Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2020
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 No. 001-37759

OUTLOOK THERAPEUTICS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**38-3982704**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
4260 U.S. Route 1 Monmouth Junction, New Jersey	**08852**
(Address of principal executive offices)	**(Zip Code)**

(609) 619-3990
(Registrant's telephone number, including area code)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	OTLK	Nasdaq Stock Market LLC
Series A Warrants	OTLKW	Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 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 of the registrant's common stock, $0.01 par value per share, outstanding as of February 12, 2021 was 173,432,010.

Outlook Therapeutics, Inc.
Table of Contents

In this report, unless otherwise stated or as the context otherwise requires, references to "Outlook Therapeutics," "Outlook," "the Company," "we," "us," "our" and similar references refer to Outlook Therapeutics, Inc. and its consolidated subsidiaries. The Outlook logo, LYTENAVA and other trademarks or service marks of Outlook Therapeutics, Inc. appearing in this report are the property of Outlook Therapeutics, Inc. This report also contains registered marks, trademarks and trade names of other companies. All other trademarks, registered marks and trade names appearing in this report are the property of their respective holders. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this report, including statements regarding our future financial condition, business strategy and plans, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as “believe,” “may,” “could,” “will,” “estimate,” “continue,” “anticipate,” “intend,” “seek,” “plan,” “expect,” “should,” “would,” “potentially” or the negative of these terms or similar expressions in this report.

We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled “Risk Factors” contained in our annual report on Form 10-K for the year ended September 30, 2020 filed with the SEC on December 23, 2020, as amended January 28, 2021, including, among other things, risks associated with:

- the timing and the success of the design of the clinical trials and planned clinical trials of our lead product candidate, ONS-5010;
- whether the results of our clinical trials will be sufficient to support domestic or global regulatory approvals;
- our ability to obtain and maintain regulatory approval for ONS-5010 in the United States and other markets if we successfully complete clinical trials;
- our expectations regarding the potential market size and the size of the patient populations for our product candidates, if approved, for commercial use;
- our ability to fund our working capital requirements, and our expectations regarding our current cash resources;
- the rate and degree of market acceptance of our current and future product candidates;
- the implementation of our business model and strategic plans for our business and product candidates;
- developments or disputes concerning our intellectual property or other proprietary rights;
- our ability to maintain and establish collaborations or obtain additional funding;
- our expectations regarding government and third-party payor coverage and reimbursement;
- our ability to compete in the markets we serve;
- the factors that may impact our financial results; and
- our estimates regarding the sufficiency of our cash resources and our need for additional funding.

These risks are not exhaustive. Additional factors could harm our business and financial performance, such as risks associated with the ongoing COVID-19 global pandemic. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in, or implied by, any forward-looking statements. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Unless required by law, we undertake no obligation to update or revise any forward-looking statements to reflect new information or future events or developments. Thus, you should not assume that our silence over time means that actual events are bearing out as expressed or implied in such forward-looking statements. We qualify all of the forward-looking statements in this report by these cautionary statements.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Outlook Therapeutics, Inc.
Consolidated Balance Sheets
(unaudited)

	December 31, 2020	September 30, 2020
Assets		
Current assets:		
Cash	$ 5,568,452	$ 12,535,986
Prepaid expenses and other current assets	5,462,876	5,407,882
Total current assets	11,031,328	17,943,868
Property and equipment, net	286,343	327,249
Operating lease right-of-use assets, net	126,776	166,986
Other assets	1,073,536	1,294,448
Total assets	$ 12,517,983	$ 19,732,551
Liabilities, convertible preferred stock and stockholders' equity (deficit)		
Current liabilities:		
Current portion of long-term debt	$ 425,525	$ 50,285
Current portion of finance lease liabilities	26,498	29,778
Current portion of operating lease liabilities	142,151	187,486
Stockholder notes	—	3,612,500
Accounts payable	3,334,171	2,394,818
Accrued expenses	6,338,357	7,757,310
Income taxes payable	1,856,629	1,856,629
Total current liabilities	12,123,331	15,888,806
Long-term debt	10,657,864	904,200
Finance lease liabilities	35,682	42,482
Warrant liability	176,088	70,772
Total liabilities	22,992,965	16,906,260
Commitments and contingencies (Note 9)		
Convertible preferred stock:		
Series A convertible preferred stock, par value $0.01 per share: 1,000,000 shares authorized, no shares issued and outstanding	—	—
Series A-1 convertible preferred stock, par value $0.01 per share: 200,000 shares authorized, no shares issued and outstanding	—	—
Total convertible preferred stock	—	—
Stockholders' equity (deficit):		
Preferred stock, par value $0.01 per share: 7,300,000 shares authorized, no shares issued and outstanding	—	—
Series B convertible preferred stock, par value $0.01 per share: 1,500,000 shares authorized, no shares issued and outstanding	—	—
Common stock, par value $0.01 per share; 200,000,000 shares authorized; 127,183,109 shares issued and outstanding at December 31, 2020 and September 30, 2020	1,271,831	1,271,831
Additional paid-in capital	292,429,007	291,274,366
Accumulated deficit	(304,175,820)	(289,719,906)
Total stockholders' (deficit) equity	(10,474,982)	2,826,291
Total liabilities, convertible preferred stock and stockholders' equity	$ 12,517,983	$ 19,732,551

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

Outlook Therapeutics, Inc.
Consolidated Statements of Operations
(unaudited)

	Three months ended December 31,	
	2020	2019
Operating expenses:		
Research and development	$ 11,948,581	$ 5,847,302
General and administrative	2,242,354	2,336,724
	14,190,935	8,184,026
Loss from operations	(14,190,935)	(8,184,026)
Interest expense, net	159,663	597,665
Loss on extinguishment of debt	—	8,060,580
Change in fair value of redemption feature	—	(37,945)
Change in fair value of warrant liability	105,316	(201,378)
Net loss	(14,455,914)	(16,602,948)
Series A-1 convertible preferred stock dividends and related settlement	—	(166,133)
Deemed dividend upon modification of warrants	—	(1,708,603)
Net loss attributable to common stockholders	$ (14,455,914)	$ (18,477,684)
Per share information:		
Net loss per share of common stock, basic and diluted	$ (0.12)	$ (0.62)
Weighted average shares outstanding, basic and diluted	121,749,555	29,901,285

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

Outlook Therapeutics, Inc.
Consolidated Statements of Convertible Preferred Stock and Stockholders' Equity (Deficit)
(unaudited)

	Convertible Preferred Stock Series A-1		Stockholders' Equity (Deficit)				
			Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance at October 1, 2020	—	$ —	127,183,109	$1,271,831	$ 291,274,366	$(289,719,906)	$ 2,826,291
Stock-based compensation expense	—	—	—	—	1,154,641	—	1,154,641
Net loss	—	—	—	—	—	(14,455,914)	(14,455,914)
Balance at December 31, 2020	—	$ —	127,183,109	$ 1,271,831	$ 292,429,007	$ (304,175,820)	$ (10,474,982)

	Convertible Preferred Stock Series A-1		Stockholders' Equity (Deficit)				
			Common Stock		Additional Paid-in	Accumulated	Total Stockholders'
	Shares	Amount	Shares	Amount	Capital	Deficit	Equity (Deficit)
Balance at October 1, 2019	66,451	$5,359,404	28,609,995	$286,100	$ 238,064,947	$(254,480,408)	$ (16,129,361)
Issuance of common stock in connection with exercise of warrants	—	—	8,345,562	83,455	(25,177)	—	58,278
Issuance of common stock in connection with conversion of stockholder notes	—	—	1,475,258	14,753	1,533,673	—	1,548,426
Issuance of vested restricted stock units	—	—	109	1	(1)	—	—
Series A-1 convertible preferred stock dividends and related settlement	1,661	166,133	—	—	(166,133)	—	(166,133)
Stock-based compensation expense	—	—	—	—	359,477	—	359,477
Net loss	—	—	—	—	—	(16,602,948)	(16,602,948)
Balance at December 31, 2019	68,112	$5,525,537	38,430,924	$384,309	$ 239,766,786	$(271,083,356)	$ (30,932,261)

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

Outlook Therapeutics, Inc.
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended December 31,	
	2020	2019
OPERATING ACTIVITIES		
Net loss	$ (14,455,914)	$ (16,602,948)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	81,116	175,341
Loss on extinguishment of debt	—	8,060,580
Non-cash interest expense	149,210	15,722
Stock-based compensation	1,154,641	359,477
Change in fair value of redemption feature	—	(37,945)
Change in fair value of warrant liability	105,316	(201,378)
Gain on settlement of lease termination obligation	(732,426)	—
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	28,339	288,930
Other assets	137,579	(115,666)
Operating lease liability	(45,335)	(39,815)
Accounts payable	939,353	290,178
Accrued expenses	(686,527)	1,105,318
Other liabilities	—	28,530
Net cash used in operating activities	(13,324,648)	(6,673,676)
FINANCING ACTIVITIES		
Proceeds from debt	10,000,000	—
Proceeds from exercise of common stock warrants	—	58,278
Payments of finance lease obligations	(10,080)	(55,031)
Repayment of debt	(3,624,774)	(11,540)
Payment of financing costs	(8,032)	—
Net cash provided by (used in) financing activities	6,357,114	(8,293)
Net decrease in cash	(6,967,534)	(6,681,969)
Cash at beginning of period	12,535,986	8,015,528
Cash at end of period	$ 5,568,452	$ 1,333,559
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 10,722	$ 360,904
Supplemental schedule of non-cash financing activities:		
Unsecured notes and accrued interest converted into common stock	$ —	$ 1,548,426
Issuance of exchange notes at estimated fair value	$ —	$ 7,050,206
Issuance of redemption feature at estimated fair value	$ —	$ 8,264,451
Series A-1 convertible preferred stock dividends and related settlement	$ —	$ 166,133

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

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

1. Organization and Description of Business

Outlook Therapeutics, Inc. ("Outlook" or the "Company") was incorporated in New Jersey on January 5, 2010, started operations in July 2011, and reincorporated in Delaware by merging with and into a Delaware corporation in October 2015 and changed its name to "Outlook Therapeutics, Inc." in November 2018. The Company is a late clinical-stage biopharmaceutical company focused on developing and commercializing ONS-5010, an ophthalmic formulation of bevacizumab for use in retinal indications. The Company is based in Monmouth Junction, New Jersey.

The Company has been actively monitoring the novel coronavirus ("COVID-19") pandemic and its impact globally. Given the Company's current infrastructure needs and current strategy, the Company was able to transition to remote working with limited impact on productivity, as shelter-in-place and similar government orders were imposed. All clinical and chemistry, manufacturing and control activities are currently active for NORSE TWO and NORSE THREE, the Company's remaining clinical trials under its Biologics License Application ("BLA") registration program for ONS-5010 for wet age-related macular degeneration ("wet AMD").

The full extent to which the COVID-19 pandemic will directly or indirectly impact the Company's business, results of operations and financial condition will depend on future developments that are highly uncertain, including as a result of new information that may emerge concerning COVID-19 and the actions taken to contain it or treat COVID-19. Management believes the financial results for the three months ended December 31, 2020 were not significantly impacted by COVID-19.

2. Liquidity

The Company has incurred substantial losses and negative cash flows from operations since its inception. As of December 31, 2020, the Company had $10.3 million of principal and accrued interest under an unsecured promissory note maturing on January 1, 2022, and a $0.9 million loan granted pursuant to the Paycheck Protection Program (the "PPP") of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which matures on May 2, 2022. These factors raise substantial doubt about the Company's ability to continue as a going concern. The accompanying unaudited interim consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The unaudited interim consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

In February 2021, the Company closed an underwritten public offering of its common stock for net proceeds of $36.0 million. The Company also entered into a securities purchase agreement with Syntone Ventures LLC ("Syntone Ventures") for the sale of an additional $3.0 million of shares, which concurrent private placement closed in February 2021. Following partial exercise of the underwriters' overallotment option, in a separate concurrent private placement, the Company sold an additional 1.0 million shares of common stock to GMS Ventures and Investments ("GMS Ventures"), an affiliate of BioLexis Pte. Ltd. ("BioLexis"), its largest stockholder, for additional proceeds of $1.0 million at the public offering price per share of $1.00, which also closed in February 2021. Refer to Note 13 for a detailed discussion of the public offering and concurrent private placements.

In February 2021, warrants to purchase an aggregate of 3,641,507 shares of common stock with a weighted averaged exercise price of $0.9847 were exercised for aggregate gross proceeds to the Company of $3.6 million.

Management believes that the Company's existing cash as of December 31, 2020 together with the $40.0 million net proceeds from the underwritten public offering and concurrent private placements, which closed in February 2021, and $3.6 million of proceeds from the warrant exercises will be sufficient to fund its operations through its planned BLA filing for ONS-5010 for wet AMD expected to occur in December 2021. Substantial additional financing will be needed by the Company to fund its operations in the future and to commercially develop its product candidates. Management is currently evaluating different strategies to obtain the required funding for future operations. These strategies may include but are not limited to payments from potential strategic research and development partners, licensing and/or marketing

arrangements with life sciences companies, private placements of equity and/or debt securities, sale of its development stage product candidates to third parties and public offerings of equity and/or debt securities. There can be no assurance that these future funding efforts will be successful.

The Company's future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above; (ii) the Company's ability to complete revenue-generating partnerships with pharmaceutical companies; (iii) the success of its research and development; (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately; (v) regulatory approval and market acceptance of the Company's proposed future products.

3. Basis of Presentation and Summary of Significant Accounting Policies

Basis of presentation

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") of the Financial Accounting Standards Board ("FASB").

In the opinion of management, the accompanying unaudited interim consolidated financial statements include all normal and recurring adjustments (which consist primarily of accruals, estimates and assumptions that impact the financial statements) considered necessary to present fairly the Company's financial position as of December 31, 2020 and its results of operations for the three months ended December 31, 2020 and 2019, cash flows for the three months ended December 31, 2020 and 2019, and convertible preferred stock and stockholders' equity for the three months ended December 31, 2020 and 2019. Operating results for the three months ended December 31, 2020 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2021. The unaudited interim consolidated financial statements, presented herein, do not contain the required disclosures under GAAP for annual consolidated financial statements. The accompanying unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and related notes as of and for the year ended September 30, 2020 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on December 23, 2020 and amended on January 28, 2021.

Use of estimates

The preparation of the unaudited interim consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Due to the uncertainty of factors surrounding the estimates or judgments used in the preparation of the unaudited interim consolidated financial statements, including as a result of the ongoing COVID-19 pandemic, actual results may materially vary from these estimates. Estimates and assumptions are periodically reviewed, and the effects of revisions are reflected in the unaudited interim consolidated financial statements in the period they are determined to be necessary.

Net loss per share

Basic and diluted net loss per common share is determined by dividing net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period.

For purposes of calculating diluted loss per common share, the denominator includes both the weighted average common shares outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents would be dilutive. Dilutive common stock equivalents potentially include warrants, stock options and non-vested restricted stock

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

unit ("RSU") awards using the treasury stock method. For all periods presented, there is no difference in the number of shares used to compute basic and diluted shares due to the Company's loss.

The following table sets forth the computation of basic earnings per share and diluted earnings per share:

	Three months ended December 31,	
	2020	2019
Net loss attributable to common stockholders	$ (14,455,914)	$ (18,477,684)
Common stock outstanding (weighted average)	121,749,555	29,901,285
Basic and diluted net loss per share	$ (0.12)	$ (0.62)

The following potentially dilutive securities (in common stock equivalents) have been excluded from the computation of diluted weighted-average shares outstanding as of December 31, 2020 and 2019, as they would be antidilutive:

	As of December 31,	
	2020	2019
Series A-1 convertible preferred stock	—	1,287,178
Performance-based stock units	2,470	2,470
Stock options	11,977,677	1,791,500
Common stock warrants	7,051,854	5,559,763

Recently issued and adopted accounting pronouncements

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820)*: *Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* ("ASU 2018-13"), which removes and modifies some existing disclosure requirements and adds others. ASU 2018-13 modifies the disclosure requirements for fair value measurements and removes the requirement to disclose (1) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (2) the policy for timing of transfers between levels, and (3) the valuation processes for Level 3 fair value measurements. ASU 2018-13 requires disclosure of changes in unrealized gains and losses for the period included in other comprehensive income (loss) for recurring Level 3 fair value measurements held at the end of the reporting period and the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The Company adopted ASU 2018-13 on October 1, 2020 and the adoption of this standard did not have a material impact to the Company's financial statements.

4. Fair Value Measurements

Certain assets and liabilities are carried at fair value under GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis:

	December 31, 2020		
	(Level 1)	(Level 2)	(Level 3)
Liabilities			
Warrant liability	$ —	$ —	$ 176,088

	September 30, 2020		
	(Level 1)	(Level 2)	(Level 3)
Liabilities			
Warrant liability	$ —	$ —	$ 70,772

The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the warrant liability and redemption feature for the three months ended December 31, 2020:

	Warrants
Balance at October 1, 2020	$ 70,772
Change in fair value	105,316
Balance at December 31, 2020	$ 176,088

The warrants issued in connection with the convertible senior secured notes (see Note 8) are classified as liabilities on the accompanying consolidated balance sheets as the warrants include cash settlement features at the option of the holders under certain circumstances. The warrant liability is revalued each reporting period with the change in fair value recorded in the accompanying consolidated statements of operations until the warrants are exercised or expire. The fair value of the warrant liability is estimated using the Black-Scholes option pricing model using the following assumptions:

	December 31, 2020	September 30, 2020
Risk-free interest rate	0.28 %	0.24 %
Remaining contractual life of warrant	4.1 years	4.4 years
Expected volatility	96.3 %	94.7 %
Annual dividend yield	— %	— %
Fair value of common stock	$ 1.30 per share	$ 0.72 per share

Fair Value of Other Financial Instruments

The fair value and carrying value of the PPP loan included in long-term debt on the consolidated balance sheets on December 31, 2020, was $852,000 and $904,200, respectively. The fair value and carrying value of the unsecured promissory note included in long-term debt on the consolidated balance sheets on December 31, 2020, was $10,358,000 and $10,141,178, respectively. The estimated fair values were based on discounted expected future cash flows using prevailing interest rates that are Level 3 inputs under the fair value hierarchy.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

5. Property and Equipment, Net

Property and equipment, net, consists of:

	December 31, 2020	September 30, 2020
Laboratory equipment	$ 1,067,351	$ 1,067,351
Less: accumulated depreciation and amortization	(781,008)	(740,102)
	$ 286,343	$ 327,249

Depreciation expense was $40,906 and $63,776 for the three months ended December 31, 2020 and 2019, respectively.

6. Other Assets

Other assets consist of:

	December 31, 2020	September 30, 2020
Advance to PRC joint venture	$ 900,000	$ 900,000
Other assets	173,536	394,448
	$ 1,073,536	$ 1,294,448

In connection with the execution of a stock purchase agreement with Syntone Ventures, the U.S. based affiliate of Syntone Technologies Group Co. Ltd. (“Syntone PRC”) on May 22, 2020, the Company and Syntone PRC entered into a joint venture agreement pursuant to which they agreed to form a People’s Republic of China (“PRC”) joint venture that will be 80% owned by Syntone PRC and 20% owned by the Company. Once formed, the Company intends to enter into a royalty-free license with the PRC joint venture for the development, commercialization and manufacture of the Company’s product candidate, ONS-5010 in the greater China market, which includes Hong Kong, Taiwan and Macau.

The Company made the initial investment of $900,000 in June 2020. The Company expects to be required to make an additional capital contribution to the PRC joint venture of approximately $2.1 million, which will be made within four years after the establishment date in accordance with the development plan contemplated in the license agreement or on such other terms within such four-year period. As of December 31, 2020, the joint venture had not been formed.

7. Accrued Expenses

Accrued expenses consists of:

	December 31, 2020	September 30, 2020
Compensation	$ 716,989	$ 579,618
Severance and related costs	—	9,521
Research and development	4,903,900	2,890,333
Interest payable	5,970	3,691
Professional fees	569,671	132,085
Lease termination obligation	—	3,971,111
Other accrued expenses	141,827	170,951
	$ 6,338,357	$ 7,757,310

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

8. Debt

Debt consists of:

	December 31, 2020	September 30, 2020
Unsecured promissory note	$ 10,339,919	$ —
Paycheck Protection Program term loan	904,200	904,200
Equipment loans	38,011	50,285
Total debt	11,282,130	954,485
Less: unamortized loan costs	(198,741)	—
Total debt, net of unamortized loan costs	11,083,389	954,485
Less: current portion	(425,525)	(50,285)
Long-term debt	$ 10,657,864	$ 904,200

Unsecured promissory note

On November 5, 2020, the Company received $10.0 million in net proceeds from issuance of an unsecured promissory note with face amount of $10.2 million. Debt issuance costs totaling $228,032 are recorded as debt discount and are deducted from the principal in the accompanying consolidated balance sheets. The debt discount is amortized as a component of interest expense over the 14-month term of the underlying debt using the effective interest method. The note bears interest at a rate of 7.5% per annum and matures January 1, 2022. The Company may prepay all or a portion of the note at any time by paying 105% of the outstanding balance elected for pre-payment. During the three months ended December 31, 2020, the Company recognized $149,210 of interest expense related to the unsecured promissory note of which $29,291 was related to the amortization of debt issuance costs.

Paycheck Protection Program term loan

On May 4, 2020, the Company received $904,200 in proceeds from a loan granted pursuant to the PPP of the CARES Act. The PPP term loan is evidenced by a promissory note containing the terms and conditions for repayment of the PPP term loan. The PPP term loan provides for an initial six-month deferral of payments and any amount owed on the loan has a two-year maturity (May 2022), with an interest rate of 1% per annum. Commencing October 15, 2021, the Company is required to pay the lender equal monthly payments of principal and interest as required to fully amortize any principal amount outstanding on the PPP term loan as of October 15, 2021 by May 2, 2022. The Company has the right to prepay any amounts outstanding under this loan at any time and from time to time, in whole or in part, without penalty. Aggregate interest expense on the PPP loan for the three months ended December 31, 2020 was $2,279.

Senior secured notes

In December 2019, the Company entered into an exchange agreement with the holders of its $7,254,077 outstanding aggregate principal amount and accrued interest of senior secured notes (the “Old Senior Notes”) originally issued pursuant to the certain Note and Warrant Purchase Agreement dated December 22, 2017, as amended on April 13, 2017, November 5, 2018, and June 28, 2019 (the “Exchange Agreement”). Pursuant to the Exchange Agreement, the holders of the Old Senior Notes exchanged the entire outstanding principal and accrued interest for new senior secured notes having an aggregate outstanding original principal amount of $7,589,027 which included an aggregate exchange fee of $334,950.

The new senior secured notes were substantially similar to the Old Senior Notes, as amended through the date of the Exchange Agreement, bore interest at a rate of 12.0% per annum and would have matured December 31, 2020 (subject to extension to June 30, 2021 at the Company’s option upon payment of an extension fee equal to 3% of the outstanding balance and being in compliance with applicable Nasdaq listing requirements). The new senior secured notes were convertible, at the option of the holder, beginning April 1, 2020, into shares of the Company’s common stock at a conversion price equal to 90% of the two lowest closing bid prices in the 20 trading days immediately preceding such conversion, subject to a floor price of $0.232 per share. The conversion feature was determined to be a redemption feature

and was bifurcated from the debt instrument. The estimated fair value of the redemption feature was $8,264,451 at issuance. The Exchange Agreement was accounted for as an extinguishment of debt. The Company recognized a loss on extinguishment of convertible senior secured notes for the Exchange Agreement during the three months ended December 31, 2019 of $8,060,580, which amount was equal to the excess fair value of the notes and bifurcated redemption feature over the notes' net carrying value.

The fair value of the redemption feature was estimated by using a Monte Carlo simulation model and a with-and-without perspective, where the fair value of debt instrument was measured with the derivative and without the derivative and the difference is the implied fair value of the redemption feature. The value of the debt instrument with the redemption feature depended on the daily stock price path followed by the Company's common stock price. This model simulated daily common stock prices from the issuance date through the maturity date for the debt instrument. At issuance, the Company utilized a volatility estimate of 130% based upon the observed historical volatility of both the Company and peer group for 1-year and 2-year periods. Risk-free interest rate was based upon US treasury yields.

During the year ended September 30, 2020, the holder of the new senior secured notes converted the entire outstanding principal and accrued interest and as of September 30, 2020, there were no longer any new senior secured notes outstanding.

Aggregate interest expense on the Old Senior Notes and the new senior secured notes for the three months ended December 31, 2019 was $201,251.

Unsecured notes

On March 7, 2019, the Company entered into a forbearance and exchange agreement with Iliad Research and Trading, L.P., a Utah limited partnership (the "Lender"). Concurrently with the execution of this agreement, the Lender purchased two stockholder notes issued by the Company previously in the original principal amount of $1,000,000 with an aggregate outstanding balance as of March 7, 2019 of $1,947,133, including accrued interest. The stockholder notes were accruing interest at the rate of 2.5% per month. The Lender agreed to refrain and forbear from bringing any action to collect under the stockholder notes until March 7, 2020 and to reduce the interest rates currently in effect to 12.0% per annum simple interest during such forbearance period. The Company also agreed to, at Lender's election, repay or exchange the stockholder notes (or portions thereof) for shares of the Company's common stock at an exchange rate of $13.44 per share or, beginning September 2019, at 95% of the average of the two lowest closing bid prices in the prior twenty trading days, as applicable.

During the three months ended December 31, 2019, the remaining unsecured notes with an aggregate carrying amount of $977,966 and accrued interest of $570,460 were exchanged for 1,475,258 shares of the Company's common stock at an average exchange price of $1.10. As of December 31, 2019, these unsecured notes were no longer outstanding. During the three months ended December 31, 2019, the Company recognized $12,997 of interest expense related to the unsecured notes.

Stockholder notes

	December 31, 2020	September 30, 2020
Restricted stock repurchase notes	$ —	$ 800,000
Common stock repurchase note	—	2,812,500
	—	3,612,500
Less: current portion	—	(3,612,500)
	$ —	$ —

The Company previously repurchased shares of its restricted stock in exchange for notes in the amount of $800,000 that did not bear interest and were due on demand. These notes were paid in full in November 2020.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

The Company had a $2,812,500 note payable related to the previous repurchase of common stock that did not bear interest and was due on demand. This note was paid in full in November 2020.

9. Commitments and Contingencies

Litigation

On July 20, 2020, Laboratorios Liomont S.A. de C.V. (“Liomont”), filed a complaint against the Company in the U.S. District Court of the Southern District of New York alleging certain breach of contract claims under the June 25, 2014 strategic development, license and supply agreement relating to the biosimilar development program for ONS-3010 and ONS-1045. According to the complaint, Liomont is claiming $3,000,000 in damages due. The Company disputes the claims in the Liomont complaint, believes they are without merit, and intends to defend against these claims vigorously.

Leases

Corporate office and warehouse leases

On May 6, 2020, the Company terminated its lease agreement for approximately 66,000 square feet of office, manufacturing and laboratory space located in Cranbury, New Jersey, which previously served as its headquarters, and relocated its corporate office to Monmouth Junction, New Jersey, a site previously used as a warehouse location. The Company’s Monmouth Junction, New Jersey lease matures in September 2021. In consideration for the termination of the Cranbury lease, the Company agreed to make payments to the landlord totaling $981,987, payable in eight monthly installments commencing May 1, 2020. In November 2020 the remaining portion of the liability was paid in full. On September 30, 2020, the lease termination obligation was included in accounts payable on the consolidated balance sheet.

A rollforward of the charges incurred to general and administrative expense for the three months ended December 31, 2020 is as follows:

	Balance October 1, 2020	Expensed / Accrued Expense	Cash Payments	Non-cash Adjustments	Balance December 31, 2020
Lease termination payments	$ 356,987	$ —	$ (356,987)	$ —	$ —

Equipment leases

The Company has equipment leases, with terms between 12 and 36 months, recorded as finance leases. The equipment leases bear interest between 4.0% and 13.0%.

Certain lease agreements contain provisions for future rent increases. Payments due under the lease contracts include minimum payments that the Company is obligated to make under the non-cancelable initial terms of the leases as the renewal terms are at the Company’s option. Lease expense is recorded as research and development or general and administrative based on the use of the leased asset.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

The components of lease cost for the three months ended December 31, 2020 are as follows:

	Three months ended December 31, 2020
Finance lease cost:	
Amortization of right-of-use assets	$ —
Interest on lease liabilities	1,782
Total finance lease cost	1,782
Operating lease cost	43,625
Total lease cost	$ 45,407

Amounts reported in the consolidated balance sheets for leases where the Company is the lessee as of December 31, 2020 are as follows:

	December 31, 2020
Operating leases:	
Right-of-use asset	$ 126,776
Operating lease liabilities	142,151
Finance leases:	
Right-of-use asset	$ —
Financing lease liabilities	62,180
Weighted-average remaining lease term (years):	
Operating leases	0.8
Finance leases	2.3
Weighted-average discount rate:	
Operating leases	9.0%
Finance leases	8.8%

Other information related to leases for the three months ended December 31, 2020 are as follows:

	Three months ended December 31, 2020
Cash paid for amounts included in the measurement of lease obligations:	
Operating cash flows from finance leases	$ 1,782
Operating cash flows from operating leases	48,750
Financing cash flows from finance leases	10,080
Right-of-use assets obtained in exchange for lease obligations:	
Operating leases	$ —
Finance leases	—

Future minimum lease payments under non-cancelable leases as of December 31, 2020 are as follows for the years ending September 30:

	Operating leases	Finance leases
2021 (remaining nine months)	$ 146,250	23,327
2022	—	29,605
2023	—	13,149
2024	—	4,383
Total undiscounted lease payments	$ 146,250	$ 70,464
Less: Imputed interest	4,099	8,284
Total lease obligations	$ 142,151	$ 62,180

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

Office and laboratory lease termination obligation

In August 2018, the Company entered into a lease termination agreement effective September 1, 2018, to terminate the lease for unutilized office and laboratory space in Cranbury, New Jersey. In consideration for the termination of the lease, the Company agreed to make payments to the landlord totaling up to $5.8 million, which included (i) $287,615 upon execution of the termination agreement, (ii) $50,000 per month for up to 30 months, commencing September 1, 2018, and (iii) a $4.0 million payment, in any event, on or before February 1, 2021. The Company and landlord agreed that the $174,250 security deposit will be used to pay the 7th, 8th, 9th and a portion of the 10th monthly payments. In November 2020, the Company fully settled the remaining lease termination payments for a one-time cash payment of $3,250,000. Upon settlement, the Company recognized a gain of $732,426 which represented the difference between the carrying value of the liability at the time of settlement and the cash payment.

A roll forward of the charges incurred to general and administrative expense for the three months ended December 31, 2020 is as follows:

	Balance October 1, 2020	Expensed / Accrued Expense	Cash Payments	Non-cash Adjustments	Balance December 31, 2020
Lease termination payments	$ 3,971,111	$ 111,315	$ (3,350,000)	($ 732,426)	$ —

10. Common Stock, Convertible Preferred Stock and Stockholders' Equity (Deficit)

Common stock

There were no issuances of common stock during the three months ended December 31, 2020. During the three months ended December 31, 2019, the Company issued 109 shares of common stock, respectively, upon the vesting of RSUs.

Refer to Note 13 for a detailed discussion of an issuance of an aggregate of 41,593,767 shares of common stock and warrants to purchase up to an aggregate of 2,116,364 shares of common stock in February 2021 in connection with a public offering and concurrent private placement.

Series A-1 convertible preferred stock

A total of 200,000 shares of Series A-1 Convertible Preferred Stock (the "Series A-1") have been authorized for issuance under the Certificate of Designation of Series A-1 Convertible Preferred Stock of the Company (the "Certificate of Designation"). The shares of Series A-1 have a stated value of $100.00 per share, and rank senior to all junior securities (as defined in the Certificate of Designation). At December 31, 2020 and September 30, 2020, there were no shares of Series A-1 outstanding.

The Series A-1 accrued dividends at a rate of 10% per annum, compounded quarterly, payable quarterly at the Company's option in cash or in kind in additional shares of Series A-1. During the three months ended December 31, 2019, the Company issued 1,661 shares of Series A-1 to settle the related dividends that are due on a quarterly basis.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

Common stock warrants

As of December 31, 2020, shares of common stock issuable upon the exercise of outstanding warrants were as follows:

Expiration Date		Shares of common stock issuable upon exercise of warrants	Exercise Price Per Share
February 18, 2022		416,666	$ 12.00
December 22, 2024	(i)	277,128	$ 12.00
April 13, 2025	(i)	145,686	$ 12.00
May 31, 2025	(i)	62,437	$ 12.00
February 24, 2025		531,890	$ 1.27
February 26, 2024		5,029,528	$ 0.9535
June 22, 2025		588,519	$ 1.5188
		7,051,854	

(i) The warrants were issued in connection with the convertible senior secured notes (see Note 8) and are classified as liabilities on the accompanying consolidated balance sheets as the warrants include cash settlement features at the option of the holders under certain circumstances. Refer to Note 4 for fair value measurements disclosures.

On December 23, 2019, the Company amended the terms of its outstanding 15-month warrants and five-year warrants issued April 12, 2019 (the “April 2019 Warrants”), which originally had an exercise price of $2.90 per share of the Company’s common stock. The exercise price of all outstanding April 2019 Warrants was reduced to $0.2320 per share and the exercise period was amended such that all April 2019 Warrants expire on December 24, 2019. Immediately prior to expiration, all then unexercised April 2019 Warrants were automatically net exercised pursuant to the amended provisions. The estimated change in fair value of warrants amended during the three months ended December 31, 2019 was $1,708,603 and reflected as a deemed dividend in the consolidated statements of operations for purposes of presenting net loss attributable to common stockholders when calculating basic and diluted loss per share.

During the three months ended December 31, 2019, warrants to purchase an aggregate of 10,427,388 shares of common stock with a weighted averaged exercise price of $0.232 were exercised for an aggregate 8,345,562 shares of the Company's common stock; and warrants to purchase an aggregate of 80,797 shares of common stock with a weighted averaged exercise price of $0.08 expired. In aggregate, 10,157,050 of the exercised warrants were April 2019 Warrants, described above, exercised pursuant to the net exercise provisions therein, as amended.

11. Stock-Based Compensation

2011 Equity Incentive Plan

The Company’s 2011 Equity Compensation Plan (the “2011 Plan”) provided for the Company to sell or issue restricted common stock, RSUs, performance-based awards (“PSUs”), cash-based awards or to grant stock options for the purchase of common stock to officers, employees, consultants and directors of the Company. The 2011 Plan was administered by the board of directors or, at the discretion of the board of directors, by a committee of the board. The number of shares of common stock reserved for issuance under the 2011 Plan is 106,490. As of December 31, 2020, PSUs representing 2,470 shares of the Company’s common stock were outstanding under the 2011 Plan. In light of the December 2015 adoption of the 2015 Equity Incentive Plan, (the “2015 Plan”) no future awards under the 2011 Plan will be granted.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

2015 Equity Incentive Plan

In December 2015, the Company adopted the 2015 Plan. The 2015 Plan provides for the grant of stock options, stock appreciation rights, restricted stock awards, RSU awards, performance stock awards and other forms of equity compensation to Company employees, directors and consultants. The aggregate number of shares of common stock authorized for issuance pursuant to the Company's 2015 Plan is 24,022,526. As of December 31, 2020, 11,875,197 shares remained available for grant under the 2015 Plan.

Stock options and RSUs are granted under the Company's 2015 Plan and generally vest over a period of one to four years from the date of grant and, in the case of stock options, have a term of 10 years. The Company recognizes the grant date fair value of each option and share of RSU over its vesting period.

The Company recorded stock-based compensation expense in the following expense categories of its statements of operations for the three months ended December 31, 2020 and 2019:

	Three months ended December 31,	
	2020	2019
Research and development	$ 239,971	$ 107,790
General and administrative	914,670	251,687
	$ 1,154,641	$ 359,477

Stock options

As of December 31, 2020, options to purchase common stock of the Company outstanding under the 2015 Plan were as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance at October 1, 2020	3,762,143	$ 2.01		
Granted	8,215,534	0.71		
Balance at December 31, 2020	11,977,677	1.12	9.5	$ 5,247,830
Vested and exercisable	1,255,028	2.22	8.9	$ 173,361
Vested and expected to vest at December 31, 2020	11,977,677	$ 1.12	9.5	

The aggregate intrinsic value represents the total amount by which the fair value of the common stock subject to options exceeds the exercise price of the related options.

The weighted average grant date fair value of the options awarded to employees for the three months ended December 31, 2020 and 2019 was $0.54 and $0.99 per option, respectively. The fair value of the options was estimated on the date of grant using a Black-Scholes option pricing model with the following weighted-average assumptions:

	Three months ended December 31,	
	2020	2019
Risk-free interest rate	0.38 %	1.36 %
Expected life (years)	6.02	5.34
Expected volatility	95.4 %	88.6 %
Expected dividend yield	—	—

As of December 31, 2020, there was $6,645,243 of unrecognized compensation expense that is expected to be recognized over a weighted-average period of 2.72 years.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

Performance-based stock units

The Company has issued PSUs, which generally have a ten-year life from the date of grant. Upon exercise, the PSU holder receives common stock or cash at the Company's discretion.

The following table summarizes the activity related to PSUs during the three months ended December 31, 2020:

	Number of PSUs	Base Price Per PSU	Weighted Average Remaining Contractual Term (Years)
Balance at October 1, 2020	2,470	$ 49.97	
Forfeitures	—	—	
Balance at December 31, 2020	2,470	49.97	3.8
Vested and exercisable at December 31, 2020	2,470	49.97	3.8
Vested and expected to vest at December 31, 2020	2,470	$ 49.97	3.8

Restricted stock

In connection with the consulting agreements entered into by the Company and four principals of MTTR, the Company issued an aggregate of 7,244,739 shares of its common stock. Refer to Note 12 for further details on the consulting agreements and terminated strategic partnership agreement. The shares may not be sold until the earlier of (i) six months following FDA approval of ONS-5010, (ii) the date the Company publicly announces not to pursue development of ONS-5010, (iii) a change in control or (iv) January 2025. In addition, the Company has the right to repurchase the shares for $0.01 per share if the consultant terminates his agreement other than for good reason or the Company terminates the agreement for cause. The repurchase right lapses, in tiered percentages, based upon the completion of enrollment of the Company's NORSE 2 clinical trial of ONS-5010 by certain dates. The repurchase right may also lapse as to 50% or 100% of the shares if the Company enters into certain agreements pertaining to ONS-5010 that meet certain value thresholds or the Company's share price meets certain predefined targets. The repurchase right also lapses as to 100% of the shares upon the earliest to occur of (i) filing of the biologics license application for ONS-5010, (ii) termination of the agreement by the consultant for good reason or by the Company other than for cause. (iii) in the event of disability, or (iv) upon a change in control. As of December 31, 2020, 1,811,184 shares of common stock were vested and not subject to repurchase rights.

The grant date fair value of the restricted shares was $0.54 per share and equal to the closing stock price of the Company's common stock at the time of grant. Compensation expense is recognized over the shorter of the explicit service period or derived service period which was determined to be 4.8 years at the time of grant. Compensation expense may be accelerated when certain performance conditions become probable and the corresponding purchase right has lapsed. During the three months ended December 31, 2020, the Company recognized compensation expense related to the restricted stock of $151,765. There was no compensation expense recognized for the three months ended December 31, 2019. As of December 31, 2020, there was $2,459,242 of unrecognized compensation expense related to the restricted stock.

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

12. Related-Party Transactions

MTTR - strategic partnership agreement (ONS-5010)

In February 2018, the Company entered into a strategic partnership agreement with MTTR to advise on regulatory, clinical and commercial strategy and assist in obtaining approval of ONS-5010, the Company's bevacizumab therapeutic product candidate for ophthalmic indications.

In November 2018, the board of directors of the Company appointed Mr. Terry Dagnon as Chief Operating Officer, and Mr. Jeff Evanson as Chief Commercial Officer. Both Mr. Dagnon and Mr. Evanson initially provided services to the Company pursuant to the February 2018 strategic partnership agreement with MTTR, as amended. Mr. Dagnon and Mr. Evanson were both principals in MTTR. The Company did not pay Mr. Dagnon or Mr. Evanson any direct compensation as consultants or as employees during the three months ended December 31, 2019 nor during the period from October 1, 2019 through March 19, 2020. Both Mr. Dagnon and Mr. Evanson were compensated directly by MTTR for services provided to the Company as the Company's Chief Operating Officer and Chief Commercial Officer, respectively, pursuant to the strategic partnership agreement until such agreement, as amended, was terminated effective March 19, 2020. The Company began compensating Mr. Dagnon and Mr. Evanson directly as consultants effective March 19, 2020 pursuant to their respective consulting agreements with the Company, which became effective March 19, 2020 following stockholder approval of the share issuances contemplated therein. Mr. Dagnon and Mr. Evanson have also agreed to provide consulting services to an affiliate of BioLexis pursuant to a separate arrangement.

On January 27, 2020, the Company entered into a termination agreement and mutual release with MTTR to terminate the strategic partnership agreement. Pursuant to the agreement, the Company agreed (x) to issue to the four principals of MTTR (who include two of its named executive officers, Messrs. Dagnon and Evanson), an aggregate of 7,244,739 shares of its common stock, subject to stockholder approval, (y) to enter into consulting agreements with each of the four principals setting forth the terms of his respective compensation arrangement, and (z) to pay MTTR a one-time settlement fee of $110,000, upon effectiveness of the agreement.

Concurrently, the Company also entered into consulting agreements directly with each of the four principals of MTTR setting forth the terms of his respective compensation arrangement, as well as providing for certain transfer restrictions and repurchase rights applicable to the shares of common stock to be issued pursuant hereto. The termination agreement, and the consulting agreements, became effective upon stockholder approval of the share issuance on March 19, 2020. Refer to Note 11 for the accounting of the restricted stock issued and compensation expense recognized.

MTTR and its four principals under the strategic partnership agreement and the subsequent individual consulting agreements earned an aggregate $467,653 and $611,424 during the three months ended December 31, 2020 and 2019, respectively, which includes monthly consulting fees and expense reimbursement, but excludes stock-based compensation related to restricted stock (Note 11). As of December 31, 2020, and September 30, 2020 an aggregate $90,476 and $89,762, respectively, was due to the former MTTR principals as consultants, which is included in accounts payable in the accompanying consolidated balance sheets.

13. Subsequent Events

Common stock offering

In February 2021, the Company issued, in an underwritten public offering which included a partial exercise of the underwriters' overallotment option, an aggregate of 38,593,767 shares of common stock at a purchase price per share $1.00 for approximately $36.0 million in net proceeds after payment of underwriter discounts and commissions and other offering costs. GMS Ventures purchased an aggregate of 8,360,000 shares of common stock offered in the offering at the public offering price per share. Following partial exercise of the underwriters' overallotment option, pursuant to an Investor Rights Agreement, dated as of September 11, 2017, by and among the Company, BioLexis and GMS Ventures,

Outlook Therapeutics, Inc.
Notes to Unaudited Interim Consolidated Financial Statements

the Company sold an additional 1,013,627 shares of common stock to GMS Ventures in a separate concurrent private placement for aggregate gross proceeds to the Company of $1.0 million at the public offering price per share of $1.00.

In a separate concurrent private placement, the Company issued 3,000,000 shares of common stock to Syntone Ventures at a purchase price of $1.00 for aggregate gross proceeds to the Company of $3.0 million.

In connection with the underwritten public offering the Company issued the underwriter warrants to purchase up to an aggregate of 2,116,364 shares of common stock), at an exercise price of $1.25 per share and a 5-year term.

Common stock warrants exercised

In February 2021, warrants to purchase an aggregate of 3,641,507 shares of common stock with a weighted averaged exercise price of $0.9847 were exercised for aggregate gross proceeds to the Company of $3,585,809.

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

You should read this section in conjunction with our unaudited interim consolidated financial statements and related notes included in Part I. Item 1 of this report and our audited consolidated financial statements and related notes thereto and management's discussion and analysis of financial condition and results of operations for the years ended September 30, 2020 and 2019 included in our Annual Report on Form 10-K for the year ended September 30, 2020, filed with the Securities and Exchange Commission, or SEC, on December 23, 2020, as amended January 28, 2021.

Forward-Looking Statements

This discussion contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Forward-looking statements are identified by words such as "believe," "may," "could," "will," "estimate," "continue," "anticipate," "intend," "seek," "plan," "expect," "should," "would," "potentially" or the negative of these terms or similar expressions in this report. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other "forward-looking" information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements are subject to certain risks and uncertainties that could cause a difference include, but are not limited to, those discussed under the caption "Risk Factors" in our Annual Report on Form 10-K for the year ended September 30, 2020, filed with the SEC on December 23, 2020, and as amended January 28, 2021, and elsewhere in this report. See "Special Note Regarding Forward-Looking Statements." Forward-looking statements are based on our management's current beliefs and assumptions and based on information currently available to our management. These statements, like all statements in this report, speak only as of their date, and we undertake no obligation to update or revise these statements in light of future developments.

Overview

We are a late clinical-stage biopharmaceutical company working to develop the first ophthalmic formulation of bevacizumab approved by the U.S. Food and Drug Administration, or FDA, for use in retinal indications. Our goal is to launch directly or through a strategic partner as the first and only approved bevacizumab in the United States, United Kingdom, Europe, Japan and other markets for the treatment of wet age-related macular degeneration, or wet AMD, diabetic macular edema, or DME, and branch retinal vein occlusion, or BRVO.

ONS-5010 (LYTENAVA (bevacizumab-vikg)), our sole product candidate in active clinical development, is an investigational ophthalmic formulation of bevacizumab, which we are developing to be administered as an intravitreal injection for the treatment of wet AMD and other retinal diseases. Bevacizumab is a full-length, humanized anti-VEGF (Vascular Endothelial Growth Factor) recombinant monoclonal antibody, or mAb, that inhibits VEGF and associated angiogenic activity. The study design for our Phase 3 clinical program to evaluate ONS-5010 as an ophthalmic formulation of bevacizumab was reviewed at an end of Phase 2 meeting with the FDA in April 2018, and we filed our investigational new drug application, or IND, with the FDA in the first quarter of calendar 2019.

Our clinical program for ONS-5010 in wet AMD involves three clinical trials, which we refer to as NORSE ONE, NORSE TWO and NORSE THREE. We reported achieving the anticipated safety and efficacy and positive proof-of-concept topline results from NORSE ONE, a clinical experience study, in August 2020. NORSE TWO is our pivotal Phase 3 clinical trial comparing ONS-5010 to ranibizumab (LUCENTIS) that completed enrollment in July 2020. Topline results are expected in the third calendar quarter of 2021. NORSE THREE is an open-label safety study being conducted to ensure the adequate number of safety exposures to ONS-5010 are available for the initial ONS-5010 Biologics License Application, or BLA, filing with the FDA. Enrollment was completed in October 2020. Accordingly, all three of these clinical trials required for our planned BLA submission for wet AMD in the second half of calendar 2021 have either been completed or are fully enrolled.

In addition, we have received agreements from the FDA on three Special Protocol Assessments, or SPAs, for three additional registration clinical trials for our ongoing Phase 3 program for ONS-5010. These SPAs cover the protocols for NORSE FOUR, a registration clinical trial evaluating ONS-5010 to treat BRVO, and NORSE FIVE and NORSE SIX, two

registration clinical trials to evaluate ONS-5010 to treat DME. We intend to initiate these studies in 2021 after submission of our BLA for wet AMD.

Currently, the cancer drug Avastin (bevacizumab) is used off-label for the treatment of wet AMD and other retinal diseases such as DME and BRVO even though Avastin has not been approved by regulatory authorities for use in these diseases. If the ONS-5010 clinical program is successful, it will support our plans to submit for regulatory approval in multiple markets in 2021 including the United States, United Kingdom, Europe and Japan, as well as other markets. Because there are no approved bevacizumab products for the treatment of retinal diseases in such major markets, we are developing ONS-5010 as a standard BLA and not using the biosimilar drug development pathway that would be required if Avastin were an approved drug for the targeted diseases. If approved, we believe ONS-5010 has potential to mitigate risks associated with off-label use of unapproved bevacizumab. Off-label use of unapproved bevacizumab is currently estimated to account for at least 50% of all wet AMD treatments in the United States each year.

Going Concern

Through December 31, 2020, we have funded substantially all of our operations with $288.3 million in proceeds from the sale and issuance of our equity and debt securities. We have also received $29.0 million pursuant to our previous collaboration and licensing agreements.

In February 2021, we closed an underwritten public offering of our common stock for net proceeds of $36.0 million. We also entered into a securities purchase agreement with Syntone Ventures LLC, or Syntone Ventures, for the sale of an additional $3.0 million of shares which concurrent private placement closed in February 2021. Following partial exercise of the underwriters' overallotment option, in a separate concurrent private placement, we entered into a securities purchase agreement with GMS Ventures and Investments, or GMS Ventures, an affiliate of BioLexis Pte. Ltd., our largest stockholder, for additional proceeds of $1.0 million.

In February 2021, warrants to purchase an aggregate of 3,641,507 shares of common stock with a weighted averaged exercise price of $0.9847 were exercised for aggregate gross proceeds of $3.6 million.

Our current cash resources of $5.6 million as of December 31, 2020, together with the $40.0 million net proceeds from our underwritten public offering and concurrent private placements, which closed in February 2021, and $3.6 million proceeds from warrant exercises are expected to fund our operations through the planned ONS-5010 BLA filing expected to occur in December 2021. If we are not successful in raising additional capital or entering into one or more licensing and/or co-development rights agreements for ONS-5010, we may be required to, among other things, modify our clinical trial plans for ONS-5010 in additional indications, make reductions in our workforce, discontinue our development programs, liquidate all or a portion of our assets, and/or seek protection under the provisions of the U.S. Bankruptcy Code.

We do not have any products approved for sale and we have only generated revenue from our collaboration agreements. We have incurred operating losses and negative operating cash flows since inception and there is no assurance that we will ever achieve profitable operations, and if achieved, that profitable operations will be sustained. Our net loss for the three months ended December 31, 2020 was $14.5 million. In addition, development activities, clinical and preclinical testing and commercialization of our product candidates will require significant additional financing.

We have incurred recurring losses and negative cash flows from operations since inception. As of December 31, 2020, we had substantial indebtedness that included $10.3 million of principal and accrued interest under an unsecured promissory note maturing on January 1, 2022, and $0.9 million loan granted pursuant to the Paycheck Protection Program, or PPP, of the Coronavirus Aid, Relief, and Economic Security Act, or CARES Act, which matures on May 2, 2022. We will need to raise substantial additional capital to fund our planned future operations, commence clinical trials, receive approval for and commercialize ONS-5010, or to develop other product candidates. We plan to finance our future operations with a combination of proceeds from potential licensing and/or marketing arrangements with pharmaceutical companies, the issuance of equity securities, and the issuance of additional debt, potential collaborations and revenues from potential future product sales, if any. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of ONS-5010 or any other current or future product candidates. If we are unable to secure adequate additional funding, our business, operating results, financial condition and cash flows may be

materially and adversely affected. Our consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern.

Impacts of the COVID-19 Pandemic

We continue to monitor the ongoing COVID-19 global pandemic, which has resulted in travel and other restrictions to reduce the spread of the disease. To date, we have experienced only minor disruptions from the ongoing COVID-19 pandemic, including a brief delay in March 2020 in patient enrollment and recruitment in NORSE TWO due to local clinical trial site protocols designed to protect staff and patients. Given our current infrastructure needs and current strategy, we were able to transition to remote working with limited impact on productivity, as shelter-in-place and other types of local and state orders were imposed. We have confirmed with the Ophthalmic Division of the FDA that it considers both approved and investigational treatments for sight-threatening conditions such as wet AMD not to be elective, and that as such they should continue during the COVID-19 restrictions. All clinical and chemistry, manufacturing and control, or CMC, activities are currently active.

All three of our clinical trials have completed enrollment and NORSE ONE has also completed patient follow-up activities. NORSE TWO and THREE patients continue to require monthly follow-up visits, which will continue over the next six months. To date, we have not experienced any significant COVID-19 disruptions to patient follow-up but the clinical trial protocol accounts for potential delayed or missed visits for any reason, including COVID-19 type interruptions. The FDA has provided guidance in the event of COVID-19 disruptions and we intend to confer with the FDA and follow the appropriate guidance in the event that NORSE TWO experiences an unusually high number of delayed or missed patient visits due to COVID-19.

The safety, health and well-being of all patients, medical staff and our internal and external teams is paramount and is our primary focus. As shelter-in-place rules evolve in jurisdictions across the country, we are aware that the potential exists for further disruptions to our projected timelines. We are in close communication with our clinical teams and key vendors and are prepared to take action should the pandemic worsen and impact our business in the future.

The ultimate impact of the COVID-19 pandemic is highly uncertain and subject to change. We do not yet know the full extent of any impacts the evolving COVID-19 pandemic may have on our business, operations, financial position and our clinical and regulatory activities. See also the section titled “Risk Factors” herein for additional information on risks and uncertainties related to the ongoing COVID-19 pandemic. To the extent the evolving effects of the COVID-19 pandemic adversely affect our business and financial condition, it may also have the effect of heightening many of the other risks and uncertainties described under “Risk Factors” in our Annual Report on Form 10-K for the year ended September 30, 2020 that we filed with the SEC on December 23, 2020 and amended January 28, 2021.

Collaboration, License and Strategic Partnership Agreements

From time to time, we enter into collaboration and license agreements for the research and development, manufacture and/or commercialization of our products and/or product candidates. These agreements generally provide for non-refundable upfront license fees, development and commercial performance milestone payments, cost sharing, royalty payments and/or profit sharing. We have also licensed rights to our inactive biosimilar product candidates (ONS-3010, ONS-1045 and ONS-1050) in other markets.

Syntone – Private Placement and PRC Joint Venture

In May 2020, we entered into a stock purchase agreement with Syntone Ventures, pursuant to which we sold and issued in June 2020, in a private placement, 16,000,000 shares of our common stock at a purchase price of $1.00 per share, for aggregate gross proceeds of $16.0 million. In connection with the entry into the stock purchase agreement, we entered into a joint venture agreement with Syntone Ventures’ People’s Republic of China, or PRC, based-affiliate, pursuant to which we agreed to form a PRC joint venture that will be 80% owned by Syntone Ventures’ PRC-affiliate and 20% owned by us. Once formed, we intend to enter into a royalty-free license with the PRC joint venture for the development, commercialization and manufacture of ONS-5010 in the greater China market, which includes Hong Kong, Taiwan and Macau.

We used approximately $0.9 million of the proceeds from the private placement to fund our initial capital contribution to the PRC joint venture, and expect to be required to make an additional capital contribution to the PRC joint venture of approximately $2.1 million within the next four years.

In June 2020 we sold an additional 823,045 shares to Syntone Ventures for approximately $1.0 million, and in January 2021, we entered into a securities purchase agreement with Syntone Ventures providing for the sale and issuance in a private placement, of 3,000,000 shares of our common stock at a purchase price of $1.00 per share, for aggregate gross proceeds of $3.0 million, which closed in February 2021.

Selexis SA

In October 2011, we entered into a research license agreement with Selexis whereby we acquired a non-exclusive license to conduct research internally or in collaboration with third parties to develop recombinant proteins from cell lines created in mammalian cells using the Selexis expression technology, or the Selexis Technology. The research license expired on October 9, 2018 and accordingly, we are no longer using the Selexis Technology in our research.

Selexis also granted us a non-transferrable option to obtain a perpetual, non-exclusive, worldwide commercial license under the Selexis Technology to manufacture, or have manufactured, a recombinant protein produced by a cell line developed using the Selexis Technology for clinical testing and commercial sale. We exercised this option in April 2013 and entered into three commercial license agreements with Selexis for our ONS-3010, ONS-1045 (which covers ONS-5010) and ONS-1050 product candidates. We paid an upfront licensing fee to Selexis for each commercial license and also agreed to pay a fixed milestone payment for each licensed product. In addition, we are required to pay a single-digit royalty on a final product-by-final product and country-by-country basis, based on worldwide net sales of such final products by us or any of our affiliates or sub-licensees during the royalty term. At any time during the term, we have the right to terminate our royalty payment obligation by providing written notice to Selexis and paying Selexis a royalty termination fee. The initiation of our Phase 3 clinical program for ONS-5010 triggered a CHF 65,000 (approximately $0.1 million) milestone payment under the commercial license agreement, which we paid in November 2019.

As of December 31, 2020, we have paid Selexis an aggregate of approximately $0.5 million under the commercial license agreements.

Components of our Results of Operations

Research and Development Expenses

Research and development expense consists of expenses incurred in connection with the discovery and development of our product candidates. We expense research and development costs as incurred. These expenses include:

- expenses incurred under agreements with contract research organizations, or CROs, as well as investigative sites and consultants that conduct our preclinical studies and clinical trials;
- expenses incurred by us directly, as well as under agreements with contract manufacturing organizations, or CMOs, for manufacturing scale-up expenses and the cost of acquiring and manufacturing preclinical and clinical trial materials and commercial materials, including manufacturing validation batches;
- outsourced professional scientific development services;
- employee-related expenses, which include salaries, benefits and stock-based compensation;
- payments made under a third-party assignment agreement, under which we acquired intellectual property;
- expenses relating to regulatory activities, including filing fees paid to regulatory agencies;
- laboratory materials and supplies used to support our research activities; and
- allocated expenses, utilities and other facility-related costs.

The successful development of our product candidates is highly uncertain. At this time, we cannot reasonably estimate or know the nature, timing and costs of the efforts that will be necessary to complete the remainder of the development of, or when, if ever, material net cash inflows may commence from any of our other product candidates. This uncertainty is due to the numerous risks and uncertainties associated with the duration and cost of clinical trials, which vary significantly over the life of a project as a result of many factors, including:

- the number of clinical sites included in the trials;

- the length of time required to enroll suitable patients;
- the number of patients that ultimately participate in the trials;
- the number of doses patients receive;
- the duration of patient follow-up;
- the results of our clinical trials;
- the establishment of commercial manufacturing capabilities;
- the receipt of marketing approvals; and
- the commercialization of product candidates.

Our expenditures are subject to additional uncertainties, including the terms and timing of regulatory approvals. We may never succeed in achieving regulatory approval for any of our biosimilar product candidates. We may obtain unexpected results from our clinical trials. We may elect to discontinue, delay or modify clinical trials of some product candidates or focus on others. A change in the outcome of any of these variables with respect to the development of a product candidate could mean a significant change in the costs and timing associated with the development of that product candidate. For example, if the U.S. Food and Drug Administration, or FDA, or other regulatory authorities were to require us to conduct clinical trials beyond those that we currently anticipate, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time on the completion of clinical development. Product commercialization will take several years and millions of dollars in development costs.

Research and development activities are central to our business model. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size, complexity and duration of later-stage clinical trials.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive, administrative, finance and legal functions, including stock-based compensation, travel expenses and recruiting expenses. Other general and administrative expenses include facility related costs, patent filing and prosecution costs and professional fees for business development, legal, auditing and tax services and insurance costs.

We anticipate that our general and administrative expenses will increase if and when we believe a regulatory approval of a product candidate appears likely, and we anticipate an increase in payroll and expense as a result of our preparation for commercial operations, particularly as it relates to the sales and marketing of our product.

Interest Expense

Interest expense consists of cash paid and non-cash interest expense related to our senior secured notes, and unsecured notes with current and former stockholders, unsecured promissory note, equipment loans, finance leases and other finance obligations.

Loss on Extinguishment of Debt

Loss on extinguishment of debt consists of modifications to senior secured notes that are deemed to be substantially different from the existing notes and the exchange of senior secured notes for our shares of common stock.

Change in fair value of redemption feature

Change in fair value of the redemption feature reflects the change in the fair value of the embedded derivative contained in the new senior secured notes issued in December 2019, as a result of the fact that such notes were convertible into a variable number of shares of our common stock and at a discount that is deemed to be substantial. This embedded

derivative was recorded at fair value and was subject to re-measurement at each balance sheet date until our obligations under the new senior secured notes were satisfied.

Change in Fair Value of Warrant Liability

Warrants to purchase our common stock that were issued in conjunction with the convertible senior secured notes originally issued December 2017 are classified as liabilities and recorded at fair value. The warrants are subject to re-measurement at each balance sheet date and we recognize any change in fair value in our statements of operations. During the three months ended December 31, 2020, we recorded a loss of $0.1 million related to an increase in the fair value of our common stock warrant liability associated with the warrants issued in connection with the senior secured notes originally issued December 2017 which resulted from an increase in the price of our common stock.

During the three months ended December 31, 2019, we recorded a gain of $0.2 million related to the decrease in the fair value of our common stock warrant liability associated with the warrants issued in connection with the senior secured notes originally issued December 2017 which resulted from a decrease in the price of our common stock.

Income Taxes

Since inception, we have not recorded any U.S. federal or state income tax benefits (excluding the sale of New Jersey state net operating losses, or NOLs, and research and development, or R&D tax credits) for the net losses we have incurred in each year or on our earned R&D tax credits, due to our uncertainty of realizing a benefit from those items. As of September 30, 2020, we had federal and state NOL carryforwards of $236.5 million and $72.3 million, respectively, that will begin to expire in 2030 and 2038, respectively. As of September 30, 2020, we had federal foreign tax credit carryforwards of $2.4 million available to reduce future tax liabilities, which begin to expire starting in 2023. As of September 30, 2020, we also had federal research and development tax credit carryforwards of $6.6 million and $0.3 million, respectively, which begin to expire in 2032 and 2033, respectively.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. We have not completed a study to assess whether an ownership change has occurred in the past. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change, our ability to utilize NOLs could be further limited by Section 382 of the Code. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change under Section 382 of the Code. Our NOLs are also subject to international regulations, which could restrict our ability to utilize our NOLs. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities.

Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities.

Results of Operations

Comparison of Three Months Ended December 31, 2020 and 2019

	Three months ended December 31,		
	2020	2019	Change
Operating expenses:			
Research and development	$ 11,948,581	$ 5,847,302	$ 6,101,279
General and administrative	2,242,354	2,336,724	(94,370)
	14,190,935	8,184,026	6,006,909
Loss from operations	(14,190,935)	(8,184,026)	(6,006,909)
Interest expense, net	159,663	597,665	(438,002)
Loss on extinguishment of debt	—	8,060,580	(8,060,580)
Change in fair value of redemption feature	—	(37,945)	37,945
Change in fair value of warrant liability	105,316	(201,378)	306,694
Net loss	$ (14,455,914)	$ (16,602,948)	$ 2,147,034

Research and Development Expenses

The following table summarizes our research and development expenses by functional area for the three months ended December 31, 2020 and 2019:

	Three months ended December 31,	
	2020	2019
ONS-5010 development	$ 10,783,331	$ 4,762,215
Compensation and related benefits	369,852	407,302
Stock-based compensation	239,971	107,790
Other research and development	555,427	569,995
Total research and development expenses	$ 11,948,581	$ 5,847,302

Research and development expenses for the three months ended December 31, 2020 increased by $6.1 million compared to the three months ended December 31, 2019. The increase was primarily driven by an increase in ONS-5010 development costs of $6.0 million as we advanced and fully enrolled our NORSE TWO Phase 3 clinical trial during fiscal year 2020, initiated and completed enrollment in our NORSE THREE clinical trial in October 2020, and continued the necessary process characterization and manufacturing scale up activities with external partners to support our planned BLA filing for wet AMD in 2021.

General and Administrative Expenses

The following table summarizes our general and administrative expenses by type for the three months ended December 31, 2020 and 2019:

	Three months ended December 31,	
	2020	2019
Professional fees	$ 1,413,324	$ 951,448
Compensation and related benefits	294,730	428,324
Stock-based compensation	914,670	251,687
Facilities, fees and other related costs	(380,370)	705,265
Total general and administrative expenses	$ 2,242,354	$ 2,336,724

General and administrative expenses for the three months ended December 31, 2020 decreased by $0.1 million compared to the three months ended December 31, 2019. The increases of $0.7 million in stock-based compensation and $0.5 million in professional fees primarily related to licensing efforts for ONS-5010 activities during the period, were more than offset

by a $1.1 million decrease in facilities and other related costs primarily due to decreased rent expenses of $0.2 million and a $0.7 million gain recorded from a settlement of a lease termination obligation associated with our terminated lease for an unutilized office and laboratory space in Cranbury, New Jersey.

Interest Expense

Interest expense decreased by $0.4 million to $0.2 million for the three months ended December 31, 2020 as compared to $0.6 million for the three months ended December 31, 2019. The decrease was primarily due to the termination of the finance lease for the corporate offices in Cranbury, New Jersey and the reduction of outstanding principal amount of notes and other indebtedness due to exchanges of such indebtedness for shares of our common stock in 2020.

Debt Extinguishment

During the three months ended December 31, 2019, we recorded a loss on extinguishment of $8.1 million in connection with the exchange of our old senior secured notes for new senior secured notes in December 2019. The new senior secured notes were considered substantially different from the old notes, as such they qualified for extinguishment accounting.

Liquidity and Capital Resources

We have not generated any revenue from product sales. Since inception, we have incurred net losses and negative cash flows from our operations. Through December 31, 2020, we have funded substantially all of our operations through the receipt of $288.3 million net proceeds from the issuance of our equity securities, debt securities and borrowings under debt facilities. We have also received an aggregate of $29.0 million pursuant to emerging markets collaboration and licensing agreements for our inactive biosimilar development programs.

In November 2020, we received $10.0 million in net proceeds from issuance of an unsecured promissory note with face amount of $10.2 million. The note bears interest at a rate of 7.5% per annum and matures January 1, 2022. We may prepay all or a portion of the note at any time by paying 105% of the outstanding balance elected for pre-payment.

In February 2021, we closed an underwritten public offering of our common stock for net proceeds of $36.0 million. We also entered into a securities purchase agreement with Syntone Ventures, for the sale of an additional $3.0 million of shares which concurrent private placement closed in February 2021. Following partial exercise of the underwriters' overallotment option, in a separate concurrent private placement, we issued an additional $1.0 million of shares of common stock to GMS Ventures at a purchase price of $1.00 per share.

In February 2021, warrants to purchase an aggregate of 3,641,507 shares of common stock with a weighted averaged exercise price of $0.9847 were exercised for aggregate gross proceeds of $3.6 million.

As of December 31, 2020, we had a cash balance of $5.6 million. In addition, we had substantial indebtedness that included $10.3 million of principal and accrued interest under an unsecured promissory note maturing on January 1, 2022, and a $0.9 million loan granted pursuant to the PPP of the CARES Act, which matures on May 2, 2022. These factors raise substantial doubt about our ability to continue as a going concern. Our consolidated financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. We anticipate incurring additional losses until such time, if ever, that we can generate significant sales of ONS-5010 or any other product candidate we may develop. We will need substantial additional financing to fund our operations and to commercially develop ONS-5010 or any other product candidate we may develop. Management is currently evaluating various strategic opportunities to obtain the required funding for future operations. These strategies may include but are not limited to payments from potential strategic research and development, licensing and/or marketing arrangements with pharmaceutical companies, private placements and/or public offerings of equity and/or debt securities. There can be no assurance that these future funding efforts will be successful. Alternatively, we will be required to, among other things, make further reductions in our workforce, scale back our plans and place certain activities on hold, discontinue our development programs, liquidate all or a portion of our assets, and/or seek protection under the provisions of the U.S. Bankruptcy Code.

Our future operations are highly dependent on a combination of factors, including (i) the timely and successful completion of additional financing discussed above, (ii) our ability to complete revenue-generating partnerships with pharmaceutical

companies, (iii) the success of our research and development, (iv) the development of competitive therapies by other biotechnology and pharmaceutical companies, and, ultimately, (v) regulatory approval and market acceptance of our proposed future products..

Funding Requirements

We plan to focus in the near term on advancing ONS-5010 through clinical trials to support the filing of a Biologics License Application with the FDA to support the generation of commercial revenues. We anticipate we will incur net losses and negative cash flow from operations for the foreseeable future. We may not be able to complete the development and initiate commercialization of ONS-5010 if, among other things, our clinical trials are not successful or if the FDA does not approve our application arising out of our current clinical trials when we expect, or at all, or if we are not able to enter into a licensing deal for ONS-5010 providing for sufficient funding of our expected development costs and we are unable to obtain such funding elsewhere.

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, manufacturing and facility costs, external research and development services, laboratory and related supplies, legal and other regulatory expenses, and administrative and overhead costs. Our future funding requirements will be heavily determined by the resources needed to support development of our lead product candidate and any other product candidates we may choose to pursue.

We believe our existing cash as of December 31, 2020 of $5.6 million together with the $40.0 million net proceeds from its million underwritten public offering and concurrent private placements, which closed in February 2021, and $3.6 million proceeds from warrant exercises is expected to fund our operations through the planned BLA filing for ONS-5010 for wet AMD expected to occur in December 2021. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we expect. We will need to raise substantial additional capital in order to complete our planned ONS-5010 development program. We plan to finance our future operations with a combination of proceeds from potential strategic collaborations, sale of the development and commercial rights to our drug product candidates, the issuance of equity securities, the issuance of additional debt, and revenues from potential future product sales, if any. If we raise additional capital through the sale of equity or convertible debt securities, your ownership will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of our common stock. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of ONS-5010 or any other current or future product candidates. Alternatively, we will be required to, among other things, modify our clinical trial plans for ONS-5010 in additional indications, make reductions in our workforce, scale back our plans and place certain activities on hold, discontinue our development programs, liquidate all or a portion of our assets, and/or seek protection under the provisions of the U.S. Bankruptcy Code.

Cash Flows

The following table summarizes our cash flows for each of the periods presented:

	Three months ended December 31,	
	2020	2019
Net cash used in operating activities	$ (13,324,648)	$ (6,673,676)
Net cash provided by (used in) investing activities	—	—
Net cash provided by (used in) financing activities	6,357,114	(8,293)

Operating Activities.

During the three months ended December 31, 2020, we used $13.3 million of cash in operating activities resulting primarily from our net loss of $14.5 million. This use of cash was partially offset by $0.8 million of non-cash items such as stock-based compensation, non-cash interest expense, change in fair value of warrant liability, gain on settlement of lease termination obligation, and depreciation and amortization expense. The net cash inflow of $0.4 million from changes in our operating assets and liabilities was primarily to an increase in our accounts payable of $0.9 million primarily due to clinical trial costs and ONS 5010 development costs and a decrease in other assets of $0.2 million. These inflows were

partially offset by a decrease in accrued expenses of $0.7 million primarily due to the settlement of lease termination obligation and payments to sites for accrued costs.

During the three months ended December 31, 2019, we used $6.7 million of cash in operating activities resulting primarily from our net loss of $16.6 million, This use of cash was partially offset by $8.4 million of noncash items such as non-cash interest expense, stock-based compensation, change in fair value of warrant liability, loss on disposal of property and equipment, loss on extinguishment of debt and depreciation and amortization expense. The change in our operating assets and liabilities of $1.6 million was primarily to a decrease in prepayments associated with our clinical trials and ONS 5010 development costs and increase in our accrued expenses from September 30, 2019.

Financing Activities.

During the three months ended December 31, 2020, net cash provided by financing activities was $6.4 million, primarily attributable to $10.0 million in net proceeds from issuance of an unsecured promissory note with face amount of $10.2 million in November 2020, offset by $3.6 million in debt and finance lease obligation payments.

During the three months ended December 31, 2019, net cash used in provided by financing activities was less than $0.1 million. We made $0.1 million in debt and finance lease obligations payments which was partially offset by net proceeds from exercise of common stock warrants of $0.1 million.

Description of Indebtedness

In November 2020, we entered into a note purchase agreement with Streeterville Capital, LLC, a Utah limited liability company pursuant to which we issued an unsecured promissory note in the original principal amount of $10,220,000 for $10,000,000 in cash proceeds. The unsecured note bears interest at a rate of 7.5% per annum compounding daily, matures January 1, 2022, and includes an original issue discount of $200,000, along with $20,000 for the noteholder's fees, costs and other transaction expenses incurred in connection with the purchase and sale of the note. We may prepay all or a portion of the unsecured note at any time by paying 105% of the outstanding balance elected for pre-payment.

While the unsecured note is outstanding, we agreed to keep adequate public information available, maintain our Nasdaq listing, and refrain from undertaking certain "Variable Security Issuances" without the noteholders' consent, subject to certain limited exempt issuances, in addition to other negative covenants. The unsecured note provides that it is an event of default if we breach our negative covenants under the purchase agreement, undertake certain "Fundamental Transactions" (as defined therein), along with other customary events of default, in addition to providing for a default rate of 14%, and gives the noteholder the right to increase the outstanding balance by 5% in the event of default.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2020.

Contractual Obligations and Commitments

Not applicable.

Critical Accounting Policies and Significant Judgments and Estimates

The Critical Accounting Policies and Significant Judgments and Estimates included in our Form 10-K for the fiscal year ended September 30, 2020, filed with the SEC on December 23, 2020, as amended January 28, 2021, have not materially changed.

JOBS Act Accounting Election

The JOBS Act, permits an "emerging growth company" such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to private companies. We have irrevocably elected to "opt out" of this provision and, as a result, we will comply

with new or revised accounting standards when they are required to be adopted by public companies that are not emerging growth companies.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act refers to controls and procedures that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Because there are inherent limitations in all control systems, a control system, no matter how well conceived and operated, can provide only reasonable, as opposed to absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were effective, at the reasonable assurance level, as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(d) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during our first fiscal quarter ended December 31, 2020. We have not experienced any material impact to our internal control over financial reporting despite the fact that our employees are working remotely due to the COVID-19 pandemic. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

Part II. Other Information

Item 1. Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising from the ordinary course of business. Other than as described below, our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which would have a material adverse effect on our results of operations, financial condition or cash flows

On July 20, 2020, Laboratorios Liomont S.A. de C.V., or Liomont, filed a complaint against us in the U.S. District Court of the Southern District of New York alleging certain breach of contract claims under our June 25, 2014 strategic development, license and supply agreement relating to the biosimilar development program for ONS-3010 and ONS-1045. According to the complaint, Liomont is claiming $3,000,000 in damages due. We dispute the claims in the Liomont complaint, believe they are without merit, and intend to defend against them vigorously.

Item 1A. Risk Factors

Not applicable.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed with the SEC on May 19, 2016).
3.2	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed with the SEC on December 6, 2018).
3.3	Certificate of Amendment to the Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed with the SEC on March 18, 2019).
3.4	Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to the Registrant's current report on Form 8-K filed with the SEC on May 19, 2016).
3.5	Amendment to the Amended and Restated Bylaws (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed with the SEC on November 29, 2016).
10.1	Note Purchase Agreement dated November 4, 2020, between the Registrant and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed with the SEC November 6, 2020).
10.2	Promissory Noted dated November 4, 2020 between the Registrant and Streeterville Capital, LLC (incorporated by reference to Exhibit 10.2 to the Registrant's current report on Form 8-K filed with the SEC November 6, 2020).
31.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as amended.
32.1*	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted 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 Extension Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Furnished herewith and not deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements 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.

OUTLOOK THERAPEUTICS, INC.

Date: February 16, 2021

By: /s/ Lawrence A. Kenyon
Lawrence A. Kenyon
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Accounting, and Financial Officer)

Exhibit 31.1

CERTIFICATIONS

I, Lawrence A. Kenyon, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Outlook Therapeutics, 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 my 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 my 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 my 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. 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: February 16, 2021

By: /s/ Lawrence A. Kenyon
Lawrence A. Kenyon
Chief Executive Officer and Chief Financial Officer
(Principal Executive, Financial, and Accounting Officer)

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Outlook Therapeutics, Inc. (the "Company") for the period ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies, pursuant to 18 U.S.C. Section 1350, that to his knowledge:

(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 16, 2021

By /s/ Lawrence A. Kenyon
Lawrence A. Kenyon
Chief Executive Officer and Chief Financial Officer

"This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Outlook Therapeutics, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing."