SECURITIES & EXCHANGE COMMISSION EDGAR FILING

Nemaura Medical Inc.

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☑ **QUARTERLY REPORT UNDER SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended: December 31, 2018

or

☐ **TRANSITION REPORT UNDER SECTION13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to

Commission File Number:

Nemaura Medical Inc.

(Exact name of small business issuer as specified in its charter)

NEVADA	**46-5027260**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Tax. I.D. No.)*

Advanced Technology Innovation Centre,
Loughborough University Science and Enterprise Parks,
5 Oakwood Drive,
Loughborough, Leicestershire
LE11 3QF
United Kingdom

(Address of Principal Executive Offices)

+ 00 44 1509 222912

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required 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 and post 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 common stock, par value $0.001 per share outstanding as of February 11, 2019 was 207,539,559.

NEMAURA MEDICAL INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. INTERIM FINANCIAL STATEMENTS

NEMAURA MEDICAL INC.
Condensed Consolidated Balance Sheets

	As of December 31, 2018 ($) (Unaudited)	As of March 31, 2018 ($)
ASSETS		
Current Assets:		
Cash	5,040,661	822,335
Fixed rate cash account	-	4,911,551
Prepaid expenses and other receivables	440,827	187,139
Accrued interest receivable	-	77,508
Total current assets	5,481,488	5,998,533
Other Assets:		
Property and equipment, net	43,190	5,770
Intangible assets, net of accumulated amortization	223,768	251,099
	266,958	256,869
Total assets	5,748,446	6,255,402
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	205,521	49,912
Liability due to related party	918,794	613,818
Other liabilities and accrued expenses	188,009	77,414
Deferred revenue	98,559	70,165
Total current liabilities	1,410,883	811,309
Deferred revenue	1,181,132	1,333,128
Total liabilities	2,592,015	2,144,437
Commitments and contingencies:		
Stockholders' Equity:		
Series A convertible preferred stock, $0.001 par value, 200,000 shares authorized; zero and 137,324 outstanding at December 31, 2018 and March 31, 2018, respectively.	-	137
Common stock, $0.001 par value, 420,000,000 shares authorized; 207,274,559 and 67,676,000 shares issued and outstanding at December 31, 2018 and March 31, 2018, respectively.	207,275	67,676
Additional paid-in capital	15,102,898	13,056,859
Accumulated deficit	(11,801,399)	(8,973,082)
Accumulated other comprehensive loss	(352,343)	(40,625)
Total stockholders' equity	3,156,431	4,110,965
Total liabilities and stockholders' equity	5,748,446	6,255,402

See notes to the unaudited condensed consolidated financial statements

NEMAURA MEDICAL INC.
Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2018 ($)	2017 ($)	2018 ($)	2017 ($)
Revenue:	-	-	-	-
Total revenue	-	-	-	-
Operating Expenses:				
Research and development	443,380	355,300	1,495,201	713,585
General and administrative	489,545	121,053	1,357,044	627,605
Total operating expenses	932,925	476,353	2,852,245	1,341,190
Loss from operations	(932,925)	(476,353)	(2,852,245)	(1,341,190)
Interest income	7,036	9,988	23,927	74,006
Net loss	(925,889)	(466,365)	(2,828,318)	(1,267,184)
Other comprehensive income (loss):				
Foreign currency translation adjustment	(38,626)	36,641	(311,718)	398,705
Comprehensive loss	(964,515)	(429,724)	(3,140,036)	(868,479)
Loss per share				
Basic and diluted	*	*	(0.02)	*
Weighted average number of shares outstanding	205,407,088	121,411,478	172,179,520	177,035,840

* Per share amounts are less than $0.01

See notes to the unaudited condensed consolidated financial statements

NEMAURA MEDICAL INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended December 31, 2018 ($)	Nine Months Ended December 31, 2017 ($)
Cash Flows From Operating Activities:		
Net Loss	(2,828,318)	(1,267,184)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	21,924	22,467
Stock-based compensation	183,667	-
Changes in assets and liabilities:		
Prepaid expenses and other receivables	(236,976)	(63,405)
Accounts payable	155,286	(15,355)
Liability due to related party	359,842	77,654
Other liabilities and accrued expenses	(44,318)	43,223
Accrued interest receivable	70,527	(58,504)
Net cash used in operating activities	(2,318,366)	(1,261,104)
Cash Flows from Investing Activities:		
Capitalized patent costs	(13,844)	(29,732)
Purchase of property and equipment	(43,216)	-
Fixed rate savings account	4,469,150	1,955,489
Net cash provided by investing activities	4,412,090	1,925,757
Cash Flows from Financing		
Cash costs incurred in relation to ATM financing	(121,880)	-
Cash costs incurred in relation to public offering	(217,922)	-
Gross proceeds from issuance of common stock in relation to ATM financing	455,105	-
Gross proceeds from public offering	2,019,743	-
Gross proceeds from warrant exercise/unit option purchase	600	-
Net cash provided by financing activities	2,135,646	-
Net increase in cash	4,229,370	664,653
Effect of exchange rate changes on cash	(11,044)	88,604
Cash at beginning of period	822,335	911,359
Cash at end of period	5,040,661	1,664,616
Supplemental disclosure of non-cash financing activities:		
Conversion of Series A preferred stock to common stock	137,324	-
Accrual of costs incurred in connection with the issuance of equity	149,644	-

See notes to the unaudited condensed consolidated financial statements

INTERIM FINANCIAL STATEMENTS

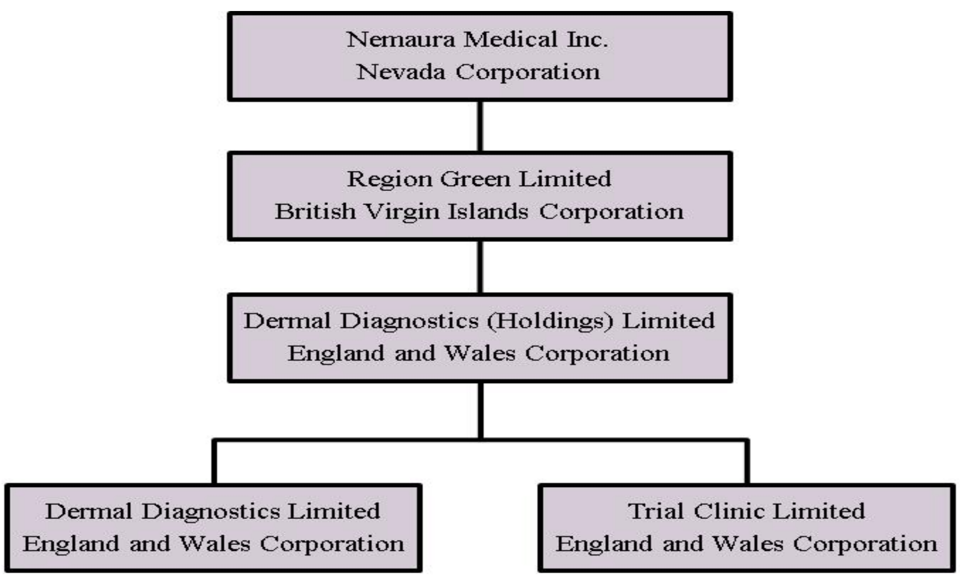
NOTE 1 – ORGANIZATION AND PRINCIPAL ACTIVITIES

Nemaura Medical Inc. (“Nemaura” or the “Company”), through its operating subsidiaries, performs medical device research and manufacturing of a continuous glucose monitoring system (“CGM”), named sugarBEAT. The sugarBEAT device is a non-invasive, wireless device for use by persons with Type I and Type II diabetes and may also be used to screen pre-diabetic patients. The sugarBEAT device extracts analytes, such as glucose, to the surface of the skin in a non-invasive manner where it is measured using unique sensors and interpreted using a unique algorithm.

Nemaura is a Nevada holding company organized in 2013. Nemaura owns one hundred percent (100%) of Region Green Limited, a British Virgin Islands corporation (“RGL”) formed on December 12, 2013. RGL owns one hundred percent (100%) of the stock in Dermal Diagnostic (Holdings) Limited, an England and Wales corporation (“DDHL”) formed on December 11, 2013, which in turn owns one hundred percent (100%) of Dermal Diagnostics Limited, an England and Wales corporation formed on January 20, 2009 (“DDL”), and one hundred percent (100%) of Trial Clinic Limited, an England and Wales corporation formed on January 12, 2011 (“TCL”).

DDL is a diagnostic medical device company headquartered in Loughborough, Leicestershire, England, and is engaged in the discovery, development and commercialization of diagnostic medical devices. The Company’s initial focus has been on the development of the sugarBEAT device, which consists of a disposable patch containing a sensor, and a non-disposable miniature electronic watch with a re-chargeable power source, which is designed to enable trending or tracking of blood glucose levels. All the Company’s operations and assets are located in England.

The following diagram illustrates Nemaura’s corporate structure as of December 31, 2018:



The Company has a five-year operating history, during which period there has been recurring losses from operations and an accumulated deficit of approximately $11,801,000 as of December 31, 2018. These operations have resulted in the successful completion of clinical programs to support a European CE mark application, as well as a US FDA submission. The Company expects to continue to incur losses from operations until revenues are generated through licensing fees or product sales. However, given the completion of the requisite clinical programs these losses are expected to be reduced over time. Furthermore, management is currently engaged in discussions with several prospective licensees for the product, in multiple global territories. Management has evaluated the expected expenses to be incurred along with its available cash and has determined that there is no substantial doubt as to the Company's ability to continue as a going concern for at least one year subsequent to the date of issuance of these condensed consolidated financial statements. The Company has approximately $5,041,000 of readily available cash on hand at December 31, 2018.

Management's strategic plans include the following:

• obtaining regulatory approval for the sugarBEAT device;
• pursuing additional capital raising opportunities, in addition to the Equity Distribution Agreement entered into on October 19, 2018 by the Company and Maxim pursuant to which the Company may offer and sell, from time to time, through Maxim, up to $20,000,000 in shares of the Company's common stock.
• exploring licensing opportunities; and
• developing the sugarBEAT device for commercialization.

NOTE 2 – BASIS OF PRESENTATION

(a) Basis of presentation:

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC"), and consequently do not include all disclosures normally required by accounting principles generally accepted in the United States of America. In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all adjustments necessary, all of which are of a normal and recurring nature, to present fairly our financial position, results of operations and cash flows. Certain information and note disclosures normally included in financial statements have been condensed or omitted pursuant to the rules and regulations of the SEC. These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

The accompanying consolidated financial statements include the accounts of the Company and the Company's subsidiaries, DDL, TCL, DDHL and RGL. The consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, and all significant intercompany balances and transactions have been eliminated in consolidation.

The functional currency for the majority of the Company's operations is the Great Britain Pound Sterling ("GBP"), and the reporting currency is the US Dollar.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Cash and cash equivalents

The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist primarily of cash deposits maintained in the United Kingdom. From time to time, the Company's cash account balances exceed amounts covered by the Financial Services Compensation Scheme. The Company has never suffered a loss due to such excess balances.

(b) Fixed rate cash accounts

From time to time the Company may invest funds in fixed rate cash savings accounts. Customarily, these accounts, at the time of the initial investment, provide a higher interest rate than other bank accounts, and require the Company to maintain the funds in the accounts for a certain period of time. As of December 31, 2018, the Company does not hold any cash reserves in any such savings accounts.

(c) Fair value of financial instruments

The Company's financial instruments primarily consist of cash, fixed rate cash accounts, accounts payable and other current liabilities. The estimated fair values of non-related party financial instruments were not materially different from their carrying values as presented, due to their short maturities. The fair value of amounts payable to related parties are not practicable to estimate due to the related party nature of the underlying transactions.

(d) Property and equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally four years for fixtures and fittings.

Plant and machinery is stated at cost and depreciated using the straight-line method over the estimated useful lives of the assets, generally four years for plant and machinery.

(e) Intangible assets

Intangible assets consist of licenses and patents associated with the sugarBEAT device and are amortized on a straight-line basis, generally over their legal lives of up to 20 years and are reviewed for impairment. The Company evaluates its intangible assets (all have finite lives) and other long-lived assets for impairment whenever events or circumstances indicate that they may not be recoverable, or at least annually. Recoverability of finite and other long-lived assets is measured by comparing the carrying amount of an asset group to the future undiscounted net cash flows expected to be generated by that asset group. The Company groups assets for purposes of such review at the lowest level for which identifiable cash flows of the asset group are largely independent of the cash flows of the other groups of assets and liabilities. The amount of impairment to be recognized for finite and other long-lived assets is calculated as the difference between the carrying value and the fair value of the asset group, generally measured by discounting estimated future cash flows. There were no impairment indicators present during the nine months ended December 31, 2018 or 2017.

(f) Revenue Recognition

Revenue is recognized when the four basic criteria of revenue recognition are met: (1) a contractual agreement exists; (2) transfer of rights has been completed; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured.

The Company may enter into product development and other agreements with collaborative partners. The terms of the agreements may include nonrefundable signing and licensing fees, milestone payments and royalties on any product sales derived from collaborations.

The Company recognizes up front license payments as revenue upon delivery of the license only if the license has stand-alone value to the customer. However, where further performance criteria must be met, revenue is deferred and recognized on a straight-line basis over the period the Company is expected to complete its performance obligations.

Royalty revenue will be recognized upon the sale of the related products provided the Company has no remaining performance obligations under the applicable agreement.

(g) Research and development expenses

The Company charges research and development expenses to operations as incurred. Research and development expenses primarily consist of salaries and related expenses for personnel and outside contractor and consulting services. Other research and development expenses include the costs of materials and supplies used in research and development, prototype manufacturing, clinical studies, related information technology and an allocation of facilities costs.

(h) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred income tax assets if it is considered more likely than not that some portion, or all, of the deferred income tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits as part of income tax expense in the consolidated statements of comprehensive loss. The Company does not have any accrued interest or penalties associated with any unrecognized tax benefits, nor was any interest expense related to unrecognized tax benefits recognized for the three and nine months ended December 31, 2018 and 2017.

In December 2017, the US Tax Cuts and Jobs Act was signed into law. Generally, this Act reduces corporate rates from a top rate of 35% to a top rate of 21%, effective January 1, 2018. As the Company's US operations are minimal, and all deferred tax assets are fully allowed for, there is no significant impact to the Company as of and for the three and nine month periods ended December 31, 2018.

(i) Earnings per share

Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding during the period. There were no potentially dilutive securities as of December 31, 2018 and 2017. For the three and nine months ended December 31, 2018 and 2017, warrants to purchase 10 million shares of common stock were anti-dilutive and were excluded from the calculation of diluted loss per share. For the three and nine months ended December 31, 2018, warrants to purchase 1,942,061 shares of common stock and a unit purchase option to purchase 97,103 shares of common stock as well as 97,103 warrants were considered anti-dilutive and were also excluded from the calculation of diluted loss per share.

(j) Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenses during the periods presented. Actual results may differ from those estimates.

(k) Foreign currency translation

The functional currency of the Company is the Great Britain Pound Sterling ("GBP"). The reporting currency is the United States dollar (US$). Stockholders' equity is translated into United States dollars from GBP at historical exchange rates. Assets and liabilities are translated at the exchange rates as of the balance sheet date. Income and expenses are translated at the average exchange rates prevailing during the reporting period.

The translation rates are as follows:

	Nine Months Ended December 31, 2018 (unaudited)	Nine Months Ended December 31, 2017 (unaudited)	Three Months Ended December 31, 2018 (unaudited)	Three Months Ended December 31, 2017 (unaudited)	Twelve Months Ended March 31, 2018
Period end GBP : US$ exchange rate	1.277	1.351	1.277	1.351	1.403
Average period/yearly GBP : US$ exchange rate	1.308	1.300	1.277	1.343	1.331

Adjustments resulting from translating the financial statements into the United States dollar are recorded as a separate component of accumulated other comprehensive loss in stockholders' equity.

(l) Stock-based compensation

For stock options granted as consideration for services rendered by non-employees, the company recognizes compensation expense in accordance with the requirements of FASB ASC Topic 505-50 (“ASC 505-50”), “Equity Based Payments to Non- Employees.” Non-employee restricted common stock and stock option grants that do not vest immediately upon grant, and whose terms are known, are recorded as an expense over the vesting period of the underlying instrument granted. At the end of each financial reporting period prior to vesting, the value of the instruments granted, will be re-measured using the fair value of the Company’s common stock and the stock-based compensation recognized during the period will be adjusted accordingly.

For restricted common stock and stock option awards that have performance-based conditions, the Company recognizes the stock-based compensation expense at the fair value of the award based on the date that the performance conditions have been met. The Company calculates the fair value of the stock options using the Black Scholes option pricing model. The fair value of restricted common stock awards is based on the closing price of the Company’s common stock on the applicable measurement date.

The assumptions used in calculating the fair value of stock-based awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment.

To date, the Company has not granted any stock-based compensation awards to employees.

(m) Direct costs incurred for equity financing

The Company includes all direct costs incurred in connection with successful equity financings as a component of additional paid-in capital. Direct costs incurred for equity financings that are unsuccessful are expensed.

(n) Recent accounting pronouncements

The Company continually assesses any new accounting pronouncements to determine their applicability. When it is determined that a new accounting pronouncement affects the Company's financial reporting, the Company undertakes a study to determine the consequences of the change to its consolidated financial statements and assures that there are proper controls in place to ascertain that the Company's consolidated financial statements properly reflect the change.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") No. 2014-09, Revenue from Contracts with Customers. ASU 2014-09 has been modified multiple times since its initial release. This ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. ASU 2014-09, as amended, becomes effective for annual reporting periods beginning after December 15, 2017. Early adoption is permitted. As an Emerging Growth Company, the Company is allowed to adopt new, or updated, accounting standards using the same time frame that applies to private companies. The Company will adopt this standard on April 1, 2019. Management is currently evaluating the impact of adoption of this ASU on the Company’s consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-02, Leases. The main difference between the provisions of ASU No. 2016-02 and previous U.S. GAAP is the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous U.S. GAAP. ASU No. 2016-02 retains a distinction between finance leases and operating leases, and the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize right-of-use assets and lease liabilities. The accounting applied by a lessor is largely unchanged from that applied under previous U.S. GAAP. In transition, lessees and lessors are required to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. This ASU is effective for public business entities in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. Early adoption is permitted as of the beginning of any interim or annual reporting period. As an Emerging Growth Company, the Company is allowed to adopt new, or updated, accounting standards using the same time frame that applies to private companies. The Company will adopt this standard on April 1, 2020. Management is currently evaluating the impact of adoption of this ASU on the Company’s consolidated financial statements.

NOTE 4 – LICENSING AGREEMENTS

In March 2014, the Company entered into an Exclusive Marketing Rights Agreement with an unrelated third party, that granted to the third party the exclusive right to market and promote the sugarBEAT device and related patches under its own brand in the United Kingdom and the Republic of Ireland, the Channel Islands and the Isle of Man. The Company received a non-refundable, up-front cash payment of GBP 1,000,000 (approximately $1.277 million and $1.403 million as of December 31, 2018 and March 31, 2018, respectively), which is wholly non-refundable, upon signing the agreement.

As the Company has continuing performance obligations under the agreement, the up-front fees received from this agreement have been deferred and will be recorded as income over the term of the commercial licensing agreement beginning from the date of clinical evaluation approval. As the Company expects commercialization of the sugarBEAT device to occur in the first quarter ending June 30, 2019, approximately $99,000 and $70,000 of the deferred revenue has been classified as a current liability as of December 31, 2018 and March 31, 2018, respectively.

In April 2014, a Letter of Intent was signed with the third party which specified a 10-year term and in November 2015, a License, Supply and Distribution Agreement with an initial 5-year term was executed. Pursuant to this agreement, the Company grants the exclusive right to market and promote its product in the United Kingdom and purchase the product at specified prices.

In May 2018, the Company signed a commercial agreement with Dallas Burston Ethitronix Limited (DBEE) for all other European territories as part of an equal joint collaboration agreement. The joint collaboration agreement intends to seek sub-license rights opportunities to one or more leading companies in the diabetes monitoring space, in order to leverage their network, infrastructure and resources. The Company and DBEE agreed that they shall share proceeds equally from sales of the Company's sugarBEAT products. In consideration of the sub-license rights granted, DBEE shall pay to the Company the sum of approximately $1 if demanded and, except as described elsewhere in the Agreement, no commission, royalties or other payments shall be due to the Company from DBEE. The initial term of the Agreement is for five years, which may be terminated at the end of such five-year initial term by either party upon at least 12 months' prior written notice. If such notice of termination is not provided by either party during the initial term, the Agreement shall automatically continue until terminated by either party upon 12 months' prior written notice. In the event the Agreement is terminated as provided above, the non-terminating party shall receive an exit payment equal to 50% of the open market value of the joint collaboration business as defined in the collaboration agreement and as agreed to by the parties at the time of termination. The parties may also terminate the Agreement if the other party commits a material breach of the terms of the Agreement which is not remedied within 30 days of written notification of such breach, or the other party dissolves or goes bankrupt. Commercialization is expected to occur in early 2019. As of December 31, 2018 no payments have been made or received or are due or receivable under the terms of the collaboration agreement.

In November 2018, the Company signed a commercial agreement with Al-Danah Medical Company for the exclusive license and distribution of the sugarBEAT device in Qatar. This agreement gives Al-Danah Medical Company the exclusive rights to sell and market the Company's products in Qatar. The Company will sell devices to Al-Danah Medical Company at a specified price and with minimum order quantities which will be set post product launch. The Company's responsibility is limited to the supply of the device and related consumables. Al-Danah Medical Company is responsible for ensuring compliance with all local regulation related to registering and selling the device within Qatar. Product launch in Qatar is expected to take place after the initial commercialization of the sugarBEAT device which is expected to occur in early 2019.

NOTE 5 – RELATED PARTY TRANSACTIONS

Nemaura Pharma Limited (Pharma) and NDM Technologies Limited (NDM) are entities controlled by the Company's chief executive officer and majority shareholder, Dewan F.H. Chowdhury.

In accordance with the United States Securities and Exchange Commission (SEC) Staff Accounting Bulletin 55, these financial statements are intended to reflect all costs associated with the operations of DDL and TCL. Pharma has a service agreement with DDL, to undertake development, manufacture and regulatory approvals under Pharma's ISO13485 Accreditation. In lieu of these services, DDL invoices Pharma on a periodic basis for said services. Services are provided at cost plus a service surcharge amounting to less than 10% of the total costs incurred.

Following is a summary of activity between the Company and Pharma and NDM for the nine months ended December 31, 2018 and 2017. These amounts are unsecured, interest free, and payable on demand.

	Three Months Ended December 31, 2018 (unaudited) ($)	Three Months Ended December 31, 2017 (unaudited) ($)	Nine Months Ended December 31, 2018 (unaudited) ($)	Nine Months Ended December 31, 2017 (unaudited) ($)	Year Ended March 31, 2018 ($)
Balance due from (to) Pharma and NDM at beginning of period	(642,513)	(507,376)	(613,818)	(687,609)	(687,609)
Amounts invoiced by Pharma to DDL, NM and TCL (1)	(389,329)	(314,706)	(1,539,114)	(554,464)	(842,739)
Amounts repaid by DDL to Pharma	92,025	-	1,130,755	440,266	1,096,767
Amounts paid by DDL on behalf of Pharma	-	-	-	19,889	19,889
Amounts received from Pharma	-	-	-	-	(145,214)
Foreign exchange differences	21,023	(4,228)	103,383	(44,392)	(54,912)
Balance due to Pharma and NDM at end of the period	(918,794)	(826,310)	(918,794)	(826,310)	(613,818)

(1) These amounts are included primarily in research and development expenses charged to the Company by Pharma.

The Company routinely reviews its statement of cash flows presentation of related party transactions for financing or operating classification based on the underlying nature of the item and intended repayment.

NOTE 6 – OTHER ITEMS

(a) Risks and uncertainties

The Company is in the development stage of one primary product that it expects to introduce to the UK market after completion of clinical trials and CE mark approval (European Union approval of the product). The Company has entered into sales and marketing agreements for the product. It has also placed orders for the first commercial batch of transmitter devices with the electronics manufacturer Datalink Limited. It has not entered into exclusive manufacturing agreements with any of its contract manufacturers. Uncertainties still exist with regards to regulatory acceptance of the Company's primary product development efforts and if acceptance is attained, the cost structure to produce the final product.

(b) Preferred shares

On October 5, 2017, the Company entered into common stock exchange agreements with each of its three largest shareholders, to exchange, in the aggregate, 137,324,000 shares of the Company's common stock for 137,324 shares of Series A Convertible Preferred Stock (the "Series A Preferred"). Each share of Series A Preferred is convertible into 1,000 shares of the Company's common stock, automatically upon the occurrence of all of certain triggering events, as set forth in the Certificate of Designation for the Series A Preferred, namely (a) the sugarBEAT® device to be commercialized has CE regulatory approval; (b) retail sales having commenced; and (c) retail sales exceeding USD$5 million, inclusive of advanced sales or voluntarily by the holder after February 7, 2018, if these triggering events have not occurred. Each holder of issued and outstanding Series A Preferred is entitled to a number of votes equal to the number of shares of common stock into which the Series A Preferred is convertible. Holders of Series A Preferred are entitled to vote on any and all matters presented to stockholders of the Company, except as provided by law. The Series A Preferred has no preference to the common stock as to dividends or distributions of assets upon liquidation or winding up of the Company (which has been agreed to by the holders of the Series A Preferred). The Company determined that the fair value of the shares of Series A Preferred issued for the shares of common stock was equivalent to the fair value of the shares of common stock exchanged.

On November 6, 2017, the transactions contemplated by the exchange agreements were consummated and 137,324,000 shares of common stock were cancelled. As a result, the Company had 67,676,000 shares of common stock issued and outstanding as of March 31, 2018.

On June 5, 2018, the three holders of the Company's Series A Preferred each delivered notices of conversion to voluntarily convert their Series A Preferred, in the aggregate amount of 137,324 of Series A Preferred shares, into 137,324,000 shares of common stock. The holders had the right to voluntarily convert each share of Series A Preferred into 1,000 shares of common stock of the Company.

(c) Investor relations agreements

The Company currently has contracts with several investor relations specialists to help support the ongoing financing activities of the business.

On June 27, 2018, the Company entered into a Master Services Agreement with investor relations company 1, pursuant to which for an initial three month term, the third party shall provide services related to advising and assisting the Company in developing and implementing appropriate plans and materials for presenting the Company and its business plans, strategy and personnel to the financial community, introducing the Company to the financial community through the use of social media, digital media and other online awareness campaigns. The aggregate fees in the amount of $160,000 are payable to the third party during the initial three-month term. On July 23, 2018 the Board of Directors approved the issuance of a warrant to the third party exercisable for 75,000 shares of common stock at an exercise price of $0.01 per share. As of September 30th, 2018, the Company recognized $114,500 of stock-based compensation expense related to the 50,000 warrants that had vested as of that date based on a fair value of $2.29 per warrant. On October 9, 2018, 50,000 shares of common stock were issued to the third party, as a result of the third party's exercise of 50,000 warrants on September 24, 2018. At December 31, 2018, all liabilities for share based compensation were considered fully settled. It was agreed by both parties that there is no further obligation to issue the remaining 25,000 warrants.

On August 31, 2018, the Company entered into an agreement to receive investor relations services from investor relations company 2. The term of the agreement was 1 year, although cancellable after 3 months if certain performance-based conditions are not met, including if the share trade volumes fail to meet an average of 100,000 shares per day minimum. Compensation is partly in cash and partly in restricted stock, 40,000 shares of restricted stock due on the 3-month anniversary and the final 40,000 due on the one-year anniversary, provided performance conditions are met as per the agreement. On November 30, 2018, 20,000 shares of common stock were issued to investor relations company 2 in compensation for services performed over the previous 3 months. A fair value of $1.90 was established based on the closing price of the common stock on November 30, 2018 and $38,000 expensed. This fulfilled all liabilities in relation to this agreement and as of November 30, 2018 the agreement was terminated.

On December 1, 2018 a new agreement was entered to receive investor relations services from investor relations company 2. The term of the agreement is 1 year, although cancellable at the end of each three-month period if certain performance obligations are not met, including if the share trade volumes fail to meet an average of 100,000 shares per day minimum. Compensation is partly in cash and partly in restricted stock. A cash payment of $22,500 will be made at the beginning of each quarter and 12,500 shares of restricted common stock will be issued at the end of each quarter dependent on the performance obligations being met.

On December 11, 2018 the Company entered into an agreement to receive investor relations services from investor relations company 3. The term of this agreement is 3 months. Compensation is partly in cash and partly in restricted common stock. At the beginning of each month a cash payment of $10,000 will be made and 15,000 shares of restricted stock will be issued. A fair value of $1.55 was established based on the closing price of the common stock on December 11, 2018, and $23,250 expensed.

(d) Management Consultancy Agreement

On December 3, 2018, the Company entered into an agreement to receive management consultancy advice from management consultancy company 1. The term of this agreement is 12 months but is cancellable prior to this date on written notice to the other party. Compensation is partly in cash and partly in restricted stock. A cash payment of $25,000 together with the issuance of 12,500 shares of restricted common stock was made at the inception of the agreement and will be made at the beginning of each subsequent quarter. A fair value of $1.90 was established based on the closing price of common stock on December 3, 2018. $15,833 of the total $23,750 expense was treated as a pre-payment as of December 31, 2018.

(e) Equity Distribution Agreement

On October 19, 2018, the Company entered into an Equity Distribution Agreement (the “Distribution Agreement”) with Maxim Group LLC, as sales agent (“Maxim”), pursuant to which the Company may offer and sell, from time to time, through Maxim (the “Offering”), up to $20,000,000 in shares of its common stock (the “Shares”). Any shares offered and sold in the Offering will be issued pursuant to the Company's Registration Statement on Form S-3 (File No. 333-210293) declared effective by the Securities and Exchange Commission (the “SEC”) on March 31, 2016, the prospectus and the prospectus supplement, dated October 19, 2018, relating to the Offering that forms a part of the Form S-3. Subject to the terms and conditions of the Distribution Agreement, Maxim will use its commercially reasonable efforts to sell the Shares from time to time, based on the Company's instructions. Under the Distribution Agreement, Maxim may sell the Shares by any method permitted by law deemed to be an “at-the-market” offering as defined in Rule 415 promulgated under the Securities Act of 1933, as amended (the “Securities Act”), including, without limitation, sales made directly on the Nasdaq Capital Market.

The Company has no obligation to sell any of the Shares. The Company and Maxim may, upon notice to the other party, suspend the Offering for any reason and at any time. The Offering will terminate upon the earlier of (a) October 19, 2019, (b) the sale of all common stock provided for in the prospectus supplement, (c) the earlier termination of the Distribution Agreement by either the Company upon ten (10) days’ prior written notice, or by Maxim, and (d) termination by mutual agreement of the Company and Maxim. The Company intends to use the net proceeds from any “at-the-market” (ATM) offering for general corporate purposes, which include, but are not limited to, clinical trials to support a US FDA submission, product launch in Europe and the development of new applications for the technology platform, specifically Lactic acid monitoring in the first instance. Under the terms of the Distribution Agreement, Maxim will be entitled to a commission at a fixed rate of 3% of the gross sales price of Shares sold under the Distribution Agreement. The Company also reimbursed Maxim for certain expenses incurred in connection with the Distribution Agreement, and agreed to provide indemnification and contribution to Maxim with respect to certain liabilities under the Securities Act and the Securities Exchange Act of 1934, as amended.

Between October 31, 2018, and December 31, 2018, the Company issued 234,998 shares of its common stock through the Distribution Agreement and received proceeds after commission of $441,452. An additional $147,449 of costs were incurred in relation to this transaction of which $39,222 are accrued for as of December 31, 2018.

(f) December 2018 Public Offering

On December 18, 2018, the Company entered into a placement agency agreement with Dawson James Securities, Inc. with respect to the issuance and sale of an aggregate of up to 2,400,000 units, each unit consisting of one share of common stock, par value $0.001 per share, together with one warrant to purchase one share of common stock at an exercise price equal to $1.04 per share, in a public offering. The warrants offered in the public offering will terminate on the fifth anniversary of the date of issuance. The public offering price for each unit was $1.04.

The shares of common stock, the warrants and the shares issuable upon exercise of the warrants are being offered and sold to the public pursuant to the Company's registration statement on Form S-3 and an accompanying prospectus (File No. 333-210293), which was declared effective by the Securities and Exchange Commission on March 31, 2016, and a prospectus supplement filed with the Securities and Exchange Commission on December 19, 2018.

Pursuant to the placement agency agreement, the Company agreed to pay Dawson James Securities, Inc. a cash fee equal to 8% of the aggregate gross proceeds raised in this offering. The Company also agreed to pay fees and expenses of the placement agent, not to exceed $75,000, and to issue to Dawson James Securities, Inc, on the closing date, a unit purchase option for the purchase of up to 97,103 units, equal to 5% of the aggregate number of units sold in the public offering, with an exercise price of $1.30, or 125% of the price per unit.

The closing of the offering occurred on December 20, 2018 and at such closing the Company sold 1,942,061 shares of common stock and 1,942,061 warrants for gross proceeds of $2,019,743. The net proceeds to the Company from the sale of the shares of common stock and the warrants was $1,691,398, after deducting $328,345 of placement agent commissions and other offering expenses payable by the Company. As of December 31, 2018, $110,423 of offering costs have not yet been paid and were accrued.

Effective December 18, 2018, the Company issued a unit purchase option to the placement agent to purchase 97,103 shares and 97,103 warrants. The Company has classified this option as equity. The unit purchase option has a term of three years and an exercise price of $1.30.

(g) Subsequent Events

On January 7, 2019 the Company entered into a six-month contract with management consultancy company 2 for the provision of specialist consultancy services. Compensation is wholly through the issue of 250,000 restricted shares of common stock which will be issued on commencement of the contract and 150,000 additional restricted shares which will be issued on the fourth month after commencement of the contract. If the contract has been terminated prior to the fourth month, the additional restricted shares will not be payable.

On February 4, 2019, the Company signed an addendum to the contract with management consultancy company 1. This extended the range of services from this company. Compensation for the initial 120-day period will be in the form of a cash payment of $20,000 and the issuance of 20,000 restricted shares. Compensation for subsequent 90-day periods will be comprised of a cash payment of $15,000 and the issuance of 15,000 restricted shares. The contract is on a rolling 90-day period and can be cancelled at the end of each three-month period and at the end of the initial 120-day period.

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

Overview:

The Company has experienced recurring losses and negative cash flows from operations. At December 31, 2018, the Company had approximate cash balances of $5,041,000, working capital of approximately $4,071,000, total stockholders' equity of approximately $3,156,000 and an accumulated deficit of approximately $11,801,000. To date, the Company has in large part relied on equity financing to fund its operations. Additional funding has come from related party contributions. The Company expects to continue to incur losses from operations for the near-term and these losses could be significant as product development, regulatory activities, clinical trials and other commercial and product development related expenses are incurred.

Management's strategic assessment includes the following potential options:

• obtaining regulatory approval for the sugarBEAT device;
• pursuing additional capital raising opportunities, in addition to the Equity Distribution Agreement entered into on October 19, 2018 by the Company and Maxim pursuant to which the Company may offer and sell, from time to time, through Maxim, up to $20,000,000 in shares of the Company's common stock;
• exploring licensing opportunities; and
• developing the sugarBEAT device for commercialization.

Results of Operations

Comparative Results for the Nine Months Ended December 31, 2018 and 2017

Revenue

There was no revenue recognized in the nine months ended December 31, 2018 and 2017. In 2014, we received an upfront non-refundable cash payment of approximately GBP 1 million (approximately $1.277 million, $1.351 million and $1.403 million as of December 31, 2018, December 31, 2017 and March 31, 2018, respectively) in connection with an Exclusive Marketing Rights Agreement with an unrelated third party that provides the third party the exclusive right to market and promote the sugarBEAT device and related patch under its own brand in the United Kingdom and the Republic of Ireland. We have deferred this licensing revenue until we complete our continuing performance obligations, which include securing successful CE marking of the sugarBEAT patch, and we expect to record the revenue in income over an approximately 10-year term from the date CE marking approval is obtained. Although the revenue is deferred at December 31, 2018, the cash payment became immediately available and was being used to fund our operations, including research and development costs associated with obtaining the CE marking approval.

Research and Development Expenses

Research and development expenses were $1,495,201 and $713,585 for the nine months ended December 31, 2018 and 2017, respectively. This amount consisted primarily of expenditure on sub-contractor activities, consultancy fees and wages and demonstrated continuing expenditure for improvements made to the sugarBEAT device. The increase of $781,616 is due to increases in these costs as the sugarBEAT product is nearing commercial launch.

General and Administrative Expenses

General and administrative expenses were $1,357,044 and $627,605 for the nine months ended December 31, 2018 and 2017, respectively. These consisted of fees for legal, professional, audit services, investor relations, charitable donations and wages. The increase of $729,439 was due to increases in professional fees as the CGM device enters clinical trials and legal fees incurred as the Company prepares for future product launch, expenses relating to investor relations activities plus $65,000 in charitable donations. We expect general and administrative expenses to remain at similar levels going forward in the long term, as there will continue to be professional, consultancy, investor relations and legal fees incurred.

Other Comprehensive Income/(Loss)

For the nine months ended December 31, 2018 and 2017, other comprehensive (loss)/incomewas ($311,718) and $398,705, respectively, arising from foreign currency translation adjustments.

Comparative Results for the Three Months Ended December 31, 2018 and 2017

Revenue

There was no revenue recognized in the three months ended December 31, 2018 and 2017. In 2014, we received an upfront non-refundable cash payment of GBP 1 million (approximately $1.277 million and $1.351 million at December 31, 2018 and 2017, respectively, and $1.403 million at March 31, 2018) in connection with an Exclusive Marketing Rights Agreement with an unrelated third party that provides the third party the exclusive right to market and promote the sugarBEAT device and related patch under its own brand in the United Kingdom and the Republic of Ireland. We have deferred this licensing revenue until we complete our continuing performance obligations, which include securing successful CE marking of the sugarBEAT patch, and we expect to record the revenue in income over an approximately 10-year term from the date CE marking approval is obtained. Although the revenue is deferred at December 31, 2018, the cash payment became immediately available and was being used to fund our operations, including research and development costs associated with obtaining the CE marking approval.

Research and Development Expenses

Research and development expenses were $443,380 and $355,300 for the three months ended December 31, 2018 and 2017, respectively. This amount consisted primarily of expenditures on sub-contractor activities, consultancy fees and wages and demonstrated continuing expenditures for improvements made to the sugarBEAT device. The increase of $88,080 is due to increases in these costs as the sugarBEAT product is nearing commercial launch.

General and Administrative Expenses

General and administrative expenses were $489,545 and $121,053 for the three months ended December 31, 2018 and 2017, respectively. These expenses consisted primarily of fees for legal, professional, audit services, investor relations, charitable donations and wages. We expect general and administrative expenses to remain at similar levels going forward in the long term, as there will continue to be professional, consultancy, investor relations and legal fees incurred.

Other Comprehensive Income/(Loss)

For the three months ended December 31, 2018 and 2017, other comprehensive (loss)/income was ($38,626) and $36,641 respectively, arising from foreign currency translation adjustments.

Liquidity and Capital Resources

We have experienced net losses and negative cash flows from operations since our inception. We have sustained cumulative losses of $11,801,399 through December 31, 2018. We have historically financed our operations through the issuances of equity and contributions of services from related entities.

At December 31, 2018, the Company had net working capital of $4,070,605 which included cash balances of $5,040,661. The Company reported a net loss of $925,889 and $2,928,318 for the three and nine months ended December 31, 2018, respectively.

While our current cash level is sufficient for the completion of the clinical studies and the initial scale up of our manufacturing, our long-term business plan is contingent upon our ability to raise additional funds. This may include a combination of debt, equity and licensing fees. If we are not successful in raising the funds needed in the specified timelines, the target dates for the achievement of the milestones will be extended.

We believe the current cash position as of December 31, 2018 is adequate for our current level of operations through at least February 2020, and for the achievement of certain of our product development milestones. In addition, the Distribution Agreement with Maxim provides the ability to offer and sell up to $20,000,000 in shares of common stock to increase the cash position. Our plan is to utilize the cash on hand to complete the following:

- Establish commercial manufacturing operations for commercial supply of the sugarBEAT device and patches.
- Obtain CE approval of the body worn miniaturised device with Bluetooth connectivity.
- Continue clinical and human factor studies to support a US FDA submission.

In November 2015, we received proceeds of $10,000,000 in connection with the private placement of 5 million shares and warrants for 10 million shares of our common stock. The warrants have an exercise price of $0.50 per share of common stock and expire on January 25, 2023.

In the period October 1, 2018 to December 31, 2018 the Company received net proceeds of $333,225 in connection with the issuance of common stock through the ATM. A further $39,222 of cost has been accrued for as at December 31, 2018 as a result of this offering.

On December 20, 2018 the Company closed a public offering and as a result of this received net cash proceeds of $1,801,821. As at December 31, 2018 a further $110,423 of costs have been accrued for as a result of this offering.

Cash Flows

Net cash used in operating activities for the nine months ended December 31, 2018 was $2,318,366 which reflected our net loss of $2,828,318, an increase in prepayments of $236,976, a decrease in accruals of $44,318, non-cash stock-based compensation of $183,667, an increase in liability due to related parties of $359,842, a decrease in accrued interest receivable of $70,527 and an increase in accounts payable of $155,286.

Net cash used in operating activities for the nine months ended December 31, 2017 was $1,261,104 which reflected our net loss of $1,267,184 increased by a rise in accrued interest receivable of $58,504 and a rise in prepayments and other receivables of $63,405 and offset by changes in the liability due to related parties of $77,654 and accounts payable and accrued expenses of $27,868.

Net cash provided by investing activities was $4,412,090 for the nine months ended December 31, 2018, which reflected $4,469,150 returned from the maturity of a fixed rate savings account but reduced by the expenditures made in developing intellectual property, primarily related to patent filings of $13,844 and the purchase of capital equipment of $43,216.

Net cash provided by investing activities was $1,925,757 for the nine months ended December 31, 2017, which reflected $1,955,489 returned from the maturity of a fixed rate savings account but reduced by the expenditures made in developing intellectual property, primarily related to patent filings of $29,732.

Net cash provided by financing activities for the nine months ended December 31, 2018 was $2,135,646. Proceeds from the sale of the Company’s equity were $2,475,448, the majority of this reflected the December 2018 public offering which generated gross proceeds of $2,019,743 and the ATM facility which delivered gross proceeds of $455,105. In addition, $600 was raised in relation to the exercise of 50,000 warrants and a unit purchase option. Cash costs relating to these offerings were $339,804, $217,922 of cash costs related to the December public offering and $121,880 related to the ATM. There are $39,222 of costs relating to the ATM and $110,422 relating to the December public offering which are not yet invoiced and therefore have been recognised as accrued costs.

For the nine months ended December 31, 2017, there were no financing activities.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions about future events that affect the amounts reported in the financial statements and accompanying notes. Future events and their effects cannot be determined with absolute certainty. Therefore, the determination of estimates requires the exercise of judgment. Actual results inevitably will differ from those estimates, and such differences may be material to the financial statements. The most significant accounting estimates inherent in the preparation of our financial statements include estimates associated with research and development, income taxes and intangible assets.

The Company's financial position, results of operations and cash flows are impacted by the accounting policies the Company has adopted. In order to get a full understanding of the Company's financial statements, one must have a clear understanding of the accounting policies employed. A summary of the Company's critical accounting policies follows:

Research and Development Expenses: The Company charges research and development expenses to operations as incurred. Research and development expenses primarily consist of salaries and related expenses for personnel and outside contractor and consulting services. Other research and development expenses include the costs of materials and supplies used in research and development, prototype manufacturing, clinical studies, related information technology and an allocation of facilities costs.

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss carry forwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which those temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to reduce the carrying amount of deferred income tax assets if it is considered more likely than not that some portion, or all, of the deferred income tax assets will not be realized.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs. The Company has elected to classify interest and penalties related to unrecognized tax benefits as part of income tax expense in the consolidated statements of comprehensive loss.

Intangible Assets: Intangible assets primarily represent legal costs and filings associated with obtaining patents on the Company's new discoveries. The Company amortizes these costs over the shorter of the legal life of the patent or its estimated economic life using the straight-line method. The Company tests intangible assets with finite lives upon significant changes in the Company's business environment and any resulting impairment charges are recorded at that time.

Revenue Recognition: Revenue is recognized when the four basic criteria of revenue recognition are met: (1) a contractual agreement exists; (2) transfer of rights has been completed; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured.

The Company may enter into product development and other agreements with collaborative partners. The terms of the agreements may include non-refundable signing and licensing fees, milestone payments and royalties on any product sales derived from collaborations.

The Company recognizes up front license payments as revenue upon delivery of the license only if the license has stand-alone value to the customer. However, where further performance criteria must be met, revenue is deferred and recognized on a straight-line basis over the period the Company is expected to complete its performance obligations.

Royalty revenue will be recognized upon the sale of the related products provided the Company has no remaining performance obligations under the agreement.

Stock-based compensation For stock options granted as consideration for services rendered by non-employees, the company recognizes compensation expense in accordance with the requirements of FASB ASC Topic 505-50 (“ASC 505-50”), “Equity Based Payments to Non-Employees.” Non-employee restricted common stock and stock option grants that do not vest immediately upon grant, and whose terms are known, are recorded as an expense over the vesting period of the underlying instrument granted. At the end of each financial reporting period prior to vesting, the value of the instruments granted, will be re-measured using the fair value of the Company’s common stock and the stock-based compensation recognized during the period will be adjusted accordingly.

For restricted common stock and stock option awards that have performance-based conditions, the Company recognizes the stock-based compensation expense at the fair value of the award based on the date that the performance conditions have been met. The Company calculates the fair value of the stock options using the Black Scholes option pricing model. The fair value of restricted common stock awards is based on the closing price of the Company’s common stock on the applicable measurement date.

The assumptions used in calculating the fair value of stock-based awards represent management’s best estimates and involve inherent uncertainties and the application of management’s judgment.

To date, the Company has not granted any stock-based compensation awards to employees.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

The Company's exposure to interest rate risk is minimal. We have no bank borrowings and, although we have placed funds on deposit to earn interest during the year, these are of fixed-term and fixed-rate and therefore offer little exposure to interest rate risk.

Foreign Exchange Risk

Our foreign currency exposure gives rise to market risk associated with exchange rate movements against the US dollar, our reporting currency. Currently, the majority of our expenses and cash are denominated in Pounds Sterling, with the remaining portion denominated in US dollars. Fluctuations in exchange rates, primarily the US dollar against the Pound Sterling, will affect our financial position. At December 31, 2018, the Company held approximately $3.9 million in GBP-denominated bank accounts. Based on this balance, a 1% depreciation of the Pound against the US dollar would cause an approximate $39 thousand reduction in cash account balances.

We have not utilized any hedging instruments in order to mitigate the foreign currency risk.

Inflation

Historically, with UK inflation rates having been low in recent years, inflation has not had a significant effect on our business in the UK, the location of the substantial part of our activities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Dr. Dewan F.H. Chowdhury, our Chief Executive Officer and Interim Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), means controls and other procedures of a company 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 a company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost benefit relationship of possible controls and procedures. Based on this evaluation, management concluded that our disclosure controls and procedures were not effective as of December 31, 2018, at the reasonable assurance level due to a material weakness in our internal control over financial reporting, which is described below.

Changes in Internal Control over Financial Reporting

As of December 31, 2018, our management, with the participation of our Chief Executive Officer and Interim Chief Financial Officer, evaluated our internal control over financial reporting. Based on that evaluation, our Chief Executive Officer and Interim Chief Financial Officer concluded that there were changes in our internal control over financial reporting during the three-month period ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, as detailed below.

As described in our Annual Report on Form 10-K for the year ended March 31, 2018, management assessed the effectiveness of our internal control over financial reporting as of March 31, 2018. In making this assessment we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control – Integrated Framework (2013). As a result of its assessment, management identified material weaknesses in our internal control over financial reporting. Based on the material weaknesses as described below, management concluded that our internal control over financial reporting was not effective as of March 31, 2018. Accordingly, our internal control over financial reporting is not effective as of December 31, 2018 because of the material weaknesses identified and described below.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that, there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. As a result of our assessment, management identified the following material weaknesses in internal control over financial reporting as of March 31, 2018:

· *Our size has prevented us from being able to employ sufficient resources to enable us to have an adequate level of supervision and segregation of duties within our internal control system.* This has resulted in a number of internal control deficiencies. Specifically,

- there is a lack of segregation of duties in the processing of financial transactions which could result in inappropriate initiation, processing and review of transactions and the financial reporting of such transactions whether due to errors or fraud;
- there is a lack of review and approval of journal entries which could result in the improper initiation and reporting of transactions; and
- there is a lack of access controls and documentation over the Company's IT applications which could result in the improper initiation and reporting of significant transactions.

· *Management has identified that there is a lack of adequate financial expertise related to the assessment of complex transactions and a lack of adequate resources to review out of the ordinary transactions and arrangements of the Company*. This could result in the improper reporting of significant transactions or arrangements.

· *Related party transactions.* Specifically, there are limited policies and procedures to ensure that financial statement disclosures reconcile fully to the underlying accounting records and that Board approval of these transactions is not documented.

In addition, during the three months ended September 30, 2018, material weaknesses were identified for the accounting and reporting in the following complex areas:

- Deferred offering costs and cutoff for accrued expenses were not properly accounted for.
- Stock based compensation was not properly accounted for.
- Preparation of condensed consolidated financial statements.

The material weaknesses that occurred in the three-month period ended September 30, 2018 related to complex accounting issues and supported the view that there is a lack of adequate financial expertise related to the assessment of complex transactions and a lack of adequate resources to review out of the ordinary transactions and arrangements of the Company.

- Since the September quarter end the Company has enhanced the quarterly reporting process by taking the following actions:
  - External advice from a specialized third-party provider has been sought to provide technical guidance on accounting for December 2018 Public offering and related costs.
  - Additional training for accounting personnel on the proper accounting and reporting for stock-based compensation and complex equity transactions.
  - The month end process has been enhanced and additional controls such as full balance sheet reconciliations have been implemented.
  - In addition, the increased size of the finance team has enabled and increased level of segregation of duties and enhanced opportunity for review.

Notwithstanding the identified material weaknesses, management believes the consolidated financial statements included in this Quarterly Report on Form 10-Q fairly represent in all material respects our financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Remediation of Material Weaknesses

We are in the process of implementing improvements and remedial measures in response to the material weaknesses, including:

- Assembling a team from our finance department to be responsible for the preparation of financial statements under U.S. securities laws, including hiring additional qualified personnel such as a CFO with US listed company experience.

- In assembling this team, the Company intends to put in place controls to segregate duties in the processing of key transactions, controls to ensure the review and approval of journal entries and controls to ensure that access to IT systems is limited to authorized users and adequately documented based on the applications and their functions within the organization.

- We have continued to engage with a third party consulting firm to help us assess our current internal control over financial reporting against COSO 2013, as well as identifying a gap analysis, suggest improvements in controls, and assist us in testing our control systems. Further testing has occurred of certain controls, including purchasing processes, payment processes, and month end closing procedures. In addition, an initial assessment of IT general controls has been conducted, with a view to assessing the current situation and strengthening these controls where deemed necessary. The Company has set a target to design and implement controls that will address the material weaknesses by March 31, 2019. The independent advisers have agreed to a table of work to complete all controls reviews, implementation and testing in this timeframe and the Company has committed to meeting this timeframe. However, as this process is ongoing and there will need to be sufficient time to ensure implemented controls are operating effectively, there is no assurance that all material weaknesses will be fully remediated by March 31, 2019.

- Requiring our finance personnel to participate in annual in-house or public US GAAP training courses; and

- Implementing stronger internal controls and processes over related party transactions including segregating reviews and approvals, as well as continuing efforts to reduce the amount and volume of related party transactions; and

- Continuing to develop and formalize the activities of the audit committee. The committee will be helped by an outsourced internal audit department to review our internal control processes, policies and procedures to ensure compliance with the Sarbanes-Oxley Act of 2002.

In addition to the immediate remediation plan, we intend to put our efforts, in the coming year, in improving our control environment detailed below:

- Ongoing assessment of our current Internal Control Over Financial Reporting against COSO 2013 and the requirements set forth by Sarbanes-Oxley Act Section 404. This task will be conducted by an independent expert.

- Continued testing of the operating effectiveness of the controls that have been identified and implemented in order to prevent misstatement of the financial statements. In addition, the Company will focus on the design and implementation of Key Performance Indicators (KPIs) in order to measure the quality of the processes in place, and the efficiency of the controls.

Certain aspects of this plan were implemented in the year ended March 31, 2018 and other aspects are expected to be implemented on, or around, the time that we are prepared to take our sugarBEAT product to market.

Further information regarding our remediation plans is contained in our Annual Report on Form 10-K for the year ended March 31, 2018. While we are continuing to address these issues, we have not completed any of these remedial actions as of the date of this report.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 1A. RISK FACTORS

None.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The exhibits listed on the Exhibit Index below are provided as part of this report.

Exhibit No.	Document Description
31.1	Certification of the Principal Executive Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Principal Financial and Accounting Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Principal Executive Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Principal Financial and Accounting Officer pursuant to Rule 13A-14(A)/15D-14(A) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
101	Interactive Data Files (1)

(1) Pursuant to Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall not be deemed to be filed by the Company for purposes of Section 18 or any other provision of the 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.

NEMAURA MEDICAL INC.

Dated: February 11, 2019	/s/ Dewan F.H. Chowdhury Dewan F.H. Chowdhury Chief Executive Officer (Principal Executive Officer)
Dated: February 11, 2019	/s/ Dewan F.H. Chowdhury Dewan F.H. Chowdhury Interim Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

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Exhibit 31.1

Certification of Chief Executive Officer
Pursuant to Rule 13A-14(A)/15D-14(A)
of the Securities Exchange Act of 1934

I, Dewan F.H. Chowdhury, Chief Executive Officer (Principal Executive Officer), certify that:

I have reviewed this Quarterly report on Form 10-Q for the period ended December 31, 2018 of Nemaura Medical Inc.;

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;

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;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

By: /s/ Dewan F.H. Chowdhury
Dewan F. H, Chowdhury
Chief Executive Officer and President
(Principal Executive Officer)

Dated: February 11, 2019

Exhibit 31.2

Certification of Chief Financial Officer
Pursuant to Rule 13A-14(A)/15D-14(A)
of the Securities Exchange Act of 1934

I, Dewan F.H. Chowdhury, Interim Chief Financial Officer (Principal Financial and Accounting Officer), certify that:

I have reviewed this Quarterly report on Form 10-Q for the period ended December 31, 2018 of Nemaura Medical, Inc.;

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;

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;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;;

c. evaluated the effectiveness of registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

By: Dewan F.H. Chowdhury
Dewan F.H. Chowdhury
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)

Dated: February 11, 2019

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AND EXCHANGE ACT RULES 13a-14(b) AND 15d-14(b) (Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Nemaura Medical Inc. on Form 10-Q for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(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 the operation of the Company.

Dated: February 11, 2019

By: /s/ Dewan F.H. Chowdhury
Dewan F.H. Chowdhury
Chief Executive Officer and President
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF PRINCIPAL EXECUTIVE AND FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AND EXCHANGE ACT RULES 13a-14(b) AND 15d-14(b) (Section 906 of the Sarbanes-Oxley Act of 2002)

In connection with the Quarterly Report of Nemaura Medical Inc. on Form 10-Q for the period ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of his knowledge and belief:

(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 the operation of the Company.

Dated: February 11, 2019

By: /s/ Dewan F.H. Chowdhury
Dewan F.H. Chowdhury
Interim Chief Financial Officer
(Principal Financial and Accounting Officer)