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

FORM 10-Q

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

For the quarterly period ended: August 31, 2019

or

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

For the transition period from _____ to _____

Commission File Number: **000-55535**

Q BIOMED INC.

(Exact name of registrant as specified in its charter)

Nevada	**46-4013793**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

c/o Ortoli Rosenstadt LLP
366 Madison Avenue, 3rd Floor
New York, NY 10017

(Address of principal executive offices)

(212) 588-0022

(Registrant's telephone number, including area code)

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

Title of each class	Symbol	Name of each exchange on which registered
None	None	None

Indicate by check mark whether the registrant (1) 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 definition 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Common Stock, $0.001 par value	16,720,871 shares
(Class)	(Outstanding as at October 14, 2019)

Q BIOMED INC.

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PART I - FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

Q BIOMED INC.
Condensed Consolidated Balance Sheets
(Unaudited)

	August 31, 2019	November 30, 2018
ASSETS		
Current assets:		
Cash	$ 301,673	$ 2,684,413
Prepaid expenses	28,546	12,500
Total current assets	330,219	2,696,913
Intangible assets, net	462,500	500,000
Total Assets	**$ 792,719**	**$ 3,196,913**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 751,402	$ 172,628
Accrued expenses	1,302,527	219,602
Accrued expenses - related party	25,000	7,500
Accrued interest payable	101,626	29,639
Investor advances	193,250	-
Convertible note payable, net	485,000	-
Total current liabilities	2,858,805	429,369
Long-term liabilities:		
Convertible notes payable, net	3,976,709	2,873,272
Total long term liabilities	3,976,709	2,873,272
Total Liabilities	**6,835,514**	**3,302,641**
Commitments and Contingencies (Note 6)		
Stockholders' Deficit:		
Preferred stock, $0.001 par value; 100,000,000 shares authorized; no shares issued and outstanding as of August 31, 2019 and November 30, 2018	-	-
Common stock, $0.001 par value; 250,000,000 shares authorized; 15,182,227 and 14,290,236 shares issued and outstanding as of August 31, 2019 and November 30, 2018, respectively	15,182	14,290
Additional paid-in capital	33,866,087	31,994,129
Accumulated deficit	(39,924,064)	(32,114,147)
Total Stockholders' Deficit	(6,042,795)	(105,728)
Total Liabilities and Stockholders' Deficit	**$ 792,719**	**$ 3,196,913**

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

Q BioMed Inc.
Condensed Consolidated Statements of Operations
(Unaudited)

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	**2018**	**2019**	**2018**
Operating expenses:				
General and administrative expenses	$ 968,383	$ 1,996,391	$ 3,406,853	$ 4,547,761
Research and development expenses	786,600	989,140	2,672,715	2,624,753
Total operating expenses	1,754,983	2,985,531	6,079,568	7,172,514
Other expenses:				
Interest expense	476,627	-	1,137,271	-
Change in fair value of embedded derivatives	118,000	-	396,000	-
Loss on induced conversion of debt	197,078	-	197,078	-
Total other expenses	791,705	-	1,730,349	-
Net loss	**$ (2,546,688)**	**$ (2,985,531)**	**$ (7,809,917)**	**$ (7,172,514)**
Net loss per share - basic and diluted	$ (0.17)	$ (0.21)	$ (0.54)	$ (0.53)
Weighted average shares outstanding, basic and diluted	14,756,302	14,019,683	14,580,630	13,579,917

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

Q BIOMED INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
(Unaudited)

	For the Three months Ended August 31, 2019				
	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance as of May 31, 2019	**14,677,136**	**$ 14,676**	**$ 33,002,224**	**$ (37,377,376)**	**$ (4,360,476)**
Share based compensation for services	139,641	141	340,986	-	341,127
Issuance of common stock to partially convert notes payable	146,863	147	293,579	-	293,726
Issuance of common stock as inducement to partially convert notes payable	187,693	188	196,890	-	197,078
Issuance of common stock to defer monthly contingent payment of convertible note	30,894	30	32,408	-	32,438
Net loss	-	-	-	(2,546,688)	(2,546,688)
Balance as of August 31, 2019	**15,182,227**	**$ 15,182**	**$ 33,866,087**	**$ (39,924,064)**	**$ (6,042,795)**

	For the Three Months Ended August 31, 2018				
	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of May 31, 2018	**13,987,130**	**$ 13,987**	**$ 28,902,745**	**$ (27,030,353)**	**$ 1,886,379**
Share based compensation for services	90,182	90	1,181,361	-	1,181,450
Net loss	-	-	-	(2,985,531)	(2,985,531)
Balance as of August 31, 2018	**14,077,312**	**$ 14,077**	**$ 30,084,105**	**$ (30,015,884)**	**$ 82,298**

	For the Nine Months Ended August 31, 2019				
	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance as of November 30, 2018	**14,290,236**	**$ 14,290**	**$ 31,994,129**	**$ (32,114,147)**	**$ (105,728)**
Share based compensation for services	526,541	527	1,349,081	-	1,349,608
Issuance of common stock to partially convert notes payable	146,863	147	293,579	-	293,726
Issuance of common stock as inducement to partially convert notes payable	187,693	188	196,890	-	197,078
Issuance of common stock to defer monthly contingent payment of convertible note	30,894	30	32,408	-	32,438
Net loss	-	-	-	(7,809,917)	(7,809,917)
Balance as of August 31, 2019	**15,182,227**	**$ 15,182**	**$ 33,866,087**	**$ (39,924,064)**	**$ (6,042,795)**

	For the Nine Months Ended August 31, 2018				
	Common Stock		Additional Paid in	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Equity
Balance as of November 30, 2017	**12,206,409**	**$ 12,206**	**$ 23,187,408**	**$ (22,843,370)**	**$ 356,244**
Share based compensation for services	159,028	159	1,953,158	-	1,953,317

Issuance of common stock and warrants for cash, net of offering costs	1,711,875	1,712	4,943,539	-	4,945,251
Net loss	-	-	-	(7,172,514)	(7,172,514)
Balance as of August 31, 2018	**14,077,312**	**$ 14,077**	**$ 30,084,105**	**$ (30,015,884)**	**$ 82,298**

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

Q BIOMED INC.
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	For the nine months ended August 31,	
	2019	**2018**
Cash flows from operating activities:		
Net loss	$ (7,809,917)	$ (7,172,514)
Adjustments to reconcile net loss to net cash used in operating activities		
Share based compensation for services	1,349,608	1,953,317
Change in fair value of embedded conversion option	396,000	-
Accretion of debt discount	907,437	-
Amortization expense	37,500	-
Loss on induced conversion of debt	197,078	-
Non-cash interest expense	32,438	-
Changes in operating assets and liabilities:		
Prepaid expenses	(16,046)	-
Accounts payable and accrued expenses	1,646,699	236,015
Accrued expenses - related party	17,500	-
Accrued interest payable	165,713	-
Net cash used in operating activities	**(3,075,990)**	**(4,983,182)**
Cash flows from financing activities:		
Proceeds from investor advances	193,250	-
Proceeds received from issuance of short-term convertible note, net of original issuance discount and lender's fees	500,000	-
Proceeds received for issuance of common stock and warrants, net of offering costs	-	4,945,251
Net cash provided by financing activities	**693,250**	**4,945,251**
Net decrease in cash	**(2,382,740)**	**(37,931)**
Cash at beginning of period	**2,684,413**	**824,783**
Cash at end of period	**$ 301,673**	**$ 786,852**
Supplemental disclosures:		
Cash paid for interest	$ 31,524	$ -
Cash paid for income taxes	$ -	$ -
Supplemental disclosures for noncash investing and financing activities:		
Issuance of common stock to partially convert notes payable	$ 293,726	$ -
Accrued debt issuance costs	$ 15,000	$ -

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

Q BIOMED INC.
Notes to Condensed Consolidated Financial Statements

Note 1 - Organization of the Company and Description of the Business

Q BioMed Inc. ("Q BioMed" or "the Company"), incorporated in the State of Nevada on November 22, 2013, is a biomedical acceleration and development company focused on licensing, acquiring and providing strategic resources to life sciences and healthcare companies. Q BioMed intends to mitigate risk by acquiring multiple assets over time and across a broad spectrum of healthcare related products, companies and sectors. The Company intends to develop these assets to provide returns via organic growth, revenue production, out-licensing, sale or spinoff new public companies.

On December 7, 2016, the Company formed its wholly-owned subsidiary in Cayman Islands, "Q BioMed Cayman SEZC" (the "Subsidiary"). The accompanying condensed consolidated financial statements include the accounts of the Company's wholly-owned subsidiary. All intercompany balances and transactions have been eliminated in consolidation.

Note 2 - Basis of Presentation

The accompanying interim period unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. These condensed consolidated financial statements are unaudited and should be read in conjunction with the audited consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended November 30, 2018. Certain disclosures included in the annual financial statements have been condensed or omitted from these financial statements as they are not required for interim financial statements under U.S. GAAP and the rules of the SEC. These unaudited consolidated financial statements reflect all adjustments that are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal, recurring nature. Interim period operating results may not be indicative of the operating results for a full year.

The Company currently operates in one business segment focusing on licensing, acquiring and providing strategic resources to life sciences and healthcare companies. The Company is not organized by market and is managed and operated as one business. A single management team reports to the chief operating decision maker, the Chief Executive Officer, who comprehensively manages the entire business. The Company does not currently operate any separate lines of business.

Going Concern

The accompanying condensed consolidated financial statements are prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

The Company has and is expected to incur net losses and cash outflows from operations in pursuit of extracting value from its acquired intellectual property. These matters, amongst others, raise doubt about the Company's ability to continue as a going concern.

The Company has not generated any revenue from operations since inception and has limited assets upon which to commence its business operations. Management anticipates that the Company will have to raise additional funds and/or generate revenue from drug sales within twelve months to continue operations. Additional funding will be needed to implement the Company's business plan that includes various expenses such as fulfilling our obligations under licensing agreements, legal, operational set-up, general and administrative, marketing, employee salaries and other related start-up expenses. Obtaining additional funding will be subject to a number of factors, including general market conditions, investor acceptance of our business plan and initial results from our business operations. These factors may impact the timing, amount, terms or conditions of additional financing available to us. If the Company is unable to raise sufficient funds, management we will be forced to scale back the Company's operations or cease our operations.

Management has determined that there is substantial doubt about the Company's ability to continue as a going concern within one year after the condensed consolidated financial statements are issued. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty.

Note 3 - Summary of Significant Accounting Policies

The Company's significant accounting policies are disclosed in the audited financial statements for the year ended November 30, 2018 included in the Company's Form 10-K. Since the date of such financial statements, there have been no changes to the Company's significant accounting policies.

Recent accounting pronouncements

On February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under the new guidance, lessees will be required to recognize all leases (with the exception of short-term leases) on the balance sheet as a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The guidance in ASU 2017-11 is effective for the Company on December 1, 2019. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company is currently evaluating the impact of the new standard on its condensed consolidated financial statements.

In July 2017, the FASB issued ASU 2017-11, *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception.* The ASU allows companies to exclude a down round feature when determining whether a financial instrument (or embedded conversion feature) is considered indexed to the entity's own stock. As a result, financial instruments (or embedded conversion features) with down round features may no longer be required to be accounted classified as liabilities. A company will recognize the value of a down round feature only when it is triggered and the strike price has been adjusted downward. For equity-classified freestanding financial instruments, such as warrants, an entity will treat the value of the effect of the down round, when triggered, as a dividend and a reduction of income available to common shareholders in computing basic earnings per share. For convertible instruments with embedded conversion features containing down round provisions, entities will recognize the value of the down round as a beneficial conversion discount to be amortized to earnings. The guidance in ASU 2017-11 is effective for the Company on December 1, 2019. Early adoption is permitted, and the guidance is to be applied using a full or modified retrospective approach. The Company is currently evaluating the impact of the new standard on its condensed consolidated financial statements.

Recent adopted pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606), as modified by ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* , ASU 2016-08, *Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net),* ASU 2016-10, *Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* , and ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients* . The revenue recognition principle in ASU 2014-09 is that an entity should recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In addition, new and enhanced disclosures will be required. Companies may adopt the new standard either using the full retrospective approach, a modified retrospective approach with practical expedients, or a cumulative effect upon adoption approach. The adoption of this standard on December 1, 2018 did not impact the Company's condensed consolidated financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This new standard clarifies certain aspects of the statement of cash flows, including the classification of debt prepayment or debt extinguishment costs or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees and beneficial interests in securitization transactions. This new standard also clarifies that an entity should determine each separately identifiable source of use within the cash receipts and payments on the basis of the nature of the underlying cash flows. In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the appropriate classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item. The adoption of this standard on December 1, 2018 did not impact the Company's condensed consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation - Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent with the accounting for employee share-based compensation. The adoption of this standard on December 1, 2018 did not impact the Company's condensed consolidated financial statements.

Note 4 - Loss per share

Basic net loss per share was calculated by dividing net loss by the weighted-average common shares outstanding during the period. Diluted net loss per share was calculated by dividing net loss by the weighted-average common shares outstanding during the period using the treasury stock method or the two-class method, whichever is more dilutive. The table below summarizes potentially dilutive securities that were not considered in the computation of diluted net loss per share because they would be anti-dilutive.

	August 31,	
Potentially dilutive securities	**2019**	**2018**
Warrants	4,984,000	4,955,058
Convertible Notes	2,171,000	-
Stock Options	1,200,000	900,000

Note 5 - Convertible Notes

	August 31, 2019	November 30, 2018
Convertible Notes Payable, current:		
Principal value of 2019 Debenture	$ 550,000	$ -
Debt discount	(65,000)	-
Carrying value of 2019 Debenture	485,000	-
Total carrying value of convertible notes payable, current	$ 485,000	$ -
Convertible Notes Payable, long-term:		
Principal value of 2018 Debenture	$ 3,800,000	$ 4,000,000.00
Fair value of bifurcated contingent put option	658,000	262,000
Debt discount	(481,291)	(1,388,728)
Carrying value of 2018 Debenture	3,976,709	2,873,272
Total carrying value of convertible notes, long-term	$ 3,976,709	$ 2,873,272

2019 Debenture

On August 28, 2019, the Company entered into a securities purchase agreement with an accredited investor pursuant to which the Company sold a convertible debenture (the "2019 Debenture") with a maturity date of twelve months after the issuance thereof for $500,000. The 2019 Debenture is in the aggregate principal amount of $550,000, which amount includes an original issue discount of $40,000 and payment of the lender's legal fees of $10,000. The 2019 Debenture carries an interest rate of 10% per annum. Upon an event of default, as defined, the outstanding balance of the 2019 Debenture bears interest at a rate of 18% per annum. The Company may prepay the 2019 Debenture at 110% of the outstanding aggregate principal amount within the first six months of issuance and at 125% of the outstanding aggregate principal amount thereafter.

In certain circumstances, a premium is due upon the outstanding balance upon written notice from the lender. A premium of fifteen percent is due for each occurrence of any major default, a premium of ten percent is due for each occurrence of an unapproved variable security issuance default, and a premium of five percent is due for each occurrence of any minor default.

The lender has the right to convert the outstanding aggregate principal amount at any time at the conversion price of $2.50 per share. At any time that is six months after the issuance, the lender may redeem a portion of the 2019 Debenture, not to exceed $150,000 in any month. The Company may pay such a redemption in cash and/or shares of its common stock. Any payment of such a redemption in shares of common stock shall be made at the lesser of $2.50 or 93% of the average of the four lowest VWAPs in the prior ten trading day, provided that no such conversion price shall be less than $2.00. Any payment of such a redemption in cash shall be at 120% of the amount being redeemed. Moreover, the Company has the right to defer up to two (2) separate redemptions for up to thirty (30) days each by providing written notice to the lender within three (3) trading days of its receipt of a redemption notice. In the event the Company elects to exercise its deferral right, the 2019 Debenture's outstanding balance shall automatically be increased by ten percent (10%) of the redemption amount to which such deferral relates.

2018 Debentures

The monthly payment provision within the 2018 Debentures is a contingent put option that is required to be separately measured at fair value, with subsequent changes in fair value recognized in the Condensed Consolidated Statement of Operations. The fair value estimate is a Level 3 measurement. The Company estimated the fair value of the monthly payment provision by estimating the probability of the occurrence of a Triggering Date and applying the probability to the discounted maximum redemption premium for any given payment with the following key inputs:

	August 31, 2019	November 30, 2018
Stock price	$0.91	$1.95 - $2.97
Terms (years)	0.50 – 0.66	1.2 - 1.4
Volatility	79.78%	72.1% - 76.5%
Risk-free rate	1.89% - 2.10%	2.4% - 2.5%
Dividend yield	0.00%	0.00%
Discount rate	35.17%	35.17%

In August 2019, the Company modified the conversion price for $293,726 of principal and accrued interest outstanding under the 2018 Debentures and holders immediately converted the amount into 334,556 shares of the Company's common stock. Had the holders converted $293,726 of principal and accrued interest under the previously existing conversion terms, the holders would have received 146,863 shares of the Company's common stock. The additional 187,693 shares received upon conversion, with an aggregate fair value of $197,078, is recognized in the accompanying Condensed Consolidated Statements of Operations as a loss on induced conversion of debt.

Interest expense

Interest expense, included in the accompanying Condensed Consolidated Statements of Operations, is comprised of the following for each period presented:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Interest expense based on the coupon interest rate of the outstanding debt	$ 55,000	$ -	$ 166,000	$ -
Accretion of debt discount	$ 389,000	$ -	$ 907,000	$ -
Costs incurred to defer monthly contingent payments of convertible notes	$ 32,000	$ -	$ 64,000	$ -

Note 6 - Commitments and Contingencies

Legal

Periodically, the Company reviews the status of significant matters, if any exist, and assesses our potential financial exposure. If the potential loss from any claim or legal claim is considered probable and the amount can be estimated, the Company accrues a liability for the estimated loss. Legal proceedings are subject to uncertainties, and the outcomes are difficult to predict. Because of such uncertainties, accruals are based on the best information available at the time. As additional information becomes available, the Company reassesses the potential liability related to pending claims and litigation.

BNI matter

On December 28, 2018, the Company commenced litigation against BioNucleonics, Inc. ("BNI") and parties related to BNI in the Supreme Court of New York, New York County (removed to federal court in February 2019). The litigation stems from a license agreement that the Company entered into with BNI in 2016 and amended from time to time. Under the agreement with BNI, the Company were granted a worldwide, exclusive license on certain BNI intellectual property and the option to acquire the BNI IP within three years of the agreement. The BNI IP consists of generic Strontium Chloride SR89 (generic Metastron®) ("SR89") and all of BNI's intellectual property relating to it ("BNI IP"). SR89 is a radiopharmaceutical therapeutic for cancer bone pain therapy.

The Company believes that it has fulfilled the obligations under the agreement to exercise an option to acquire the BNI IP and has notified BNI of such exercise, but BNI has not transferred the BNI IP to the Company. As a result, the Company has commenced litigation to, among other actions, obtain all of the BNI IP. The Company also seeks judgments against BNI and related parties for the misappropriation of funds, breach of contract, fraud and fraudulent inducement. In February 2019, such lawsuit was removed to the Federal court located in the Southern District of New York. On September 23, 2019, the Company entered into a settlement agreement with BNI and parties related to BNI. See Note 10 – Subsequent Events, below.

Advisory Agreements

The Company entered into customary consulting arrangements with various counterparties to provide consulting services, business development and investor relations services, pursuant to which the Company agreed to issue shares of common stock as services are received.

Lease Agreement

In December 2016, the Subsidiary entered into a lease agreement for its office space located in Cayman Islands for $30,000 per annum. The initial term of the agreement ends in December 2019 and can be renewed for another three years.

Rent expense is classified within general and administrative expenses on a straight-line basis and included in the accompanying Condensed Consolidated Statements of Operations as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Rent expense	$ 7,500	$ 7,500	$ 22,500	$ 23,000

License Agreement

Mannin

On October 29, 2015, the Company entered into a Patent and Technology License and Purchase Option Agreement ("Exclusive License") with a vendor whereby the Company was granted a worldwide, exclusive, license on, and option to, acquire certain intellectual property ("Mannin IP") which initially focused on developing a first-in-class eye drop treatment for glaucoma within the four-year term of the Exclusive License.

On March 26, 2019, the Company entered into an amendment to the Patent and Technology License and Purchase Option Agreement that it initially entered into with Mannin Research Inc. on October 29, 2015 (the "Mannin Agreement"). Under such amendment, the term of the option granted under the Mannin Agreement was extended to October 29, 2021 in exchange for the Company issuing 100,000 shares to Mannin Research Inc. on April 9, 2019.

During the nine months ended August 31, 2019 and 2018, the Company incurred approximately $1.9 million and $1.7 million, respectively, in research and development expenses to fund the costs of development of the eye drop treatment for glaucoma pursuant to the Exclusive License.

Washington University

On March 9, 2019, the Company entered into an Exclusive License Agreement with Washington University for license of a diagnostic marker for determining the severity of glaucoma using the expression levels of Growth Differentiation Factor 15. The agreement calls for the Company to pay an initial fee of approximately $88,000, pay annual maintenance fees ranging from $15,000 to $75,000, make additional payments upon the following milestones:

- The first commercial sale of a companion diagnostic product;
- Initiation of a clinical trial for a diagnostic product to support FDA PMA or 510(k) regulatory approval or the foreign equivalent;
- PMA or 510(k) regulatory approval by the FDA or the foreign equivalent; and
- The first commercial sale of a diagnostic product.

In additional to the above payments, royalty payments based upon sales of a companion diagnostic product or diagnostic product are required.

Note 7 - Related Party Transactions

The Company entered into consulting agreements with certain management personnel and stockholders for consulting and legal services. Consulting and legal expenses resulting from such agreements were included within general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Consulting and legal expenses	$ 78,000	$ 60,000	$ 270,000	$ 180,000

Note 8 - Stockholders' Equity Deficit

As of August 31, 2019 and November 30, 2018, the Company is authorized to issue up to 250,000,000 shares of its $0.001 par value common stock and up to 100,000,000 shares of its $0.001 par value preferred stock.

Issuance of shares for services

During the nine months ended August 31, 2019, the Company issued an aggregate of 526,541 shares of the Company common stock to various vendors for advisory services, valued at approximately $886,000 based on the estimated fair market value of the stock on the date of grant and was recognized within general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations.

Issuance of shares to partially convert notes payable

In August 2019, the Company issued an aggregate of 334,556 shares of the Company's common stock to convert $293,726 of principal and accrued interest outstanding under the 2018 Debentures. Of the 334,556 shares, 146,863 shares were recognized as a conversion of debt at a conversion price of $2.00, while 187,693 shares were recognized as loss on induced conversion of convertible debt in the accompanying Condensed Consolidated Statements of Operations. See Note 5, above, for further discussion.

Issuance of shares to defer monthly contingent payment of convertible note

In August 2019, the Company issued an aggregate of 30,894 shares of the Company's common stock, valued at approximately $31,000, to holders of the 2018 Debentures to defer a monthly contingent payment that became due. The estimated fair market value of the shares issued was recognized within interest expense in the accompanying Condensed Consolidated Statements of Operations.

Note 9 - Warrants and Options

Summary of warrants

The following represents a summary of all outstanding warrants to purchase the Company's common stock, including warrants issued to vendors for services and warrants issued as part of the units sold in the private placements, at August 31, 2019 and the changes during the period then ended:

	Warrants	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)	Intrinsic Value
Outstanding at November 30, 2018	4,984,058	$ 3.48	3.51	$ 250,000
Issued	-	$ -	-	$ -
Expired	-	$ -	-	$ -
Outstanding at August 31, 2019	4,984,058	$ 3.48	2.76	$ -
Exercisable at August 31, 2019	4,921,558	$ 3.49	2.75	$ -

Fair value of all outstanding warrants issued to non-employees for services was calculated with the following key inputs:

	For the nine months ended August 31, 2018
Stock price	$2.14 - $3.61
Term (years)	3.0 – 5.0
Volatility	123.00% - 128.49%
Risk-free rate	2.47% - 2.78%
Dividend yield	0.00%

There were no warrants issued for the nine months ended August 31, 2019.

Options issued for services

The following represents a summary of all outstanding options to purchase the Company's common stock at August 31, 2019 and the changes during the period then ended:

	Options	Weighted Average Exercise Price	Weightd Average Remaining Contractual Life (years)	Intrinsic Value
Outstanding at November 30, 2018	900,000	$ 3.68	3.99	$ -
Issued	300,000	$ 1.53	4.75	$ -
Outstanding at August 31, 2019	1,200,000	$ 3.15	3.62	$ -
Exercisable at August 31, 2019	1,050,000	$ 3.38	3.46	$ -

Fair value of options issued in the nine-month period ended August 31, 2018 was calculated with the following key inputs. No options were granted in the nine-month period ended August 31, 2019.

	For the nine months ended August 31,	
	2019	2018
Exercise price	$ 1.53	$3.00 - $3.61
Expected term (years)	5.0	5.0
Volatility	98.75%	128.00% - 130.00%
Risk-free rate	2.03%	2.52% - 2.71%
Dividend yield	0.00%	0.00%

Stock-based Compensation

Stock-based compensation expense is classified within general and administrative expenses as a result of the shares, outstanding warrants and options issued to consultants and employees and included in the accompanying Condensed Consolidated Statements of Operations as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Stock-based compensation expense	183,000	946,000	463,000	1,500,000

As of August 31, 2019, the estimated unrecognized stock-based compensation associate with these agreements is approximately $136,000 and will be fully recognized over the next five months.

Note 10 – Subsequent events

Research Collaboration

On September 5, 2019, the Company entered into a research collaboration and master services agreement (the "Agreement") with Chemveda Life Sciences India Private Limited ("Chemveda"), a contract research and manufacturing services company. The Company and Chemveda have been engaged in a collaborative joint research program since February 2017. Under the Agreement, the Company will continue the collaborative joint research program with Chemveda regarding the synthesis of Uttroside B, isolated from the leaves of Solanum nigrum, and any of its analogues for use in the clinical trials and treatment of Hepatocellular Carcinomas and any other targets and therapeutic areas (the "Program"). The term of the Agreement is for up to two years from execution.

Under the Agreement and depending upon reaching certain milestones, the Company have agreed to pay Chemveda total compensation of up to $660,000, $360,000 of which will be payable in cash and $300,000 of which will be payable in stock. To date, the Company have paid Chemveda $210,000 in cash compensation under the Agreement and have made no compensation payments in stock. The Company have also agreed to pay royalties (capped at a total amount) to Chemveda based on net sales of any and all drug product(s) resulting from the collaboration, being developed by us.

Subject to the terms of the Agreement, Chemveda shall have the first right of refusal and, if exercised, the exclusive right to manufacture any products developed as a result of the Program for precommercial and commercial production.

Securities Purchase Agreements

In September 2019, the Company executed securities purchase agreements with various investors to purchase units, each unit consisting of (i) one share of common stock and (ii) one and one half (1.5) warrants to purchase a share of common stock, at $0.86, which is 110% of the closing price of the Company's common stock as listed on OTCQB on September 18, 2019, raising approximately $208,000 in cash.

In October 2019, the Company issued 148,261 units (with each unit consisting of one share of common stock and 1.5 warrants to purchase a share of common stock) to the Company's legal counsel in exchange for $91,922 of services provided. The Company's Chief Legal Officer and a Director is the Managing Partner at the law firm where these services were provided.

Amendment to 2018 Debentures

On September 23, 2019, the Company and holder of the 2018 Debentures entered into an amendment agreement to the securities purchase agreement for the 2018 Debentures, pursuant to which, the conversion price of the 2018 Debentures was reduced to the lower of (i) $1.00, (ii) 93% of the average of the four lowest daily VWAPs during the 10 consecutive trading days immediately preceding the conversion date, provided that as long as we are not in default under the 2018 Debentures, the conversion price may never be less than $0.50, or (iii) a price agreed to by us and the investor. Additionally, the maturity date of the 2018 Debentures was extended to September 21, 2020.

On September 23 and October 7, 2019, holders of the 2018 Debentures converted an aggregate of $531,992 of principal and accrued interest outstanding under the revised conversion terms and received an aggregate of 1,163,204 shares of the Company's common stock. Had the holders converted $531,992 of principal and accrued interest under the previously existing conversion terms, the holders would have received 265,996 shares of the Company's common stock. The additional 897,208 shares received upon conversion had an aggregate fair value of $589,223.

Settlement Agreement

As described in Note 6, above, the Company commenced litigation against BNI and parties related to BNI in the Supreme Court of New York, New York County o December 28, 2018. On September 23, 2019, the Company entered into a settlement agreement with BNI and parties related to BNI. Pursuant to the terms of the settlement agreement, the Company settled its dispute with BNI and all parties to the litigation dismissed their claims in exchange for entering into a Second Amendment to the License Agreement (entered into on September 23, 2019) pursuant to which:

- BNI agreed to immediately transfer and/or assign to the Company all intellectual property, patents and products that is owned by BNI that is related to Strontium-Chloride 89;
- The Company agreed to issue BNI 50,000 shares of its common stock upon the entry into the settlement agreement and 100,000 shares of its common stock upon the approval of the U.S. Food and Drug Administration ("FDA") approval of BNI's Prior Approval Supplements filing
- The Company agreed to make a cash payment to BNI of $25,000
- The Company agreed to an on-going royalty payment of 3% on all gross profits derived by the Company from the sale of Strontium-Chloride 89 and MetastronTM; and
- The Company agreed to assume fees and expenses related to (i) all outstanding CMO fees owed by BNI to IsoTherapeutics relating to Strontium-Chloride 89 (approximately $67,000), (ii) all outstanding fees owed by BNI to the FDA relating to Strontium-Chloride 89 (approximately $208,000) and (iii) related fees for the development and approval of Strontium-Chloride 89 following the date of the settlement agreement.

The agreement to (i) make a cash payment of $25,000 to BNI, (ii) pay all outstanding CMO fees owed by BNI to IsoTherapeutics relating to Strontium-Chloride 89 (approximately $67,000), and (iii) issue to BNI 50,000 shares of the Company's common stock are recognizable subsequent events with an aggregate fair value of approximately $125,000. All other portions of the settlement agreement are not recognizable subsequent events. As of August 31, 2019, the Company had recognized $125,000 in accrued expenses related to this matter. The agreement to assume fees owed by BNI to the FDA relating to Strontium-Chloride 89 is not a recognizable subsequent event as of August 31, 2019, as the fee is contingent as of the settlement agreement date and payment of the fee by the Company is not probable as of the settlement agreement date.

Repricing of Existing Warrants

On September 24, 2019, the Company reduced the exercise price of 950,000 options and warrants previously issued to Denis Corin for services as a director and for services as an officer to $1.25 per share and reduced the exercise price of 1,250,000 options and warrants previously issued to William Rosenstadt for services as a director and for services as an offer to $1.25 per share. On September 24, 2019, the Company reduced the exercise price of 360,000 options and warrants previously issued to Ari Jatwes for services as a consultant to $1.25 per share and reduced the exercise price of 50,000 warrants previously issued to Rick Panicucci for services as a director to $1.25 per share.

Distribution Agreement

On October 3, 2019, the Company entered into an exclusive distribution agreement for Strontium-89/Metastron™ with Jubilant Radiopharma for the U.S. market. Jubilant Radiopharma is an industry leading pharmaceutical company specializing in nuclear medicine focused on developing, manufacturing, commercializing and distributing high quality and sustainable diagnostic and therapeutic agents on a global scale.

Issuance of Debentures

On October 11, 2019, the Company entered into a securities purchase agreement with an accredited investor to place convertible debentures with a maturity date of eighteen months after the issuance thereof in the aggregate principal amount of up to $750,000 (the "Transaction"), provided that in case of an event of default, the debentures may become at the holder's election immediately due and payable. The initial closing of the Transaction occurred on October 11, 2019 when the Company issued a debenture for $500,000. The second closing is scheduled for within thirty days of October 11, 2109 provided that the holder has converted a minimum of $250,000 of a different convertible debenture previously issued to the holder. The debentures bear interest at the rate of 5.5% per annum. In addition, the Company must pay to the holder a fee equal to 2.5% of the amount of the debentures.

The holder may convert a debenture in its sole discretion at any time on or prior to maturity at the lower of $1.00 or 93% of the average of the four lowest daily VWAPs during the 10 consecutive trading days immediately preceding the conversion date, provided that as long as we are not in default under the debenture, the conversion price may never be less than $0.50. The holder may not convert any portion of a debenture if such conversion would result in the holder beneficially owning more than 4.99% of our then issued and common stock, provided that such limitation may be waived by the holder with 65 days' notice.

Any time after the six-month anniversary of the issuance of a debenture that the daily VWAP is less than $0.50 for a period of twenty consecutive trading days (the "Triggering Date") and only for so long as such conditions exist after a Triggering Date as that term is defined in the Transaction documents, the Company shall make monthly payments beginning on the last calendar day of the month when the Triggering Date occurred. Each monthly payment shall be in an amount equal to the sum of (i) the principal amount outstanding as of the Triggering Date divided by the number of such monthly payments until maturity, (ii) a redemption premium of 20% in respect of such principal amount and (iii) accrued and unpaid interest hereunder as of each payment date. The Company may, no more than twice, obtain a thirty-day deferral of a monthly payment due as a result of a Triggering Date through the payment of a deferral fee in the amount equal to 10% of the total amount of such monthly payment. Each deferral payment may be paid by the issuance of such number of shares as is equal to the applicable deferral payment divided by a price per share equal to 93% of the average of the four lowest daily VWAPs during the 10 consecutive Trading Days immediately preceding the due date in respect of such monthly payment being deferred, provided that such shares issued will be immediately freely tradable shares in the hands of the holder.

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

Forward-Looking Statements

This Quarterly Report contains forward-looking statements about our business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. The expectations indicated by such forward-looking statements might not be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, our actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, acceptance of our services, our ability to create and expand our customer base, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry.

There may be other risks and circumstances that management may be unable to predict. When used in this Quarterly Report, words such as, *"believes," "expects," "intends," "plans," "anticipates," "estimates"* and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

Overview

Q BioMed Inc. (or "the Company") was incorporated in the State of Nevada on November 22, 2013 and is a biomedical acceleration and development company focused on licensing, acquiring and providing strategic resources to life sciences and healthcare companies. We intend to mitigate risk by acquiring multiple assets over time and across a broad spectrum of healthcare related products, companies and sectors. We intend to develop these assets to provide returns via organic growth, revenue production, out-licensing, sale or spin out.

Recent Developments

Metastron™ and Strontium-89 Chloride USP Injection

We have been working hard to commercialize both our Strontium-89 products. We have settled our litigation with BioNucleonics Inc. and now have outright ownership of the generic Strontium-89 Chloride drug, which is FDA approved. We also own Metastron™, the branded drug, purchased from GE Healthcare in November of 2018. As a result, we now control significant market share for this injectable non-opioid metastatic cancer palliation drug in North America and much of the world.

The FDA approval of our contract manufacturer IsoTherapeutics to produce a commercial drug product is one of several milestone catalysts we expect to positively impact our business over the next few months. As we have reported, we believe that we are in the final stage of the approval process, having completed a prior approval inspection and having made and submitted all the required changes to the regulator. Our Strontium-89 products are our lead revenue opportunities and an important step for both Q BioMed and the many patients that will benefit from finally having access to the non-opioid palliation treatments. Once the FDA approves IsoTherapeutics Group to manufacture product, this radiopharmaceutical is well positioned to generate revenues almost immediately.

Although the commercial manufacturing approval process has taken longer than anticipated, we are now confident in the timing around the commercial launch.

In anticipation of the approval, we have proactively on-boarded our commercial team tasked with infrastructure set-up, including: medical information and pharmacovigilance, government contracting, marketing, contract sales and telesales. We have announced a distribution partnership with Julibilant Radiopharma who have all the capabilities we require to access the US market, including warehousing/inventory management, invoicing and customer service/ordering. It also has a sales team that calls on major providers, a national network of nuclear pharmacies in the U.S. and distribution and coverage throughout the U.S. We have completed a reimbursement landscape and set our pricing strategy. Our scientific platform is complete which is informing a creative advertising campaign to coincide with the commercial launch of our product. We are assembling a world class scientific advisory board specific to this product to assist in market access and phase 4 clinical trial planning.

Our Strontium-89 radiopharmaceutical drug addresses an underserved patient group in the cancer pain palliation market, but also has a significant opportunity to expand into a much larger market through our planned phase IV clinical trial designed to expand the label from a pain palliation to a cancer therapeutic. A similar radiopharmaceutical with a much narrower indication in metastatic disease, but with survival benefits (two months), was acquired by Bayer for $2.9 billion in 2013 and is expected to have sales exceeding $700 million this year.

The acquisition of Metastron has given Q BioMed access to a global market much sooner than expected and we continue to be extremely excited about its prospects to re-establish a deserved niche in the late stage cancer treatment landscape.

QBM001

There is currently no treatment for this 20,000 US and 250,000 worldwide subgroup of autistic children that are minimally verbal or non-verbal. We recently filed for Orphan Drug Designation with the FDA and look forward to working with the regulators on this application. We worked with 7 centers of excellence for autism to define a differential diagnosis for our targeted subgroup, and all are on board. We completed a biomarker study that allows us to better define which children should be included in our planned trial. The biomarker also provided insight into how to improve the dosing. We believe that a very targeted population with an improved, targeted dose, will allow our planned trials to be smaller and increases the likelihood of being successful. We have completed formulation of a slow release version of a drug candidate that is required for this clinical application. We believe that our target dose is effective and is safer than a non-formulated drug. We recently filed an orphan drug application and plan on filing an IND and believe the green light will allow us to commence a relatively short pivotal clinical trial of QBM-001 in 2020. We expect to see interim data within 6 months of the start of the trial. This would represent a significant catalyst in 2020 given the acute need for a therapy in this neglected pediatric patient population.

Uttroside-B

Over 40,000 liver cancer patients in the US are diagnosed every year, and the total diagnoses per year has increased by 3% each year over the last 15 years. Each patient has a life expectancy of less than four months. Our initial data from both animals and cell lines suggests that our developing molecule could be very effective - as much as 10 times more effective than current treatments. As a result, we intend to bring this product to a proof of concept trial. If demonstrated, we will actively seek partnerships in order to realize a return on our investment. We believe that we are the only entity to have successfully synthesized Uttroside B and have filed a patent for the synthesis. The synthesized product is now being tested for pre-clinical efficacy in comparison to the natural product.

MAN-01 and GDF15

There are over 60 million patients worldwide with Primary Open-Angle Glaucoma. MAN-01 aims to reduce the pressure build-up in the eye by assisting with, and correcting, drainage problems in tiny vessels in the eye called the Schlemm's Canal. MAN-01 is being designed to target these unique and extremely important vessels, as over 70% of all fluid in the eye flows through the Schlemm's Canal. Currently, the MAN-01 program is finalizing its preclinical lead candidate optimization by completing a series of ophthalmic in vivo studies to demonstrate efficacy. After successful completion of the in vivo studies, Mannin Research will begin preparing for preclinical toxicology and filing of its IND. Our research shows that the drug's mechanism of action may ameliorate vessel damage in several other diseases such as: kidney disease, cardiovascular disease, and against infectious diseases. We believe these programs comprise a multi-disease platform technology that has several valuable applications. Adding the GDF15 biomarker to our portfolio is a significant step to securing a unique product offering that put precision medicine and patient specific treatment in the hands of clinicians. GDF15 is a companion diagnostic marker to the MAN-01 drug for determining the severity of glaucoma using the expression levels of Growth Differentiation Factor 15 (GDF15). Determining the severity of glaucoma using this biomarker will aid in treatment decisions for patients diagnosed with, and being treated for, glaucoma. Recent buyouts in the Biotechnology space has us believing that large pharma companies could be looking for valuable assets like this with multiple downlines because of expiring patient protection on current drugs. Our collaborators at the Washington University in St. Louis are currently examining the effectiveness of GDF15 as a clinical biomarker in a clinical trial. In parallel, Q BioMed and Mannin Research are working with the Biointerfaces Institute at McMaster University in Ontario, Canada to develop a GDF15 biomarker diagnostic kit for monitoring glaucoma severity and progression. The aim is to develop a simple integrated diagnostic test that can be performed at a physician's office with no external, expensive equipment.

While we continue advance all our assets, our key focus for both capital expense and time is on the commercialization of Strontium 89 Chloride USP Injection. This is a near-term revenue generator and we believe a significant catalyst and long-term value driver for us.

Financial Overview

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

This management's discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities in our condensed consolidated financial statements. On an ongoing basis, we evaluate our estimates and judgments, including those related to fair value of financial instruments, research and development costs, accrued expenses and stock-based compensation. We base our estimates on historical experience, known trends and events and various other factors that we

believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Other than as set out in Note 3 to our accompanying unaudited condensed consolidated financial statements we believe there have been no significant changes in our critical accounting policies as described in the Form 10-K.

Unaudited Results of Operations for the three months ended August 31, 2019 and 2018:

	For the three months ended August 31,	
	2019	**2018**
Operating expenses:		
General and administrative expenses	$ 968,383	$ 1,996,391
Research and development expenses	786,600	989,140
Total operating expenses	1,754,983	2,985,531
Other expenses:		
Interest expense	476,627	-
Change in fair value of embedded derivatives	118,000	-
Loss on induced conversion of debt	197,078	-
Total other expenses	791,705	-
Net loss	**$ (2,546,688)**	**$ (2,985,531)**

Operating expenses

We incur various costs and expenses in the execution of our business. The decrease in operating expenses was mainly due to less professional and research & development fees incurred in connection with the license agreements with Mannin and Washington University.

Other expenses

During the three months ended August 31, 2019, interest expense increased to $477,000 from $0 in the prior year. Interest expense in the three months ended August 31, 2019 is comprised of approximately $389,000 accretion of debt discount, approximately $55,000 of accrued interest expense based on the coupon interest rate of the outstanding debt and approximately $32,000 of costs incurred to defer monthly payments of convertible notes. During the three months ended August 31, 2019, we recognized a loss of $118,000 resulting from the change in fair value of embedded contingent put options in convertible notes with a principal balance of $4 million. During the three months ended August 31, 2019, we recognized a loss of $197,000 resulting from the share settlement of deferral fee and additional shares issued beyond conversion terms for conversion of $200,000 principal and accrued interest of $93,726 on 2018 Debentures.

Net loss

In the three months ended August 31, 2019 and 2018, we incurred net losses of approximately $2.5 million and $3.0 million, respectively. Our management expects to continue to incur net losses for the foreseeable future, due to our need to continue to establish a broader pipeline of assets, expenditure on R&D and implement other aspects of our business plan.

Unaudited Results of Operations for the nine months ended August 31, 2019 and 2018:

	For the nine months ended August 31,	
	2019	**2018**
Operating expenses:		
General and administrative expenses	$ 3,406,853	$ 4,547,761
Research and development expenses	2,672,715	2,624,753
Total operating expenses	6,079,568	7,172,514
Other expenses:		
Interest expense	1,137,271	-
Change in fair value of embedded derivatives	396,000	-
Loss on induced conversion of debt	197,078	-
Total other expenses	1,730,349	-
Net loss	**$ (7,809,917)**	**$ (7,172,514)**

Operating expenses

We incur various costs and expenses in the execution of our business. The decrease in operating expenses was mainly due to less professional and research & development fees incurred in connection with the license agreements with Mannin and Washington University.

Other expenses

During the nine months ended August 31, 2019, interest expense increased to $1.1 million from $0 in the prior year. Interest expense in the nine months ended August 31, 2019 is comprised of approximately $907,000 accretion of debt discount, approximately $166,000 of accrued interest expense based on the coupon interest rate of the outstanding debt and approximately $64,000 of costs incurred to defer monthly payments of convertible notes. During the nine months ended August 31, 2019, we recognized a loss of $396,000 resulting from the change in fair value of embedded contingent put options in convertible notes with a principal balance of $4 million. During the nine months ended August 31, 2019, we recognized a loss of $197,000 resulting from the share settlement of deferral fee and additional shares issued beyond conversion terms for conversion of $200,000 principal and accrued interest of $93,726 on 2018 Debentures.

Net loss

In the nine months ended August 31, 2019 and 2018, we incurred net losses of approximately $7.8 million and $7.2 million, respectively. Our management expects to continue to incur net losses for the foreseeable future, due to our need to continue to establish a broader pipeline of assets, expenditure on R&D and implement other aspects of our business plan.

Liquidity and Capital Resources

We prepared the accompanying condensed consolidated financial statements assuming that we will continue as a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

We have not yet established an ongoing source of revenues and must cover our operating through debt and equity financings to allow us to continue as a going concern. We had approximately $302,000 in cash as of August 31, 2019. Our ability to continue as a going concern depends on the ability to obtain adequate capital to fund operating losses until we generate adequate cash flows from operations to fund our operating costs and obligations. If we are unable to obtain adequate capital, we could be forced to cease operations.

We depend upon our ability, and will continue to attempt, to secure equity and/or debt financing. We cannot be certain that additional funding will be available on acceptable terms, or at all. Our management determined that there was substantial doubt about our ability to continue as a going concern within one year after the condensed consolidated financial statements were issued, and management's concerns about our ability to continue as a going concern within the year following this report persist.

The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts and classification of liabilities that might result from this uncertainty.

Cash Flows

The following table sets forth the significant sources and uses of cash for the periods addressed in this report:

	For the Nine Months Ended August 31,	
	2019	**2018**
Net cash (used in) provided by:		
Operating activities	$ (3,075,990)	$ (4,983,182)
Financing activities	693,250	4,945,251
Net decrease in cash	**$ (2,382,740)**	**$ (37,931)**

Net cash used in operating activities was approximately $3.1 million for the nine months ended August 31, 2019 as compared to approximately $5.0 million for the nine months ended August 31, 2018. The decrease in net cash used in operating activities relates to the net loss of approximately $7.8 million for the nine months ended August 31, 2019, partially offset by aggregate non-cash expenses of approximately $2.9 million and changes in operating assets and liabilities of approximately $1.8 million. The net cash used in operating activities of approximately $5.0 million for the nine months ended August 31, 2018 results from the net loss of approximately $7.2 million, partially offset by aggregate non-cash expenses of approximately $2.0 million.

Net cash provided by financing activities was approximately $693,000 for the nine months ended August 31, 2019, resulting from proceeds from investor advances of $193,000 and proceeds received from issuance of 2019 Debenture of $500,000. Net cash provided by financing activities was approximately $4.9 million for the nine months ended August 31, 2018, resulting from proceeds received from the issuance of common stock and warrants of approximately $5.4 million, offset by offering costs of approximately $0.5 million.

Commitments and Contingencies

Legal

On December 28, 2018, we commenced litigation against BioNucleonics, Inc. ("BNI") and parties related to BNI in the Supreme Court of New York, New York County. The litigation stems from a license agreement that we entered into with BNI in 2016 and amended from time to time. Under the agreement with BNI, we were granted a worldwide, exclusive license on certain BNI intellectual property and the option to acquire the BNI IP within three years of the agreement. The BNI IP consists of generic Strontium Chloride SR89 (generic Metastron®) ("SR89") and all of BNI's intellectual property relating to it ("BNI IP"). SR89 is a radiopharmaceutical therapeutic for cancer bone pain therapy.

We believe that we fulfilled the obligations under the agreement to exercise an option to acquire the BNI IP and notified BNI of such exercise, but BNI did not transfer the BNI IP to us. As a result, we commenced litigation to, among other actions, obtain all of the BNI IP. We also sought judgments against BNI and related parties for the misappropriation of funds, breach of contract, fraud and fraudulent inducement. In February 2019, such lawsuit was removed to the Federal court located in the Southern District of New York.

On September 23, 2019, we entered into a settlement agreement with BNI and parties related to BNI. Pursuant to the terms of the settlement agreement, we settled our dispute with BNI and all parties to the litigation dismissed their claims in exchange for entering into a Second Amendment to the License Agreement (entered into on September 23, 2019) pursuant to which:

- BNI agreed to immediately transfer and/or assign to us all intellectual property, patents and products that is owned by BNI that is related to Strontium-Chloride 89;
- We agreed to issue BNI 50,000 shares of our common stock upon the entry into the settlement agreement and 100,000 shares of our common stock upon the approval of the U.S. Food and Drug Administration ("FDA") approval of BNI's Prior Approval Supplements filing
- We agreed to make a cash payment to BNI of $25,000
- We agreed to an on-going royalty payment of 3% on all gross profits derived by us from the sale of Strontium-Chloride 89 and MetastronTM; and
- We agreed to assume fees and expenses related to (i) all outstanding CMO fees owed by BNI to IsoTherapeutics relating to Strontium-Chloride 89 (approximately $67,000), (ii) all outstanding fees owed by BNI to the FDA relating to Strontium-Chloride 89 (approximately $208,000) and (iii) related fees for the development and approval of Strontium-Chloride 89 following the date of the settlement agreement.

Advisory Agreements

We entered into customary consulting arrangements with various counterparties to provide consulting services, business development and investor relations services, pursuant to which we agreed to issue shares of common stock as services are received.

Lease Agreement

In December 2016, we entered into a lease agreement for office space located in Cayman Islands for $30,000 per annum. The initial term of the agreement ends in December 2019 and can be renewed for another three years.

Rent expense is classified within general and administrative expenses on a straight-line basis and included in the accompanying Condensed Consolidated Statements of Operations as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Rent expense	$ 7,500	$ 7,500	$ 22,500	$ 23,000

License Agreement

Mannin

On October 29, 2015, we entered into a Patent and Technology License and Purchase Option Agreement ("Exclusive License") with a vendor whereby we were granted a worldwide, exclusive, license on, and option to, acquire certain intellectual property ("Mannin IP") which initially focused on developing a first-in-class eye drop treatment for glaucoma within the four-year term of the Exclusive License.

On March 26, 2019, we entered into an amendment to the Patent and Technology License and Purchase Option Agreement that it initially entered into with Mannin Research Inc. on October 29, 2015 (the "Mannin Agreement"). Under such amendment, the term of the option granted under the Mannin Agreement was extended to October 29, 2021 in exchange for our issuing 100,000 shares to Mannin Research Inc. on April 9, 2019.

During the nine months ended August 31, 2019 and 2018, we incurred approximately $1.9 million and $1.7 million, respectively, in research and development expenses to fund the costs of development of the eye drop treatment for glaucoma pursuant to the Exclusive License.

Washington University

On March 9, 2019, we entered into an Exclusive License Agreement with Washington University for license of a diagnostic marker for determining the severity of glaucoma using the expression levels of Growth Differentiation Factor 15. The agreement calls for us to pay an initial fee of approximately $88,000, pay annual maintenance fees ranging from $15,000 to $75,000, make additional payments upon the following milestones:

- The first commercial sale of a companion diagnostic product;
- Initiation of a clinical trial for a diagnostic product to support FDA PMA or 510(k) regulatory approval or the foreign equivalent;
- PMA or 510(k) regulatory approval by the FDA or the foreign equivalent; and
- The first commercial sale of a diagnostic product.

In additional to the above payments, royalty payments based upon sales of a companion diagnostic product or diagnostic product are required.

Related Party Transactions

We entered into consulting agreements with certain management personnel and stockholders for consulting and legal services. Consulting and legal expenses resulting from such agreements were included within general and administrative expenses in the accompanying Condensed Consolidated Statements of Operations as follows:

	For the three months ended August 31,		For the nine months ended August 31,	
	2019	2018	2019	2018
Consulting and legal expenses	$ 78,000	$ 60,000	$ 270,000	$ 180,000

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Item 3. Quantitative and Qualitative Disclosure About Market Risk

This item is not applicable as we are currently considered a smaller reporting company.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our Principal Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the period covered by this Report. Based on that evaluation, it was concluded that our disclosure controls and procedures are not effective to reasonably assure that information we are required to disclose in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We do not have an Audit Committee; our board of directors currently acts as our Audit Committee. Only one of our three directors is an independent director, and none of our directors is considered a "Financial Expert," within the meaning of Section 407 of the Sarbanes-Oxley Act. We have interviewed additional potential independent directors, but have not engaged any.

Changes in internal controls over financial reporting

There were no changes in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting. We have engaged accounting and compliance consultants to review our internal controls over financial reporting and other compliance requirements.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

On December 28, 2018, we commenced litigation against BioNucleonics, Inc. ("BNI") and parties related to BNI. The litigation stems from a license agreement that we entered into with BNI in 2016, as amended. Under the agreement with BNI, we were granted a worldwide, exclusive license on certain BNI intellectual property and the option to acquire the BNI IP within three years of the agreement. The BNI IP consists of generic Strontium Chloride SR89 (generic Metastron®) ("SR89") and all of BNI's intellectual property relating to it ("BNI IP"). SR89 is a radiopharmaceutical therapeutic for cancer bone pain therapy.

Under the agreement, once we funded up to $850,000 in cash, we could exercise the option to acquire the BNI IP at no additional charge. By our accounts, we provided BNI with over $950,000 in cash. We exercised our option to acquire the BNI IP, but BNI did not transfer the BNI IP to us. As a result, we commenced litigation to, among other actions, obtain all of the BNI IP. We also sought judgments against BNI and related parties for the misappropriation of funds, breach of contract, fraud and fraudulent inducement. In February 2019, such lawsuit was removed to the Federal court located in the Southern District of New York.

On September 23, 2019, we entered into a settlement agreement with BNI and parties related to BNI. Pursuant to the terms of the settlement agreement, we settled our dispute with BNI and all parties to the litigation dismissed their claims in exchange for entering into a Second Amendment to the License Agreement (entered into on September 23, 2019) pursuant to which:

- BNI agreed to immediately transfer and/or assign to us all intellectual property, patents and products that is owned by BNI that is related to Strontium-Chloride 89;
- We agreed to issue BNI 50,000 shares of our common stock upon the entry into the settlement agreement and 100,000 shares of our common stock upon the approval of the U.S. Food and Drug Administration ("FDA") approval of BNI's Prior Approval Supplements filing
- We agreed to make a cash payment to BNI of $25,000
- We agreed to an on-going royalty payment of 3% on all gross profits derived by us from the sale of Strontium-Chloride 89 and MetastronTM; and
- We agreed to assume fees and expenses related to (i) all outstanding CMO fees owed by BNI to IsoTherapeutics relating to Strontium-Chloride 89 (approximately $67,000), (ii) all outstanding fees owed by BNI to the FDA relating to Strontium-Chloride 89 (approximately $208,000) and (iii) related fees for the development and approval of Strontium-Chloride 89 following the date of the settlement agreement.

Item 1A. Risk Factors

As a Smaller Reporting Company, we are not required to provide this information.

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

On September 24, 2019, we issued our director Rick Panicucci 50,000 warrants exercisable for five years at an exercise price of $1.25 per warrant.

On September 24, 2019, we issued a consultant in exchange for services rendered 50,000 warrants exercisable for five years at an exercise price of $1.25 per warrant.

On September 24, 2019, we issued a consultant in exchange for services rendered 84,000 warrants exercisable for three years at an exercise price of $1.25 per warrant.

On September 24, 2019, we issued a consultant in exchange for services rendered and to be rendered 100,000 warrants exercisable for five years to a consult at an exercise price of $1.25 per warrant. Such warrants vest in equal portions each quarter.

In September 2019, we entered into a series of related Securities Purchase Agreements with seven investors for a total of $208,250. Pursuant to the terms of the investment, such investors received 335,887 shares of our common stock and 503,831 warrants to purchase shares of our common stock at an exercise price of $0.86.

On October 7, we issued 496,109 shares of common stock upon the conversion of $198,443.84 of principal and interest of a convertible note issued by us in September 2018.

In October 2019, we issued 148,261 units (with each unit consisting of one share of common stock and 1.5 warrants to purchase a share of common stock) to our legal counsel in exchange for $91,922 of services provided. Our Chief Legal Officer and a Director is the Managing Partner at the law firm where these services were provided.

The issuance of the Securities mentioned above qualified for the exemption from registration continued in section 4(a) of the securities act of 1933.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

Exhibit Number	Name and/or Identification of Exhibit
31.1	Rule 13a-14(a)/15d-14(a) Certifications
32.1	Certification under Section 906 of the Sarbanes-Oxley Act (18 U.S.C. Section 1350)
101	Interactive Data File
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Q BIOMED INC.

Dated: October 15, 2019

By: */s/ Denis Corin*
Denis Corin
President, Chief Executive Officer, Acting Principal Accounting Officer, Principal Financial Officer