

Liquidity and Capital Resources

As of December 31, 2019, we had cash of \$862 thousand, working capital of \$104 thousand and an accumulated deficit of \$388 million. We had a loss from operations of \$725 thousand and a net loss of \$3.8 million for the year ended December 31, 2019. We have suffered recurring losses from operations and have not generated positive cash flows from operations. We anticipate operating losses to continue for the foreseeable future. As of March 30, 2020 our cash balance was approximately \$1.2 million.

Additionally, the License, Development and Commercialization Agreement dated June 28, 2019 (the “Agreement”) requires AD Pharma to pay us monthly license payments of \$350,000 from July 2019 through November 2020 and pay all outside development costs for LTX-03. However, the Agreement allows AD Pharma to terminate the Agreement “for convenience”. Should AD Pharma exercise their right to terminate the Agreement, we would need to raise additional financing or enter into license or collaboration agreements with third parties relating to our technologies. No assurance can be given that we will be successful in obtaining any such financing or in securing license or collaboration agreements with third parties on acceptable terms, if at all, or if secured, that such financing or license or collaboration agreements will provide payments to the Company sufficient to fund continued operations. In the absence of such financing or third-party license or collaboration agreements, the Company will be required to scale back or terminate operations and/or seek protection under applicable bankruptcy laws. An extended delay or cessation of the Company’s continuing product development efforts will have a material adverse effect on the Company’s financial condition and results of operations. Our independent auditors have included in their report relating to our 2019 financial statements a “going concern” explanatory paragraph as to substantial doubt of our ability to continue as a going concern.

In view of the matters described above, management has concluded that substantial doubt exists with respect to the Company’s ability to continue as a going concern within one year after the date the financial statements are issued and our independent registered public accounting firm have included in their report relating to our 2019 financial statements a “going concern” explanatory paragraph as to substantial doubt of our ability to continue as a going concern.

In view of the matters described above, recoverability of a major portion of the recorded asset amounts shown in the Company’s accompanying balance sheets is dependent upon continued operations of the Company, which in turn is dependent upon the Company’s ability to meet its financing requirements on a continuous basis, to maintain existing financing and to succeed in its future operations. The Company’s financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue in existence.

Our future sources of revenue, if any, will be derived from licensing fees, milestone payments and royalties under the AD Pharma Agreement, the Zyla Agreement, the KemPharm Agreement, the MainPointe Agreement and similar agreements which we may enter into for our LIMITx products in development with other pharmaceutical company partners, for which there can be no assurance.

The amount and timing of our future cash requirements will depend on regulatory and market acceptance of our product candidates and the resources we devote to the development and commercialization of our product candidates.

Cash Flows

Comparison of Years Ended December 31, 2019 and 2018

The following table summarizes our cash flows for the years ended December 31, 2019 and 2018 (in thousands):

	Year Ended December 31,	
	2019	2018
Net cash (used in) provided by:		
Operating activities	\$ (618)	\$ (3,908)
Investing activities	-	-
Financing activities	1,389	1,779
Net increase (decrease) in cash and cash equivalents	\$ 771	\$ (2,129)

Cash Flows from Operating Activities

Net cash used in operating activities was \$0.6 million for the year ended December 31, 2019 and consisted primarily of a net loss of \$3.8 million, capitalized debt discount of \$13 thousand and a loss on debt extinguishment of \$2.6 million. This net loss was partially offset by non-cash items such as \$108 thousand in share-based compensation expense, \$66 thousand of debt discount and debt issue cost amortization expense, \$66 thousand of depreciation expense, and \$207 thousand of intangible asset amortization expense with \$154 thousand in net cash outflows from changes in operating assets and liabilities. Cash outflows from changes in operating assets and liabilities of \$154 thousand were primarily due to \$78 thousand increase in collaboration revenue receivable and \$379 thousand decrease in accounts payable and accrued expenses. These cash outflows were partially offset by a decreases of \$55 thousand in royalty receivables, \$67 thousand in income tax receivable, \$394 thousand in accrued interest and \$44 thousand in prepaid expenses and other current assets and increases of \$18 thousand in other current liabilities.