,487 |
| | **53,033** | 20,487 |
| **Expenses:** | | |
| Cost of sales | **27,993** | 2,801 |
| Costs of aquaculture | **78,280** | 98,050 |
| Research and development | **470,283** | 631,034 |
| General and administrative | **882,798** | 678,481 |
| | **1,459,354** | 1,410,366 |
| **Loss from Operations** | **(1,406,321)** | (1,389,879) |
| **Other Income (Loss)** | | |
| Foreign exchange gain (loss) | **(27,139)** | (17,929) |
| Investment income | **28,556** | 7,862 |
| | **1,417** | (10,067) |
| **Loss Before Income Tax** | **(1,404,904)** | (1,399,946) |
| Income tax expense | **800** | 800 |
| **Net Loss** | **$ (1,405,704)** | $ (1,400,746) |
| Loss per common share: | | |
| Basic and diluted | **$ (0.26)** | $ (0.93) |
| Weighted average number of common shares outstanding: | | |
| Basic and diluted | **5,330,715** | 1,502,870 |

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

**Stellar Biotechnologies, Inc.**
Condensed Interim Consolidated Statements of Cash Flows
(Unaudited)

| | Three Months Ended | |
|---|---|---|
| | **December 31, 2018** | December 31, 2017 |
| **Cash Flows Used In Operating Activities:** | | |
| Net loss | **$ (1,405,704)** | $ (1,400,746) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | **44,468** | 49,309 |
| Share-based compensation | **27,039** | 20,706 |
| Foreign exchange (gain) loss | **27,139** | 17,929 |
| Transfer equipment to research and development | **-** | 10,835 |
| Change in equity investment in joint venture | **46,456** | - |
| | | |
| Changes in working capital items: | | |
| Accounts receivable | **(30,469)** | (9,712) |
| Inventory | **12,188** | (50,426) |
| Prepaid and other assets | **(127,916)** | (35,919) |
| Accounts payable and accrued liabilities | **17,963** | 253,561 |
| Deferred revenue | **80,000** | - |
| Net cash used in operating activities | **(1,308,836)** | (1,144,463) |
| | | |
| **Cash Flows From Investing Activities:** | | |
| Purchase of property, plant and equipment | **(5,666)** | (34,767) |
| Purchase of short-term investments | **(21,036)** | (4,174) |
| Proceeds on sales and maturities of short-term investments | **4,500,000** | 1,000,000 |
| Net cash provided by investing activities | **4,473,298** | 961,059 |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | **(25,321)** | (17,876) |
| Net change in cash and cash equivalents | **3,139,141** | (201,280) |
| Cash and cash equivalents - beginning of period | **4,225,521** | 4,570,951 |
| Cash and cash equivalents - end of period | **$ 7,364,662** | $ 4,369,671 |
| | | |
| Cash (demand deposits) | **$ 6,941,818** | $ 4,090,861 |
| Cash equivalents | **422,844** | 278,810 |
| Cash and cash equivalents | **$ 7,364,662** | $ 4,369,671 |
| | | |
| Supplemental cash flow information: | | |
| Cash paid during the period for taxes | **$ -** | $ 800 |

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

## 1. Nature of Operations

Stellar Biotechnologies, Inc. (the Company) is organized under the laws of British Columbia, Canada. The Company's business is the aquaculture, research and development, manufacture and commercialization of Keyhole Limpet Hemocyanin (KLH). The Company markets and distributes its KLH products to biotechnology and pharmaceutical companies, academic institutions, and clinical research organizations primarily in Europe, Asia, and the United States. The Company's common shares have been listed for trading on The Nasdaq Capital Market in the United States under the symbol "SBOT" since November 5, 2015.

In April 2010, the Company changed its name from CAG Capital, Inc. to Stellar Biotechnologies, Inc. and completed a reverse merger transaction with Stellar Biotechnologies, Inc., a California corporation, which was founded in September 1999, and remains the Company's wholly-owned subsidiary and principal operating entity. In January 2017, the California subsidiary and the Company established a wholly-owned Mexican subsidiary under the name BioEstelar, S.A. de C.V. in Ensenada, Baja California to perform aquaculture research and development activities in Mexico. The Company's executive offices are located at 332 E. Scott Street, Port Hueneme, California, 93041, USA, and its registered and records office is 1500 Royal Centre, 1055 West Georgia Street, Vancouver, BC, V6E 4N7, Canada.

*Liquidity*

Company operations have historically been funded by the issuance of common shares, exercise of warrants, grant revenues, contract services revenue and product sales. For the three months ended December 31, 2018 and 2017, the Company reported net losses of $1.41 million and $1.40 million, respectively. As of December 31, 2018, the Company had an accumulated deficit of $51.84 million and working capital of $8.87 million. The Company expects to incur additional losses as it continues to invest in its research and development programs, manufacturing platform and market development activities.

The Company plans to finance company operations over the course of the next twelve months with cash and investments on hand and product sales. Management has flexibility to adjust planned expenditures based on a number of factors including the size and timing of capital expenditures, staffing levels, inventory levels, and the status of customer clinical trials. Management also seeks to expand the customer base for existing marketed products, and may seek additional financing through debt and/or equity financings, or strategic arrangements with companies that offer synergistic technologies or additional growth opportunities. The Company has historically relied upon the sale of common shares to help fund its operations and meet its obligations and presently expects to continue to do so in the future as and when it considers appropriate, subject to market conditions and the availability of favorable terms.

## 2. Basis of Presentation

The accompanying unaudited condensed interim consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q. They do not include all information and footnotes necessary for a fair presentation of financial position, results of operations and cash flows in conformity with U.S. GAAP for complete financial statements. These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

The accompanying condensed interim consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, Stellar Biotechnologies, Inc., a California corporation in the U.S. and BioEstelar, S.A. de C.V. a Baja California corporation in Mexico. All significant intercompany balances and transactions have been eliminated in consolidation. All adjustments (consisting of normal recurring adjustments and accruals) considered necessary for a fair presentation of the results of operations for the period presented have been included in the interim period. Operating results for the three months ended December 31, 2018 are not necessarily indicative of the results that may be expected for other interim periods or the fiscal year ending September 30, 2019. The condensed interim consolidated financial data at September 30, 2018 is derived from audited financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed on November 30, 2018 with the SEC.

The preparation of financial statements in conformity with U.S. GAAP for interim financial information requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

*Functional Currency*

The condensed interim consolidated financial statements of the Company are presented in U.S. dollars, unless otherwise stated, which is the Company's functional currency.

*Adoption of Recent Accounting Pronouncements*

On October 1, 2018, the Company adopted Accounting Standards Codification (ASC) 606 *Revenue Recognition – Revenue from Contracts with Customers* using the modified retrospective method applied to those contracts which were not completed as of this date. Results for reporting periods beginning after October 1, 2018 are presented under ASC Topic 606, while prior period amounts are not adjusted and continue to be reported in accordance with the historical accounting under ASC Topic 605. There was no impact to the historical condensed interim consolidated financial statements resulting from the Company's adoption of ASC Topic 606.

Revenues and accounts receivable are recognized when the promised goods or services are transferred to customers, in an amount that reflects the consideration to which the Company expects to be entitled to in exchange for those goods or services. The Company's revenue consists of sales of its KLH products, which are recognized upon shipment when the customer obtains control of the product and the Company has no further performance obligations. Deferred revenue is recorded when a customer pays consideration before they obtain control of the product. The Company's product sales by geographic area are presented in Note 9.

## 3. Investments

Short-term investments consisted of U.S. Treasury Bills at December 31, 2018 and September 30, 2018.

U.S. Treasury Bills are carried at amortized cost which approximates fair value and are classified as held-to-maturity investments.

## 4. Inventory

Raw materials include inventory of manufacturing supplies. Work in process includes manufacturing supplies, direct and indirect labor, contracted manufacturing and testing, and allocated manufacturing overhead for inventory in process at the end of the period. Finished goods include products that are complete and available for sale. At December 31, 2018 and September 30, 2018, the Company recorded work in process and finished goods inventory only for those products with recent sales levels to evaluate net realizable value.

Inventory consisted of the following:

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| Raw materials | $ 53,280 | $ 46,670 |
| Work in process | 78,063 | 83,297 |
| Finished goods | 80,736 | 94,300 |
| | $ 212,079 | $ 224,267 |

## 5. Property, Plant and Equipment, net

Property, plant and equipment, net consisted of the following:

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| Aquaculture system | $ 126,257 | $ 126,257 |
| Laboratory facilities | 62,033 | 62,033 |
| Computer and office equipment | 125,859 | 125,859 |
| Manufacturing and laboratory equipment | 1,060,921 | 1,042,993 |
| Vehicles | 77,994 | 77,994 |
| Leasehold improvements | 347,360 | 347,360 |
| | 1,800,424 | 1,782,496 |
| Less: accumulated depreciation | (1,192,216) | (1,146,566) |
| Depreciable assets, net | 608,208 | 635,930 |
| Construction in progress | 414,004 | 426,265 |
| | $ 1,022,212 | $ 1,062,195 |

Depreciation and amortization expense amounted to approximately $44,000 and $49,000 for the three months ended December 31, 2018 and 2017, respectively.

## 6. Commitments

*Operating leases*

The Company leases buildings and facilities used in its operations under two sublease agreements. In June 2015, the Company exercised its option to extend these sublease agreements for an additional five-year term beginning in October and November 2015. The Company negotiated an option to extend the leases for two additional five-year terms.

The Company leases facilities used for executive offices and laboratories and pays a portion of the common area maintenance. In July 2018, the Company extended this lease for a two-year term, with options to renew for three successive two-year terms.

The Company leases undeveloped land in Baja California, Mexico to assess the potential development of an additional aquaculture locale and expansion of production. The lease term was three years from June 2015 with options to extend the lease for 30 years. In February 2018, the lease term was extended for two years without further rent payments. The Company may terminate early with 30 days' notice. The Company has made certain leasehold improvements including construction of structures and a power-generating facility, which are owned by the Company.

Aggregate future minimum lease payments at December 31, 2018 are as follows:

| | |
|---|---|
| Year Ending September 30, 2019 | 139,000 |
| Year Ending September 30, 2020 | 167,000 |
| Year Ending September 30, 2021 | 6,000 |
| | $ 312,000 |

Rent expense on these lease agreements amounted to approximately $53,000 and $60,000 for the three months ended December 31, 2018 and 2017, respectively.

*Purchase obligations*

The Company has commitments totaling approximately $71,000 at December 31, 2018 under signed agreements for leasehold improvements and equipment.

*Supply agreements*

The Company has commitments under supply agreements with customers for fixed prices per gram of KLH in connection with clinical trials on a non-exclusive basis except within that customer's field of use. The expiration dates of these supply agreements range from October 2019 to February 2022, and are generally renewable upon written request of the customer.

*Joint venture agreement*

In May 2016, the Company entered into a joint venture agreement with another party for the formation of a joint venture company to manufacture and sell conjugated therapeutic vaccines. The joint venture is organized as a French simplified corporation. The Company holds a 30% equity interest in the joint venture in exchange for an initial capital contribution of €120,000. One-half of the initial contribution, approximately $67,000, was paid during the year ended September 30, 2016 with the balance due upon the occurrence of certain defined future events. Pursuant to the joint venture agreement, on December 31, 2018, the Company notified the other party that it no longer wished to pursue the project and the parties subsequently agreed to proceed with actions to dissolve and liquidate the joint venture company by mutual consent. Impairment loss of approximately $30,000 is included in general and administrative expenses in the accompanying condensed interim consolidated financial statements.

*Retirement savings plan 401(k) contributions*

The Company sponsors a 401(k) retirement savings plan that requires an annual non-elective safe harbor employer contribution of 3% of eligible employee wages. Contributions to the 401(k) plan were approximately $15,000 and $19,000 for each of the three months ended December 31, 2018 and 2017, respectively.

*Related party commitments*

On August 14, 2002, through its California subsidiary, the Company entered into a patent royalty agreement with a director and officer of the Company, whereby he would receive royalty payments in exchange for assignment of his patent rights to the Company. The royalty is 5% of gross receipts from products using this invention in excess of $500,000 annually. The Company's current operations utilize this invention. There was no royalty expense incurred during the three months ended December 31, 2018 and 2017.

## 7. Share Capital

*Reverse Share Split*

On May 4, 2018, the Company effected a share consolidation (reverse split) of the Company's common shares at a ratio of 1-for-7. As a result of the reverse split, every seven shares of the issued and outstanding common shares, without par value, consolidated into one newly-issued outstanding common share, without par value, after fractional rounding. The number of warrants and options were proportionately adjusted by the split ratio and the exercise prices correspondingly increased by the same split ratio. All shares and exercise prices are presented on a post-split basis in these condensed interim consolidated financial statements.

*Black-Scholes option valuation model*

The Company uses the Black-Scholes option valuation model to determine the fair value of share-based compensation for placement agent warrants and share options granted. Option valuation models require the input of highly subjective assumptions including the expected price volatility. The Company has used historical volatility to estimate the volatility of the share price. Changes in the subjective input assumptions can materially affect the fair value estimates, and therefore the existing models do not necessarily provide a reliable single measure of the fair value of the Company's warrants and share options.

*Warrants*

A summary of the Company's warrants activity is as follows:

| | Number of Warrants | Weighted Average Exercise Price |
|---|---|---|
| **Balance - September 30, 2017** | 180,805 | $ 31.50 |
| Granted | 5,665,528 | 2.68 |
| Granted pre-funded warrants | 687,076 | .01 |
| Exercised | (1,752,373) | 2.65 |
| Exercised pre-funded warrants | (687,076) | .01 |
| **Balance - September 30, 2018** | 4,093,960 | $ 3.96 |
| Expired | (2,044,152) | 2.65 |
| **Balance - December 31, 2018** | 2,049,808 | $ 5.27 |

The weighted average contractual life remaining on the outstanding warrants at December 31, 2018 is 51 months.

The following table summarizes information about the warrants outstanding at December 31, 2018:

| Exercise Price | Number of Warrants | Expiry Date |
|---|---|---|
| $ 31.50 | 180,805 | January 2022 |
| 2.65 | 1,645,175 | May 2023 |
| 3.31 | 223,828 | May 2023 |
| | 2,049,808 | |

*Share Options*

The Company adopted an incentive compensation plan in 2017 (the Incentive Plan), which amended and restated the 2013 fixed share option plan and is administered by the Board of Directors. Options, restricted shares and restricted share units are eligible for grants under the Incentive Plan. The number of shares available for issuance under the Incentive Plan is 228,143, including shares available for the exercise of outstanding options under the 2013 fixed share option plan. No restricted shares or restricted share units have been granted as of December 31, 2018.

The exercise price of an option is set at the closing price of the Company's common shares on the date of grant. Share options granted to directors, officers, employees and certain individual consultants for past service are subject to the following vesting schedule: (a) one-third shall vest immediately, (b) one-third shall vest at 12 months from the date of grant and (c) one-third shall vest at 18 months from the date of grant.

Share options granted to directors, officers, employees and certain individual consultants for future service are subject to the following vesting schedule: (x) one-third shall vest at 12 months from the date of grant, (y) one-third shall vest at 24 months from the date of grant and (z) one-third shall vest at 36 months from the date of grant.

Share options granted to certain individual investor relations consultants are subject to the following vesting schedule: (aa) 25% shall vest at 3 months from the date of grant, (bb) 25% shall vest at 6 months from the date of grant, (cc) 25% shall vest at 12 months from the date of grant and (dd) 25% shall vest at 15 months from the date of grant.

Options have been granted under the Incentive Plan allowing the holders to purchase common shares of the Company as follows:

| | Number of Options | Weighted Average Exercise Price | |
|---|---|---|---|
| **Balance - September 30, 2017** | 58,711 | $ 40.18 | |
| Granted | 29,426 | 5.88 | |
| Expired | (2,266) | 84.87 | |
| Expired | (15,373) | 42.07 | CDN $ |
| **Balance - September 30, 2018** | 70,498 | $ 25.42 | |
| Expired | (2,203) | 11.44 | |
| Expired | (1,786) | 117.19 | CDN $ |
| **Balance – December 31, 2018** | 66,509 | $ 23.60 | |

The weighted average contractual life remaining on the outstanding options is 47 months.

The following table summarizes information about the options under the Incentive Plan outstanding and exercisable at December 31, 2018:

| Number of Options | Exercisable at December 31, 2018 | Range of exercise prices | Expiry Dates |
|---|---|---|---|
| 13,479 | 13,479 | CDN$15.00 - 35.00 | Apr 2019-Dec 2019 |
| 37,985 | 17,534 | $5.00 - 20.00 | Sep 2023-Mar 2025 |
| 7,214 | 7,214 | CDN$40.00 - 70.00 | May 2020-Jun 2022 |
| 1,972 | 1,972 | $50.00 - 60.00 | Dec 2022 |
| 1,644 | 1,644 | CDN$105.00 - 140.00 | Nov 2018-Nov 2021 |
| 4,215 | 4,215 | $120.00 - 130.00 | Nov 2020 |
| 66,509 | 46,058 | | |

As of December 31, 2018, the Company had approximately $44,000 of unrecognized share-based compensation expense, which is expected to be recognized over a period of 25 months.

There were no options granted or exercised during the three months ended December 31, 2018 and 2017.

## 8. Fair Value of Financial Instruments

The Company uses the fair value measurement framework for valuing financial assets and liabilities measured on a recurring basis in situations where other accounting pronouncements either permit or require fair value measurements.

Fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying value of certain financial instruments such as accounts receivable, accounts payable, accrued liabilities, and deferred revenue approximates fair value due to the short-term nature of such instruments. Short-term investments in U.S. Treasury Bills are recorded at amortized cost, which approximates fair value.

The Company follows the 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. There are three levels of inputs that may be used to measure fair value:

| | |
|---|---|
| Level 1: | Quoted prices in active markets for identical or similar assets and liabilities. |
| Level 2: | Quoted prices for identical or similar assets and liabilities in markets that are not active or observable inputs other than quoted prices in active markets for identical or similar assets and liabilities. |
| Level 3: | Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. |

The Company reports its short-term investments in U.S. Treasury Bills at fair value using Level 1 inputs in the fair value hierarchy.

The following table summarizes fair values for those assets and liabilities with fair value measured on a recurring basis.

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| | Quoted Prices in Active Markets for Identical Instruments (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Total Fair Value |
| **December 31, 2018** | | | | |
| **Assets** | | | | |
| Short-term investments in U.S. Treasury Bills | $ 1,599,067 | $ - | $ - | $ 1,599,067 |
| **September 30, 2018** | | | | |
| **Assets** | | | | |
| Short-term investments in U.S. Treasury Bills | $ 6,078,031 | $ - | $ - | $ 6,078,031 |

## 9. Concentrations of Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents, U.S Treasury Bills, and accounts receivable. The Company estimates its maximum credit risk at the amount recorded on the balance sheet.

Management's assessment of the Company's credit risk for cash and cash equivalents is low as they are held in major financial institutions believed to be credit worthy or U.S. Treasury Bills with maturities of 90 days or less. The Company limits its exposure to credit loss for short-term investments by holding U.S. Treasury Bills with maturities of 1 year or less. Based on credit monitoring and history, the Company considers the risk of credit losses due to customer non-performance on accounts receivable to be low.

The Company had the following concentrations of revenues by customers, each of which accounted for more than 10% of revenues in the applicable period:

| | Three Months Ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| Product sales | 86% from 3 customers | 98% from 3 customers |

The Company had the following concentrations of revenues by geographic areas:

| | Three Months Ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| North America | 81% | 27% |
| Europe | 19% | 73% |

The Company had the following concentrations of accounts receivable from its customers, each of which accounted for more than 10% in the applicable period:

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| Accounts receivable | 82% from 2 customers | 87% from 2 customers |

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

*The following management's discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q as of December 31, 2018 and our audited consolidated financial statements for the year ended September 30, 2018 included in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission on November 30,2018.*

*This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act) and, as such, may involve known and unknown risks, uncertainties and assumptions. Forward-looking statements are based upon our current expectations, speak only as of the date hereof, are subject to change and include statements concerning our financial performance, including expectations to incur additional losses and plans to fund the Company. Forward-looking statements are those that predict or describe future events or trends and that do not relate solely to historical matters. You can generally identify forward-looking statements as those statements containing the words "anticipate," "believe," "plan," "estimate," "expect," "intend," "may," "will," "would," "could," "should," "might," "potential," "continue" or other similar expressions. You should not rely on our forward-looking statements as they are not a guarantee of future performance. There can be no assurance that forward-looking statements will prove to be accurate because the matters they describe are subject to assumptions, known and unknown risks, uncertainties and other unpredictable factors, many of which are beyond our control. Our actual results could differ materially and adversely from those expressed in any forward-looking statements as a result of various factors, including the risks described in our Annual Report on Form 10-K for the year ended September 30, 2018 and other reports we file with the Securities and Exchange Commission. Risks and uncertainties include, among others, the availability of funds and resources to pursue our research and development projects, the successful and timely completion of preclinical or clinical studies by third parties in which our products are utilized, our ability to meet the goals of our strategic partnerships, the degree of market acceptance for our products or for other companies' products in which our products are components, our ability to take advantage of business opportunities in the pharmaceutical industry, changes in our strategy or development plans, our ability to protect our intellectual property, uncertainties related to governmental regulations and regulatory processes, the volatility of our common share price, the effect of competition, the effect of technological changes, reliance on key personnel, our ability to successfully estimate the impact of certain accounting and tax matters, and general changes in economic or business conditions.*

*Except as required by law, we undertake no obligation to update forward-looking statements.*

*The discussion and analysis of our financial condition and results of operations are based on our unaudited condensed interim consolidated financial statements as of December 31, 2018 and September 30, 2018, and for the three months ended December 31, 2018 and 2017 included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which we have prepared in accordance with U.S. generally accepted accounting principles. The preparation of these 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 financial statements, as well as the reported revenues and expenses during the reporting periods. On an ongoing basis, we evaluate such estimates and judgments, including those described in greater detail below. 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. Actual results may differ from these estimates under different assumptions or conditions.*

**Overview**

We are a biotechnology company engaged in the aquaculture, research and development, manufacture and commercialization of Keyhole Limpet Hemocyanin (KLH). KLH is an immune-stimulating protein with an extensive history of safe and effective use in immunological applications.

Immunotherapies (also known as therapeutic vaccines) are an emerging class of treatments that involve using the body's own immune system to target and treat disease. Today, multiple companies and institutions are developing drugs that combine disease-targeting agents with KLH. These disease-targeting agents do not evoke a robust immune response by themselves and thus require a carrier molecule like KLH.

The versatility of the KLH molecule and its use in multiple drug development pipelines provide numerous commercial opportunities for us. The successful commercialization of one or more drug development pipelines, especially in a major indication, could have a significant impact on the industry's ability to produce sufficient quantities of KLH. The protein is derived only from the Giant Keyhole Limpet, a scarce ocean mollusk that is native to a limited stretch of Pacific Ocean coastline. Due in part to the inherent limitations of utilizing wild sources of KLH, we believe that aquaculture production methods, like the methods we practice, will be required to provide scalable, fully traceable supplies of KLH.

We produce clinical grade KLH using Current Good Manufacturing Practices (GMP) and market and sell our KLH products under the brand Stellar KLH. Our customers and partners include multinational biotechnology and pharmaceutical companies, academic institutions, clinical research organizations and research centers. We have multiple agreements to license and supply Stellar KLH and other technology in exchange for fees, revenues or royalties. Our customers manage and fund all product development and regulatory submissions for their respective drug products that utilize our KLH protein. By the time our customers are ready to file marketing applications referencing our products, we will need to upgrade and scale our manufacturing operations to produce KLH suitable for commercial drugs. This will involve, in part, transferring our manufacturing method to a new Stellar-operated location or to a contract manufacturing organization or partner. The timing of such decision will be based on customer demand for Stellar KLH, among other considerations.

**Recent Developments**

*Neostell Joint Venture*

In May 2016, we entered into a joint venture agreement with Neovacs S.A, a Paris-based biotechnology company, for the formation of a joint venture company to manufacture and sell conjugated therapeutic vaccines. In July 2016, Neostell S.A.S., a French simplified stock corporation (Neostell), was formed to carry out the business of the joint venture. Neostell is expected to produce Neovacs' product candidates that utilize Stellar KLH as a carrier molecule and may also manufacture and sell other KLH-based immunotherapy products for third-party customers. We hold a 30% equity interest in the joint venture in exchange for an initial capital contribution of €120,000. One-half of the initial contribution, approximately $67,000, was paid in June 2016 with the balance due upon the occurrence of certain defined future events. Pursuant to the joint venture agreement, on December 31, 2018, we notified the other party that we no longer wished to pursue the project and the parties subsequently agreed to proceed with actions to dissolve and liquidate the joint venture company by mutual consent.

**Significant Accounting Policies and Estimates**

For a discussion of our significant accounting policies and estimates, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed with the Securities and Exchange Commission (SEC) on November 30, 2018. There are no material changes in our significant accounting policies and estimates from the disclosure provided in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018 except that the Company adopted Accounting Standards Codification (ASC) 606 *Revenue Recognition – Revenue from Contracts with Customers* on October 1, 2018, as discussed in Note 2 to this quarterly report.

**Results of Operations**

*Comparison of Three Months Ended December 31, 2018 and 2017*

Our total revenues increased by $0.03 million to $0.05 million for the three months ended December 31, 2018 compared to $0.02 million for the same period last year primarily due to increased sales of higher value, clinical-grade KLH products. Product sales volumes are subject to variability associated with the rate of development and progression of clinical studies of third-party products that utilize Stellar KLH. The rate of progression toward later stage studies is expected to continue to affect the timing and volume of future product sales.

Our total operating expenses increased by $0.05 million to $1.46 million for the three months ended December 31, 2018 compared to $1.41 million for the same period last year:

- Our cost of sales increased by $0.03 million to $0.03 million for the three months ended December 31, 2018 compared to less than $0.01 million for the same period last year primarily due to increased product sales.

- Our cost of aquaculture decreased by $0.02 million to $0.08 million for the three months ended December 31, 2018 compared to $0.10 million for the same period last year primarily due to a decrease in contracted quality testing services.

- Our research and development expenses decreased by $0.16 million to $0.47 million for the three months ended December 31, 2018 compared to $0.63 million for the same period last year. The decrease was primarily due to a decrease in contracted research services and materials.

- Our general and administrative expenses increased by $0.20 million to $0.88 million for the three months ended December 31, 2018 compared to $0.68 million for the same period last year primarily due to increased legal and professional fees and public company expenses.

Our total other income (loss) increased by $0.01 million to approximately zero for the three months ended December 31, 2018 compared to an overall loss of $0.01 million for the same period last year primarily due to increased investment income, which was partially offset by an increase is foreign exchange loss due to fluctuations in Canadian exchange rates.

Our net loss for the three months ended December 31, 2018 was $1.41 million, or $0.26 per basic share, compared to a net loss of $1.40 million, or $0.93 per basic share, for the three months ended December 31, 2017.

**Capital Expenditures**

Our capital expenditures, which primarily consist of scientific, manufacturing, and aquaculture equipment, and facility leasehold improvements were $0.01 million and $0.03 million for the three months ended December 31, 2018 and 2017, respectively. The decrease was due primary to a decrease in construction in progress related to the completion of construction of renovated ocean-front space for aquaculture production and related activities at our facility located at the Port of Hueneme.

**Liquidity and Capital Resources**

Our operations have historically been funded by the issuance of common shares, exercise of warrants, grant revenues, contract services revenue and product sales. For the three months ended December 31, 2018 and 2017, the Company reported net losses of $1.41 million and $1.40 million, respectively. We plan to finance company operations over the course of the next twelve months with cash and investments on hand and product sales. Management has flexibility to adjust planned expenditures based on a number of factors including the size and timing of capital expenditures, staffing levels, inventory levels, and the status of customer clinical trials. Management also seeks to expand the customer base for existing marketed products, and may seek additional financing through debt and/or equity financings, or strategic arrangements with companies that offer synergistic technologies or additional growth opportunities.

On May 15, 2018, we completed a registered public offering resulting in net proceeds of $4.64 million. On May 29, 2018, we closed an offering with certain holders of our warrants, pursuant to a warrant exercise agreement, resulting in net proceeds of $2.49 million. During May and June 2018, other warrant exercises resulted in net proceeds of $1.64 million.

At December 31, 2018, we had cash, cash equivalents and short-term investments in U.S. Treasury Bills of $8.96 million, working capital of $8.87 million, shareholders' equity of $9.91 million and an accumulated deficit of $51.84 million.

**Geographic Concentrations**

We primarily market and distribute our products directly to biotechnology and pharmaceutical companies, academic institutions, clinical research organizations and research centers. Products are shipped to our customers using a common carrier chosen by the customer. The geographic markets of our customers are principally North America, Europe and Asia. We had the following concentrations of revenues by geographic areas:

| | Three Months Ended | |
|---|---|---|
| | December 31, 2018 | December 31, 2017 |
| North America | 81% | 27% |
| Europe | 19% | 73% |

The geographic concentration of our product sales revenue fluctuates quarter over quarter, sometimes significantly, depending on the volume of sales from our customers in each of our principal geographic markets.

**Research and Development**

Our core business is developing and commercializing Keyhole Limpet Hemocyanin for use in immunotherapy and immunodiagnostic applications. Our internal research has included, among other activities, continual improvement of methods for the culture and growth of Giant Keyhole Limpet, innovations in aquaculture systems and infrastructure, biophysical and biochemical characterization of the KLH molecule, analytical processes to enhance performance of our products, KLH manufacturing process improvements, new KLH formulations, and early development of potential new KLH-based immunotherapies.

Research and development costs, including (i) materials, (ii) KLH designated for internal research use only and (iii) salaries of employees directly involved in research and development efforts, are expensed as incurred. From time to time, we produce saleable KLH as a byproduct of our research and development activities. The cost of this KLH is not assigned to inventory.

Our research and development costs were $0.47 million and $0.63 million for the three months ended December 31, 2018 and 2017, respectively. The decrease from the comparable period was primarily due to a decrease in contracted research services and materials.

**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.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

We are exposed to financial market risks associated with foreign exchange rates, concentration of credit, and liquidity. In accordance with our policies, we manage our exposure to various market-based risks and, where material, these risks are reviewed and monitored by our Board of Directors. For a discussion of our market risk exposure, refer to Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018, as filed with the SEC on November 30,2018. There are no material changes in market risk from the disclosure provided in our Annual Report on Form 10-K for the fiscal year ended September 30, 2018.

**Item 4. Controls and Procedures.**

*Disclosure Controls and Procedures*

Our management is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that material information related to our Company, including our consolidated subsidiaries, is made known to senior management, including our Chief Executive Officer and Chief Financial Officer, by others within those entities on a timely basis so that appropriate decisions can be made regarding public disclosure.

We carried out an evaluation, under the supervision and with the participation of our management, including our Principal Executive Officer and our Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e)) under the Securities and Exchange Act of 1934, as amended) as of December 31, 2018. Our Chief Executive Officer and Chief Financial Officer concluded that the disclosure controls and procedures, as of December 31, 2018, were effective.

*Changes in Internal Control over Financial Reporting*

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 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.**

From time to time, we may be involved in legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any material legal proceedings or claims outside the ordinary course of business. Regardless of outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 1A. Risk Factors.**

There have been no material changes to the risk factors discussed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended September 30, 2018.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

**Item 6. Exhibits.**

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed with or incorporated by reference in this Quarterly Report.

**SIGNATURES**

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

Date: February 5, 2019

**STELLAR BIOTECHNOLOGIES, INC.**

/s/ Kathi Niffenegger

Kathi Niffenegger
Chief Financial Officer
(Principal Financial Officer and Duly Authorized Officer)

**EXHIBIT INDEX**

| Exhibit Number | Description |
|---|---|
| 31.1 | Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1 | Certification of the Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (*) |
| 32.2 | Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (*) |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema Document |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document |
| 101.DEF | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB | XBRL Taxonomy Label Linkbase Document |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document |

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

**Exhibit 31.1**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Frank R. Oakes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stellar Biotechnologies, 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. The registrant's other certifying officer and I are 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 fiscal 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. The registrant's other certifying officer and I have disclosed, based on our 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: February 5, 2019

By: /s/ Frank R. Oakes
Frank R. Oakes
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 31.2**

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kathi Niffenegger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Stellar Biotechnologies, 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. The registrant's other certifying officer and I are 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 fiscal 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. The registrant's other certifying officer and I have disclosed, based on our 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: February 5, 2019

By: /s/ Kathi Niffenegger
Kathi Niffenegger
Chief Financial Officer
(Principal Financial Officer)

**Exhibit 32.1**

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

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

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2019

By: /s/ Frank R. Oakes
Frank R. Oakes
President and Chief Executive Officer
(Principal Executive Officer)

**Exhibit 32.2**

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

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

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2019

By: /s/ Kathi Niffenegger
Kathi Niffenegger
Chief Financial Officer
(Principal Financial Officer)