
**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 September 30, 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: **001-38892**

BEYOND AIR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

825 East Gate Boulevard, Suite 320
Garden City, NY
(Address of principal executive offices)

47-3812456
(I.R.S. Employer
Identification No.)

11530
(Zip Code)

516-665-8200
(Registrant's telephone number, including area code)

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

<u>Title of each class:</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered:</u>
Common Stock, par value \$0.0001 per share	XAIR	The Nasdaq Stock Market LLC

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

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

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

Large accelerated filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
	Emerging growth company <input checked="" type="checkbox"/>

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. As of November 5, 2019, there were 10,746,780 shares of common stock, par value \$0.0001 per share, outstanding.

BEYOND AIR, INC.
INDEX TO FORM 10-Q FILING
FOR THE PERIOD ENDED SEPTEMBER 30, 2019

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PART I FINANCIAL INFORMATION

ITEM 1. Financial Statements.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>September 30, 2019</u> (Unaudited)	<u>March 31, 2019</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,895,389	\$ 1,340,203
Restricted cash	459,234	16,934
Marketable securities	7,485,819	6,542,667
Right-of-use lease assets	58,267	-
Other current assets and prepaid expenses	414,033	788,409
Total current assets	10,312,742	8,688,213
Licensed right to use technology	431,801	495,000
Right-of-use lease assets	169,760	-
Property and equipment, net	228,789	244,872
TOTAL ASSETS	\$ 11,143,092	\$ 9,428,085
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 2,104,323	\$ 1,164,672
Accrued expenses	2,068,246	1,567,638
Deferred revenue	990,223	2,263,294
Stock to be issued to a vendor	138,000	144,000
Operating lease liability	65,092	-
Loan payable	88,582	263,604
Total current liabilities	5,454,466	5,403,208
Long-term liabilities		
Operating lease liability	169,005	-
Total liabilities	5,623,471	5,403,208
Commitments and contingencies		
Shareholders' equity		
Preferred Stock, \$0.0001 par value per share: 10,000,000 shares authorized, 0 shares issued and outstanding	-	-
Common Stock, \$0.0001 par value per share: 100,000,000 shares authorized, 10,746,780 and 8,714,815 shares issued and outstanding as of September 30, 2019 and March 31, 2019, respectively	1,075	871
Treasury stock	(25,000)	(25,000)
Additional paid-in capital	53,466,679	41,693,578
Accumulated deficit	(47,923,133)	(37,644,572)
Total shareholders' equity	5,519,621	4,024,877
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 11,143,092	\$ 9,428,085

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

BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	For the Three Months Ended September 30,		For the Six Month Ended September 30,	
	2019	2018	2019	2018
License revenues	\$ 645,602	\$ -	\$ 1,273,071	\$ -
Operating expenses:				
Research and development	(2,849,990)	(647,866)	(5,173,503)	(1,711,011)
General and administrative	(2,064,872)	(1,765,489)	(4,247,430)	(2,458,494)
Operating expenses	<u>(4,914,862)</u>	<u>(2,413,355)</u>	<u>(9,420,933)</u>	<u>(4,169,505)</u>
Operating loss	<u>(4,269,260)</u>	<u>(2,413,355)</u>	<u>(8,147,862)</u>	<u>(4,169,505)</u>
Other income (loss)				
Realized and unrealized gain (loss) from marketable securities	142,806	2,805	(2,164,513)	8,208
Dividend income	30,691	31,085	34,067	63,986
Foreign exchange loss	(1,977)	(4,167)	(253)	(966)
Other expenses	-	(5,587)	-	(9,289)
Total other income (loss)	<u>171,520</u>	<u>24,136</u>	<u>(2,130,699)</u>	<u>61,939</u>
Net loss	<u>\$ (4,097,740)</u>	<u>\$ (2,389,219)</u>	<u>\$ (10,278,561)</u>	<u>\$ (4,107,566)</u>
Net basis and diluted loss per share	<u>\$ (0.38)</u>	<u>\$ (0.28)</u>	<u>\$ (1.03)</u>	<u>\$ (0.49)</u>
Weighted average number of shares of common stock used in computing basic and diluted net loss per share	<u>10,699,370</u>	<u>8,440,457</u>	<u>9,935,444</u>	<u>8,420,281</u>

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

BEYOND AIR, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2019 (UNAUDITED)

	<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>Number</u>	<u>Amount</u>				
Balance as of April 1, 2019	8,714,815	\$ 871	\$ (25,000)	\$ 41,693,578	\$ (37,644,572)	\$ 4,024,877
At the market stock issuance of common stock, net,	250,000	25	-	1,173,785	-	1,173,810
Issuance of common stock upon exercise of options	32,122	3	-	83,854	-	83,857
Issuance of common stock pursuant to a private placement, net of offering cost	1,583,743	159	-	7,839,336	-	7,839,495
Stock-based compensation				919,037		919,037
Net loss	-	-	-	-	(6,180,821)	(6,180,821)
Balance as of June 30, 2019	<u>10,580,680</u>	<u>\$ 1,058</u>	<u>\$ (25,000)</u>	<u>\$ 51,709,590</u>	<u>\$ (43,825,393)</u>	<u>\$ 7,860,255</u>

	<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>Number</u>	<u>Amount</u>				
Balance as of July 1, 2019	10,580,680	\$ 1,058	\$ (25,000)	\$ 51,709,590	\$ (43,825,393)	\$ 7,860,255
At the market stock issuance of common stock, net	160,000	16	-	808,168	-	808,184
Issuance of common stock upon exercise of options	6,100	1	-	25,924	-	25,925
Stock-based compensation				922,997		922,997
Net loss	-	-	-	-	(4,097,740)	(4,097,740)
Balance as of September 30, 2019	<u>10,746,780</u>	<u>\$ 1,075</u>	<u>\$ (25,000)</u>	<u>\$ 53,466,679</u>	<u>\$ (47,923,133)</u>	<u>\$ 5,519,621</u>

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

BEYOND AIR, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE THREE AND SIX MONTHS ENDED SEPTEMBER 30, 2018 (UNAUDITED)

	<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>Number</u>	<u>Amount</u>				
Balance as of April 1, 2018	8,397,056	\$ 840	\$ (25,000)	\$ 32,141,110	\$ (30,572,750)	\$ 1,544,200
Adjustment due to the adoption of ASU-2017-11) (A)				6,194,292	(516,358)	5,677,934
Issuance of common stock upon exercise of options	9,601	1		(1)		-
Stock-based compensation				80,000		80,000
Net loss					(1,718,347)	(1,718,347)
Balance as of June 30, 2018	<u>8,406,657</u>	<u>\$ 841</u>	<u>\$ (25,000)</u>	<u>\$ 38,415,401</u>	<u>\$ (32,807,455)</u>	<u>\$ 5,583,787</u>

(A) The Company elected to adopt Accounting Standards Update 2017-11 retrospective to outstanding financial instruments with down round feature by means of cumulative-effect adjustment to the beginning additional paid-in capital of \$6,194,292 and accumulated deficit of \$(516,358) as of April 1, 2018. This ASU affects all entities that issue financial instruments (for example, warrants or convertible instruments) that include down round features.

	<u>Common Stock</u>		<u>Treasury Stock</u>	<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Total Shareholders' Equity</u>
	<u>Number</u>	<u>Amount</u>				
Balance as of July 1, 2018	8,406,657	\$ 841	\$ (25,000)	\$ 38,415,401	\$ (32,807,455)	\$ 5,583,787
At the market stock issuance of common stock, net	117,000	11		(18,511)		(18,500)
Stock-based compensation				842,010		842,010
Net loss					(2,402,519)	(2,392,024)
Balance as of September 30, 2018	<u>8,523,657</u>	<u>\$ 852</u>	<u>\$ (25,000)</u>	<u>\$ 39,238,900</u>	<u>\$ (35,209,974)</u>	<u>\$ 4,004,778</u>

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

BEYOND AIR, INC. AND ITS SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	For the Six Months Ended September 30,	
	2019	2018
Cash flows from operating activities		
Net loss	\$ (10,278,561)	\$ (4,107,566)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization of property and equipment	33,819	30,591
Amortization of intangible asset	63,199	-
Amortization right- of-use lease assets	30,578	-
Stock-based compensation	1,836,034	922,010
Realized and unrealized loss (gain) from marketable securities	2,164,513	(11,013)
Changes in:		
Other current assets and prepaid expenses	374,374	(66,168)
Accounts payable	939,651	20,367
Accrued expenses	500,610	(895,252)
Lease payments	(24,508)	-
Deferred revenue	(1,273,071)	-
Net cash used in operating activities	<u>(5,633,362)</u>	<u>(4,107,031)</u>
Cash flows from investing activities		
Investment in marketable securities	(11,856,706)	(60,887)
Proceeds from redemption of marketable securities	8,749,041	3,816,000
Purchase of property and equipment	(17,736)	(36,487)
Net cash (used in) provided by investing activities	<u>(3,125,401)</u>	<u>3,718,626</u>
Cash flows from financing activities		
Issuance of common stock in private placement, net of offering cost	7,839,495	-
Issuance of common stock related to at the market offerings, net of offering costs	1,981,994	(18,500)
Payment of loan	(175,022)	-
Proceeds from the exercise of stock options	109,782	-
Net cash provided by (used in) financing activities	<u>9,756,249</u>	<u>(18,500)</u>
Increase (decrease) in cash, cash equivalents and restricted cash	997,486	(406,905)
Cash, cash equivalents and restricted cash at beginning of period	1,357,137	739,234
Cash, cash equivalents and restricted cash at end of period	<u>\$ 2,354,623</u>	<u>\$ 332,329</u>
Supplemental disclosure of non-investing activities		
Right-of-use assets	\$ 258,605	\$ -
Operating lease liability	\$ 266,570	\$ -
Supplemental disclosure of cash flow items:		
Interest paid	\$ 3,082	\$ -

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

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 1 ORGANIZATION AND BUSINESS

Beyond Air, Inc. (“Beyond Air” or the “Company”) was incorporated on April 24, 2015 as KokiCare, Inc. under the laws of the State of Delaware. On January 9, 2017, the name of the Company was changed to AIT Therapeutics, Inc. The Company filed an Amendment to its Certificate of Incorporation to change its name from AIT Therapeutics, Inc. to Beyond Air, Inc., effective June 26, 2019.

Advanced Inhalation Therapies Ltd. was incorporated in Israel on May 1, 2011 and is a wholly-owned subsidiary of the Company. On August 29, 2014 Advanced Inhalation Therapies Ltd, established a subsidiary, Advanced Inhalation Therapies Inc. On July 4, 2019, Advanced Inhalation Therapies Ltd.’s name was changed to Beyond Air, Ltd. (“BA Ltd.”).

In December 2016, the Company consummated a reverse merger with KokiCare, Inc. Under reverse recapitalization accounting, BA Ltd. was considered the acquirer for accounting and financial reporting purposes. Consequently, the unaudited condensed consolidated financial statements of the Company reflect the operations of the acquirer for accounting purposes together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of the legal acquirer and a recapitalization of the equity of the accounting acquirer. These unaudited condensed consolidated financial statements include the accounts of the Company since the effective date of the reverse capitalization and the accounts of BA Ltd. since inception.

The Company is an emerging medical device company that is developing a Nitric Oxide (“NO”) delivery system that generates NO from ambient air. Since its inception, the Company has devoted substantially all of its efforts to business planning and research and development.

Liquidity Risks and Uncertainties

As shown in the accompanying financial statements, the Company has incurred cash used in operating activities of \$5,633,362 for the six months ended September 30, 2019 and has accumulated losses of \$47.9 million. The Company has cash, cash equivalents and marketable securities of \$9.4 million as of September 30, 2019. Included in marketable securities are common shares of Circassia Pharmaceuticals plc of \$1.9 million, see Note 3 and 9. Based upon the Company’s current business plan, and expected cash utilization, the Company estimates that it will have enough cash, including the proceeds from the sale of all its marketable securities, to operate its business for at least one year from the filing of the Company’s September 30, 2019 10-Q.

The Company’s future capital needs and the adequacy of its available funds will depend on many factors, including the cost of clinical studies and other actions needed to obtain regulatory approval of our medical devices in development. The Company will be required to raise additional funds through sale of equity or debt securities or through strategic collaboration and/or licensing agreements, to fund operations and continue our clinical trials until the Company is able to generate enough product or royalty revenues, if any. Financing may not be available on acceptable terms, or at all, and our failure to raise capital when needed could have a material adverse effect on our growth plans, our results of operations and our financial condition.

On July 2, 2019, the SEC declared effective the Company’s Form S-3 shelf registration statement which allows the Company to sell up to \$100 million of equity securities.

In addition, the Company has a \$20 million purchase agreement (“Purchase Agreement”) and a registration rights agreement with Lincoln Park Capital Fund, LLC (“LPC”), providing for the issuance of up to \$20 million of the Company’s common stock through August 2021 at the Company’s discretion, see Note 5.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required to be presented for complete financial statements. The accompanying unaudited condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The accompanying unaudited condensed consolidated Balance Sheet as of March 31, 2019 has been derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2019. The unaudited condensed consolidated financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements and the related notes thereto included in the Annual Report on Form 10-K for the year ended March 31, 2019 which was filed with the United States Securities and Exchange Commission, ("SEC"), on June 28, 2019.

Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of the Company and the accounts of BA Ltd. All intercompany balances and transactions have been eliminated in the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Actual results could differ from those estimates. The Company's significant estimates are accrual of expenses under consulting and licensing agreements, stock-based compensation, assumptions associated with revenue recognition, and the determination of deferred tax attributes and the valuation allowance thereon.

Other Risks and Uncertainties

The Company is subject to risks common to medical device companies including, but not limited to, new technological innovations, dependence on key personnel, protection of proprietary technology, compliance with government regulations, product liability, uncertainty of market acceptance of products and the potential need to obtain additional financing. The Company is dependent on third party suppliers, in some cases single-source suppliers.

There can be no assurance that the Company's products will be accepted in the marketplace, nor can there be any assurance that any future products can be developed or manufactured at an acceptable cost and with appropriate performance characteristics, or that such products will be successfully marketed, if at all.

The Company's products require approval or clearance from the U.S. Food and Drug Administration prior to commencing commercial sales in the United States. The Company is expected to file a Premarketing (PMA) Approval application before the end of its fiscal year end on March 31, 2020 for its first product. There can be no assurance that the Company's products will receive all of the required approvals or clearances. Approvals or clearances are also required in foreign jurisdictions in which the Company may license or sell its products. If the Company is denied such approvals or clearances or such approvals or clearances are delayed, it may have a material adverse impact on the Company's results of operations, financial position and liquidity.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentrations

The Company's license revenue was from two milestone payments from one customer. The Company is seeking additional Partners outside of the United States and China.

The Company relies on two vendors to manufacture its delivery system. The Company is reliant on the vendors for commercial manufacturing of our LungFit™ generator and delivery systems and nitrogen dioxide filters for both clinical studies and commercial supply, if regulatory approval is received.

Financial Instruments

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents and marketable securities. The Company maintains its cash and cash equivalents in bank deposit and other interest-bearing accounts in major banks in Israel and the U.S., the balances of which, at times, may exceed federally insured limits.

The Company has no off-balance-sheet concentration of credit risk such as foreign exchange contracts, option contracts or other foreign hedging arrangements.

Cash equivalents are short-term highly liquid investments that are readily convertible to cash with original maturities of three months or less at acquisition.

Restricted Cash

As of September 30, 2019, restricted cash includes \$442,000 of cash that is designated for a contract manufacturer. This cash is expected be used for parts that require a long lead time. Collateral for vehicle leases are invested in bank deposit accounts which is restricted and as of September 30, 2019 was \$17,234 and as of March 31,2019 was \$16,934.

The following table is the reconciliation of the recently adopted accounting standard that modifies certain aspects of the recognition, measurement, presentation and disclosure of financial instruments as shown on the Company's unaudited condensed consolidated statements of cash flows:

	<u>September 30, 2019</u>	<u>March 31, 2019</u>
Cash and cash equivalents	\$ 1,895,389	\$ 1,340,203
Restricted cash	459,234	16,934
Cash and cash equivalents and restricted cash	<u>\$ 2,354,623</u>	<u>\$ 1,357,137</u>

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

The Company recognizes revenue when we transfer promised goods or services to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services. To determine revenue recognition for contracts with customers we perform the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligation(s) in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation(s) in the contract; and (v) recognize revenue when (or as) we satisfy the performance obligation(s). At contract inception, we assess the goods or services promised within each contract, assess whether each promised good or service is distinct and identify those that are performance obligations.

The Company must use judgment to determine: a) the number of performance obligations based on the determination under step (ii) above and whether those performance obligations are distinct from other performance obligations in the contract; b) the transaction price under step (iii) above; and c) the stand-alone selling price for each performance obligation identified in the contract for the allocation of transaction price in step (iv) above. The Company uses judgment to determine whether milestones or other variable consideration, except for royalties, should be included in the transaction price. The transaction price is allocated to each performance obligation on an estimated stand-alone selling price basis, for which the Company recognizes revenue as or when the performance obligations under the contract are satisfied, see, Note 9.

Where a portion of non-refundable up-front fees or other payments received are allocated to continuing performance obligations under the terms of a license arrangement, they are recorded as contract liabilities and recognized as revenue when (or as) the underlying performance obligation is satisfied.

Segment reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. To date, we have viewed our operations and managed our business as one segment.

Income Taxes

The Company accounts for income taxes using the asset and liability method. Accordingly, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred 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 tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective. Tax benefits are recognized when it is probable that the deduction will be sustained. A valuation allowance is established when it is more likely than not that all or a portion of a deferred tax asset will either expire before the Company is able to realize the benefit, or that future deductibility is uncertain. As of September 30, 2019, and March 31, 2019, the Company recorded a valuation allowance to the full extent of our net deferred tax assets since the likelihood of realization of the benefit does not meet the more likely than not threshold.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company files a U.S. Federal, various state, and International income tax returns. Uncertain tax positions are reviewed on an ongoing basis and are adjusted in light of changing facts and circumstances. Such adjustment is reflected in the tax provision when appropriate. The Company will recognize interest and penalties, if any, related to unrecognized tax benefits in income taxes in the statements of operations and comprehensive loss. The Company has a liability in accrued expenses of \$154,300 for uncertain tax positions as of September 30, 2019 and March 31, 2019. Tax returns that are open for examination for Beyond Air since 2015 and for BA Ltd since 2013.

Foreign Exchange Transactions

BA Ltd. operations are in Israel and Beyond Air's operations are in the United States. The Company's management believes that the U.S. dollar is the currency of the primary economic environment in which the Company operates and expects to continue to operate in the foreseeable future. Thus, the functional and reporting currency of the Company is the U.S. dollar. The Company's transactions and balances denominated in U.S. dollars are presented at their original amounts. Non-dollar transactions and balances have been re-measured to U.S. dollars in accordance with the Accounting Standards Board Codification Topic 830, "Foreign Currency Matters".

Stock-Based Compensation

The Company measures the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. Fair value for restricted stock awards is valued using the closing price of the Company's stock on the date of grant. That cost is recognized over the period during which an employee is required to provide service in exchange for the award - the requisite service period. The grant-date fair value of employee share options is estimated using the Black-Scholes option pricing model adjusted for the unique characteristics of those instruments. The risk-free interest rate assumptions were based upon the observed interest rates appropriate for the expected term of the equity instruments. The expected dividend yield was assumed to be zero as the Company has not paid any dividends since its inception and does not anticipate paying dividends in the foreseeable future. The Company does not have enough history to establish volatility based upon its own stock trading. Therefore, the expected volatility was based similar publicly traded peer companies. The Company routinely reviews its calculation of volatility based on, the Company's life cycle, its peer group, and other factors.

The Company uses the simplified method for share-based compensation to estimate the expected term. Compensation expense for options and warrants granted to non-employees is determined by the fair value of the consideration received or the fair value of the equity instruments issued, whichever is more reliably measured, and is recognized over the service period. The expense was previously adjusted to fair value at the end of each reporting period until such awards vested, and the fair value of such instruments, as adjusted, was expensed over the related vesting period. Adjustments to fair value at each reporting date resulted in income or expense, depending upon the estimate of fair value and the amount of expense recorded prior to the adjustment. In June 2018, the FASB issued ASU No. 2018-07, Stock-based Compensation: Improvements to Nonemployee Share-based Payment Accounting, which amends the existing accounting standards for share-based payments to nonemployees. This ASU aligns much of the guidance on measuring and classifying nonemployee awards with that of awards to employees. Under the new guidance, the measurement of nonemployee equity awards is fixed on the grant date. We adopted this ASU the fourth quarter of fiscal 2019, and as a result, the fair value of all non-employee awards became fixed at the start of the fourth quarter.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment in Marketable Securities

Investments in equity marketable securities classified available-for-sale are carried at fair value with the changes in unrealized gains and losses recognized in the Company's results in operations. Realized gains and (losses) from the sale of marketable securities are recognized in the statement of operations using the specific identification method on a trade date basis. Additionally, we assess our marketable debt securities for potential other-than-temporary impairment. If the cost of an investment exceeds its fair value, we evaluate, among other factors, the magnitude and duration of the decline in fair value.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated amortization. Depreciation and amortization is calculated using the straight-line method over the estimated useful life of the assets as follows:

Computers equipment	Three years
Furniture and fixtures	Seven years
Clinical and medical equipment	Fifteen years
Leasehold improvements	Shorter of term of lease or estimated useful life of the asset

Licensed Right to Use Technology

Licensed right to use technology is an intangible asset resulting from the NitricGen transaction, see Note 11. The intangible asset was valued based upon the fair value of the options issued to NitricGen and the cash paid for this transaction. The license contains two future milestone additional payments aggregating \$1,800,000. The intangible asset is being amortized on a straight-line method over its estimated useful life of thirteen years.

Impairment of Long-Lived Assets

The Company assess the impairment of long-lived assets on an ongoing basis and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider that could trigger an impairment review include the following:

- significant underperformance relative to expected historical or projected future operating results,
- significant changes in the manner of our use of the acquired assets or the strategy for our overall business,
- significant negative regulatory or economic trends, and
- significant technological changes, which would render equipment and manufacturing processes obsolete.

Recoverability of assets that will continue to be used in our operations is measured by comparing the carrying value to the future net undiscounted cash flows expected to be generated by the asset or asset group. Future undiscounted cash flows include estimates of future revenues, driven by market growth rates, and estimated future costs. There were no events during the reporting periods that were deemed to be a triggering event that would require an impairment assessment.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

Net Loss Per Share

Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by dividing net income (loss) for the period by the weighted average number of shares of common stock and potentially dilutive common stock outstanding during the period. The dilutive effect of outstanding options, warrants, and other stock-based compensation awards is reflected in diluted net income (loss) per share by application of the treasury stock method. The calculation of diluted net income (loss) per share excludes all anti-dilutive common shares. For periods in which the Company has reported net losses, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, because such common shares are not assumed to have been issued if their effect is anti-dilutive, see Note 8.

Recently Adopted Accounting Pronouncements

On April 1, 2019, the Company adopted Accounting Standards Update No. 2016-02, Leases (Topic 842) (ASU 2016-02), as amended, which generally requires lessees to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet and to provide enhanced disclosures surrounding the amount, timing and uncertainty of cash flows arising from leasing arrangements. The Company early adopted the new guidance using the modified retrospective transition approach and practical expedients to all leases existing at the date of initial application and not restating comparative periods, see Note 11.

Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. Certain adjustments to the right-of-use asset may be required for items such as prepaid or accrued rent. The interest rate implicit in our leases is typically not readily determinable. As a result, the Company utilizes its incremental borrowing rate, which reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. In transition to ASC 842, the Company utilized the remaining lease term of its leases in determining the appropriate incremental borrowing rates. The weighted average discount rate and remaining term on lease obligation is approximately 8.3% and 3.7 years. Operating lease expense is recognized on a straight-line basis over the lease term and is included in general and administrative expenses. Amortization expense for finance (capital) leases is recognized on a straight-line basis over the lease term and is included in general and administrative expenses and research and development expenses, while interest expense for finance leases is recognized using the effective interest method.

As of the April 1, 2019, the adoption date, the Company has identified three operating lease arrangements. The adoption of ASC 842 resulted in the recognition of operating lease liabilities and right-of-use assets of approximately of \$266,600 and \$258,600, respectively. The adoption of the standard did not have a material effect on the Company's unaudited condensed consolidated statements of operation and comprehensive loss or unaudited condensed consolidated statements of cash flows.

Recent Accounting Pronouncements Not Yet Adopted

There have been no recent accounting pronouncements or changes in accounting standard during the three and six months ended September 30, 2019, as compared to the recent accounting standards described in the Company's Annual Report on Form 10-K for the year ended March 31, 2019, that are of significance or potential significance to the Company.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 3 FAIR VALUE MEASUREMENT

The Company's financial instruments primarily include cash, cash equivalents, restricted cash, marketable securities and accounts payable. Due to the short-term nature of cash, cash equivalents and accounts payable, the carrying amounts of these assets and liabilities approximate their fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value. A fair value hierarchy has been established for valuation inputs that gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value hierarchy is as follows:

- Level 1 - quoted prices in active markets for identical assets or liabilities;
- Level 2 - inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; or
- Level 3 - unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

	As of September 30, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable equity securities -				
Circassia Pharmaceuticals plc, see Note 9	\$ 1,890,748			\$ 1,890,748
Mutual funds: short-term fixed income	5,595,071			5,595,071
	\$ 7,485,819	\$ -	\$ -	\$ 7,485,819

	As of March 31, 2019			
	Level 1	Level 2	Level 3	Total
Assets				
Marketable equity securities -				
Circassia Pharmaceuticals plc, see Note 9	\$ 5,649,486			\$ 5,649,486
Mutual funds: short-term fixed income	893,181			893,181
	\$ 6,452,667	\$ -	\$ -	\$ 6,542,667

Net gains and (losses) recognized during the three and six months ended September 30, 2019 from marketable equity securities were \$142,806 and \$(2,164,513) respectively. Net unrealized gains for the three and six months ended September 30, 2018 were \$2,805 and \$8,208, respectively. Unrealized net losses recognized during the three and six months ended September 30, 2019 from marketable equity securities held were \$62,635 and \$(1,467,409), respectively.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 4 PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of September 30, 2019 and March 31, 2019, respectively:

	<u>September 30, 2019</u>	<u>March 31, 2019</u>
Clinical and medical equipment	\$ 357,795	\$ 357,795
Computer equipment	50,476	42,782
Furniture and fixtures	51,506	41,464
Leasehold improvements	5,336	5,336
	<u>465,113</u>	<u>447,377</u>
Accumulated depreciation and amortization	<u>(236,324)</u>	<u>(202,505)</u>
	<u>\$ 228,789</u>	<u>\$ 244,872</u>

Depreciation and amortization expense related to fixed assets for the three and six months ended September 30, 2019 and September 30, 2018 was \$15,917, \$16,775, \$33,819 and \$30,591 respectively.

NOTE 5 SHAREHOLDER'S EQUITY

In August 2018, the Company entered into a Stock Purchase Agreement with Lincoln Park ("LPC") Corporation for \$20 million (the Purchase Agreement). The Company may sell and issue LPC and LPC is obligated to purchase up to \$20 million in value of shares of common stock from time to time over three years. The Company may direct LPC, at its sole discretion, and subject to certain conditions, to purchase up to 10,000 to 30,000 shares of common stock on any business day, provided that at least one business day has passed since the most recent purchase. The amount of a purchase may be increased under certain circumstances provided, however that LPC cannot make any single purchase that exceeds \$750,000. The purchase price of shares of common stock related to the future funding will be based on the then prevailing market prices of such shares at the time of sales as described in the Stock Purchase Agreement. For the six months ended September 30, 2019, the Company received proceeds of \$1,981,994 from the sale of 410,000 shares of the Company's stock at an average price per share of \$4.83. There is \$16,673,821 remaining under the Purchase Agreement as of September 30, 2019.

On July 2, 2019, the SEC declared effective, the Company's Form S-3 shelf registration statement which allows the Company to sell up to \$100 million of equity securities.

On June 3, 2019, the Company entered into a Stock Purchase Agreement with investors for the issuance of 1,583,743 registered shares of common stock. The Company raised net proceeds was \$7,839,494 and sold it through the Company's S-3. The Company's CEO participated in this offering by investing \$300,000 and receiving 58,253 shares of common stock at \$5.15 per share. In addition, LPC invested \$500,000 and received 100,000 shares of common stock at \$5.00 per share. This investment was not part of the Stock Purchase Agreement.

Stock to be Issued to a Vendor

As of March 31, 2019, the Company was obligated to issue 30,000 shares to a vendor for services related to investor relations. The Company recorded stock-based compensation of \$144,000 for the shares to be issued, or \$4.80 per share, the fair market value. The Company recorded this obligation as a liability for shares to be issued. For the three months and six months ended September 30, 2019, the Company recorded stock-based compensation of \$(28,500) and \$ (6,000), respectively, which was due the change in the fair market value of the stock to be issued. The fair market value of the liability as of September 30, 2019 was \$138,000.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 5 SHAREHOLDER'S EQUITY (continued)

Issuance of Restricted Shares

On December 26, 2018, the Board of directors approved the issuance of 304,000 and 36,000 shares of restricted stock to the board of directors, officers, employees and consultants to be granted on December 31, 2018 and January 1, 2019, respectively. Fair value for restricted stock awards is valued using the closing price of the Company's stock on the date of grant. Restricted stock vests annually over five years. During the three and six months ended September 30, 2019, 5,000 shares of restricted stock were forfeited. The Company recorded stock-based compensation expense of \$219,269 and \$348,279 for the three and six months ended September 30, 2019 associated with these grants.

Stock Option Plan

The Company has an amended and restated Equity Incentive Option Plan (the "2013 Plan"), that grants stock options, restricted stock units and restricted shares to officers, directors, employees, and non-employees for shares of the Company's stock. The options vesting terms are generally between two to four years and expire up to ten years after the grant date. On December 26, 2018 and February 13, 2019, the Board of Directors authorized the increase of an additional 600,000 and 1,000,000 shares to a total of 3,100,000 shares for issuance under the 2013 Plan, respectively. As of September 30, 2019, there are 288,707 options available for future grants.

A summary of the Company's options for the six months ended September 30, 2019, is as follows:

	<u>Number Of Options</u>	<u>Weighted Average Exercise Price - Options</u>	<u>Weighted Average Remaining Contractual Life-Options</u>	<u>Aggregate Intrinsic Value</u>
Options outstanding as of April 1, 2019	2,375,812	\$ 4.32	9.2	\$ 523,820
Granted	30,000	4.92		-
Exercised	(38,222)	2.87		(81,051)
Forfeited	(25,643)	4.87		-
	<u>2,341,947</u>	<u>\$ 4.52</u>	<u>8.7</u>	<u>\$ 442,769</u>
Outstanding as of September 30, 2019				
Exercisable as of September, 30, 2019	<u>824,699</u>	<u>\$ 4.37</u>	<u>7.9</u>	<u>\$ 246,834</u>

As of September 30, 2019, the Company has unrecognized stock-based compensation expense of approximately \$2,570,361 related to unvested stock options and is expected to be expensed over the weighted average remaining service period of 1.7 years. The weighted average fair value of options granted was \$3.49 per share during the six months ended September 30, 2019. The following were utilized on the date of grant:

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 5 SHAREHOLDER'S EQUITY (continued)

	Three Months September 30, 2019	Three Months September 30, 2018	Six Months September 30, 2019	Six Months September 30, 2018
Risk -free interest rate	1.4% - 2.3%	2.5-3.1%	1.4% -2.3%	2.5-3.1%
Expected volatility	82.3- 83.4%	80.7-81.2%	82.3 – 83.4%	80.7-81.2%
Dividend yield	0%	0	0%	0%
Expected terms (in years)	6.25	5-9.9	6.25	5-9.9

The following summarizes the components of stock-based compensation expense for the three and six three months ended September 30, 2019 and September 30, 2018, respectively

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	2019	2018
Research and development	\$ 183,766	\$ 26,766	\$ 333,688	\$ 96,193
General and administrative	739,231	815,244	1,508,346	825,817
Total stock-based compensation expense	\$ 922,997	\$ 842,010	\$ 1,842,034	\$ 922,010

Warrants

A summary of the Company's outstanding warrants as of September 30, 2019 are as follows:

Warrant Holders	Number Of Warrants	Exercise Price	Date Of Expiration
January 2017 offering - investors	1,701,616	\$ 4.25	January 2022(a)
January 2017 offering - investors	1,701,616	\$ 4.25	February 2022(a)
March 2017 offering - investors	220,988	\$ 4.25	March 2022(a)
March 2017 offering - placement agent	11,050	\$ 4.25	March 2022(a)
February 2018 offering - investors	2,299,802	\$ 4.25	February 2021
Pulmonox license agreement	208,333	\$ 4.80	January 2024
Total	6,143,405		

(a) These warrants have down round protection.

There were no warrants exercised during any periods presented.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 6 CURRENT ASSETS AND PREPAID EXPENSES

A summary of current assets and prepaid expenses as of September 30, 2019 and March 31, 2019 is as follows:

	September 30, 2019	March 31, 2019
Research and development	\$ 55,578	\$ 324,063
Insurance	110,742	297,945
Other	247,713	166,401
	<u>\$ 414,033</u>	<u>\$ 788,409</u>

NOTE 7 ACCRUED EXPENSES

A summary of the accrued expenses as of September 30, 2019 and March 31, 2019 is as follows:

	September 30, 2019	March 31, 2019
Research and development	\$ 785,428	\$ 103,320
Professional fees	767,000	1,030,127
Income taxes payable	154,300	154,300
Employee salaries and benefits	223,201	183,271
Other	138,316	96,620
Total	<u>\$ 2,068,245</u>	<u>\$ 1,567,638</u>

NOTE 8 BASIC AND DILUTED NET INCOME (LOSS) PER COMMON SHARE

The following potentially dilutive securities were not included in the calculation of diluted net loss per share attributable to common stockholders because their effect would have been anti-dilutive for the three and six months ended September 30:

	2019	2018
Common stock warrants	6,143,405	6,143,405
Common stock options	2,353,115	1,394,972
Restricted shares	335,000	-
Total	<u>8,831,520</u>	<u>7,538,377</u>

NOTE 9 LICENSE AGREEMENT

On January 23, 2019, the Company entered into an agreement for commercial rights (“the License Agreement”) with Circassia Pharmaceuticals plc, (located in the United Kingdom) for persistent pulmonary hypertension of the newborn (PPHN) and future related indications at concentrations of ≤ 80 ppm in the hospital setting in the United States and China. The Company may receive payments up to \$32.55 million in up front and regulatory milestones, of which \$31.5 million is associated with the U.S. market. All such payments are payable in cash or ordinary shares of Circassia Pharmaceuticals plc, at the discretion of Circassia Pharmaceuticals, Inc., with payments in cash discounted by approximately 5%. Royalties are payable only in cash.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9 LICENSE AGREEMENT (continued)

This contract was evaluated under ASC 606, which was adopted by the Company during fiscal 2019. Based upon the evaluation, it was determined that the contract consists of five performance obligations, as follows:

- Performance Obligation 1: non-exclusive transfer of functional intellectual property rights to Circassia, which includes:
 - the consummation of the License, Development, and Commercialization Agreement, which included significant pre-agreement negotiation, product specification, and
 - the successful completion of the pre-submission meeting with the FDA. At this meeting the FDA reinforced their assessment of LungFit™ PH as a medical device and the requirements for approval.
- Performance Obligation 2: ongoing support associated with the PMA submission and regulatory approval by the FDA. This also includes development activities including manufacturing readiness process ahead of the approval.
- Performance Obligation 3: launch of the approved product in the field in the USA upon FDA regulatory approval
- Performance obligation 4: FDA approval of the product in the field for use in cardiac surgery
- Performance obligation 5: regulatory approval in China for marketing and sale of the product in China for any indication

In consideration of the rights and licenses granted to Circassia by the Company, Circassia shall pay the Company the following five milestone amounts in US dollars or Circassia shares:

- \$7.35 million upon signing or 12,300,971 ordinary shares of Circassia Pharmaceuticals plc;
- \$3.15 million payable within five (5) business days following the successful completion of a Food and Drug Administration (the “FDA”) pre-submission meeting or 5,271,844 ordinary shares of Circassia Pharmaceuticals plc;
- \$12.6 million payable on the sooner of ninety (90) days post FDA approval of the Product or the launch of the Product in the United States,
- \$8.4 million payable within five (5) business days following the approval by the FDA of the Product in certain hospital and clinic settings for use in cardiac surgery; and
- \$1.05 million payable within five (5) business days following approval by the FDA equivalent in China for marketing and sale of the Product.

In addition, Circassia shall pay the Company the following royalty amounts until expiration of all of the applicable patents:

- A one-time 5% royalty on the first cumulative \$50 million in gross profit in the United States;
- A one-time 5% royalty on the first cumulative \$20 million in gross profit in China;

Thereafter, running royalty amounts of 15% of annual gross profit (United States & China combined) up to and including \$100 million and 20% of annual gross profit (United States & China combined) exceeding \$100 million.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 9 LICENSE AGREEMENT (continued)

Following expiration of the patents, Circassia shall pay the Company a 14% royalty on annual gross profits up to and including \$100 million and a 19% royalty on annual gross profits exceeding \$100 million.

Due to the consideration constraints associated with milestones 3, 4, and 5, only the amounts associated with milestone 1 and 2 have been allocated. During the three months ended March 31, 2019, the Company met the first two milestones under the license agreement and received 17,572,815 ordinary shares valued at \$9,987,295. This consideration was allocated to the first two performance obligations, one being the transfer of the intellectual property to Circassia, which was recognized at a point in time and was valued at \$7,116,232 and the other being the ongoing support associated with the PMA submission and regulatory approval by the FDA, which was valued at \$2,871,063 and recorded as deferred revenue to be recognized over a period of time from the commencement of the agreement to when management expects to submit the PMA. For the three and six months ended September 30, 2019, \$645,602 and \$1,273,071, respectively of such revenue associated with this second performance obligation has been recognized. As of September 30, 2019, and March 31, 2019, deferred revenue was \$990,223 and \$2,263,294, respectively.

NOTE 10 LOAN PAYABLE

In January 2019, and in connection with the Company's insurance policy, a loan of \$292,500 was used to finance part of the premium. There are ten monthly payments of \$29,687 and the interest rate is 3.3% per annum. The balance as of September 30, 2019 and March 31, 2019 was \$88,582 and \$263,604, respectively.

NOTE 11 COMMITMENTS AND CONTINGENCIES

License Agreements

On October 22, 2013, the Company entered into a patent license agreement with CareFusion, pursuant to which Beyond Air agreed to pay to the third party a non-refundable upfront fee of \$150,000 and is obligated to pay 5% royalties of any licensed product net sales, but at least \$50,000 per annum through the term of the agreement and the advance is credited against future royalties payments. As of September 30, 2019, the Company did not pay any royalties since the Company did not have any revenues from this license. The term of the agreement extends through the life of applicable patents and may be terminated by either party with 60 days' prior written notice in the event of a breach of the agreement, and may be terminated unilaterally by CareFusion with 30 days' prior written notice in the event that we do not meet certain milestones.

In August 2015, BA Ltd entered into an Option Agreement (the "Option Agreement") with Pulmonox whereby BA Ltd acquired the Option to purchase certain intellectual property assets and rights (the "Option") on September 7, 2016 for \$25,000. On January 13, 2017, the Company exercised the Option and paid \$500,000. The Company becomes obligated to make certain one-time development and sales milestone payments to Pulmonox, commencing with the date on which we receive regulatory approval for the commercial sale of the first product candidate qualifying under the agreement. These milestone payments are capped at a total of \$87 million across three separate and distinct indications that fall under the agreement, with the majority of them, approximately \$83 million, being sales related based on cumulative sales milestones for each of the three products.

On January 31, 2018 the Company entered into an agreement ("Agreement") with NitricGen, Inc. ("NitricGen") acquire a global, exclusive, transferable license and associated assets including intellectual property, know-how, trade secrets and confidential information from NitricGen related to LungFit™. The Company acquired the licensing right to use the technology and agreed to pay NitricGen a total of \$2,000,000 in future payments based upon achieving certain milestones, as defined in the Agreement, and royalties on sales LungFit™. The Company paid NitricGen \$100,000 upon the execution agreement, \$100,000 upon achieving the next milestone and issued 100,000 options to purchase the Company's stock valued at \$295,000 upon executing the agreement. The remaining future milestone payments are \$1,800,00 of which \$1,500,000 in six months after the first approval of LungFit™ by the FDA or EMEA.

Employment Agreements

Certain officer agreements contain a change of control provision for payment of severance arrangements.

BEYOND AIR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

NOTE 11 COMMITMENTS AND CONTINGENCIES (continued)

Operating Leases

In March 2018, the Company entered into an operating lease for office space in Madison, Wisconsin. The lease commenced in March 2018, with the Company providing a security deposit of \$1,728, which is recorded as restricted cash in the unaudited condensed consolidated balance sheets. The lease agreement expires in April 2021, at which point the Company has the option to renew the lease for one additional five-year term. The renewal period was not included the lease term for purposes of determining the lease liability or right-of-use asset.

In May 2018, the Company entered into an operating lease for office space in Garden City, New York. The lease commenced in July 2018, with the Company providing a security deposit of \$9,771, which is recorded as restricted cash in the unaudited consolidated balance sheets. The lease agreement expires in June 2023, at which point the Company has the option to renew the lease for one additional three-year term. The renewal period was not included the lease term for purposes of determining the lease liability or right-of-use asset.

The Company has other operating lease agreements with commitments of less than one year or that are not significant. The Company elected the practical expedient option and as such these lease payments are expensed as incurred.

Other Information For The Six Months Ended September 30, 2019

Cash paid for amounts included in the measurement of lease liabilities:		
Cash paid	\$	40,799
Right-of-use assets obtained in exchange for new operating lease liabilities:		-
Weighted-average remaining lease term — operating leases		3.5 years
Weighted-average discount rate — operating leases		8.3%

Maturity of Lease Liabilities	Six months ended September 30, Operating Leases	
Remainder of 2020	\$	65,092
2021		58,741
2022		64,826
2023		64,693
2024		15,868
Total lease payments		269,220
Less: interest		(35,123)
Present value of lease liabilities	\$	234,097

Litigation Contingencies

On March 16, 2018, Empery Asset Master, Ltd., Empery Tax Efficient, LP and Empery Tax Efficient II, LP, (collectively, “Empery”), filed a complaint in the Supreme Court of the State of New York, relating to the notice of adjustment of both the exercise price of and the number of warrant shares issuable under warrants issued to Empery in January 2017. The Empery Suit alleges that, as a result of certain circumstances in connection with the February 2018 Offering, the January 2017 Warrants issued to Empery provide for adjustments to both the exercise price of the warrants and the number of warrant shares issuable upon such exercise. Empery seeks monetary damages and declaratory relief under theories of breach of contract or contract reformation predicated on mutual mistake. The Company continues to vigorously defend all claims. The Company believes they met the contractual requirements of the contract and properly adjusted the applicable warrants in accordance with the protection features.

Discovery remains ongoing in the litigation and it is not possible to determine or assess the probability of any particular outcome.

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

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains "forward-looking statements." Forward-looking statements include statements about our expectations, beliefs or intentions regarding our product offerings, business, financial condition, results of operations, strategies or prospects. You can identify such forward-looking statements by the words "expects," "intends," "plans," "projects," "believes," "estimates," "likely," "goal," "assumes," "targets" and similar expressions and/or the use of future tense or conditional constructions (such as "will," "may," "could," "should" and the like) and by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends or results as of the date such statements are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially and results anticipated in forward-looking statements. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance. We undertake no obligation to update, and we do not have a policy of updating or revising, these forward-looking statements, except as required by applicable law. Please see Item 1A "Risk Factors" contained in our most recently filed Annual Report on Form 10-K, and in this Quarterly Report on Form 10-Q for important factors that could cause actual results to differ materially from those in the forward-looking statements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Introduction

We are an emerging medical device and biopharmaceutical company developing a nitric oxide ("NO") generator and delivery system (the "LungFit™") that is capable of generating NO from ambient air. The LungFit™ can generate NO up to 400 parts per million ("ppm") for delivery to a patient's lungs. The LungFit™ can deliver NO either continuously or for a fixed amount of time at various flow rates and has the ability to either titrate dose on demand or maintain a constant dose. We believe that the LungFit™ can be used to treat patients on ventilators that require NO, as well as patients with chronic lung disease or acute severe lung infections via delivery through a breathing mask or similar apparatus. Furthermore, we believe that there is a high unmet medical need for patients suffering from certain severe lung infections that our Beyond Air LungFit™ can potentially address. Our initial areas of focus are persistent pulmonary hypertension of the newborn ("PPHN"), bronchiolitis ("BRO") and nontuberculous mycobacteria ("NTM"). Our current product candidates will be subject to premarket reviews and approvals by the U.S. Food and Drug Administration, or the FDA, as well as similar regulatory agencies in other countries or regions. If approved, our system will be marketed as a medical device in the U.S. The Company is expected to file a Premarketing ("PMA") Approval application before the end of its fiscal year end on March 31, 2020 for its first product.

With respect to PPHN, our novel LungFit™ is designed to deliver a dosage of NO to the lungs that is consistent with current guidelines for delivery of 20 ppm NO with a range of 0.5 ppm – 80 ppm (low-concentration NO). We believe our Beyond Air LungFit™ has many competitive advantages over the current approved NO delivery systems in the U.S., European Union, Japan and other markets. For example, our Beyond Air LungFit™ does not require the use of a high-pressure cylinder, utilizes less space than other similar devices, does not require cumbersome purging procedures and places less burden on hospital staff in carrying out safety procedures.

Our novel LungFit™ can also deliver a high concentration of NO to the lungs, which we believe has the potential to eliminate microbial infections, including bacteria, fungi and viruses, among other benefits. We believe current FDA approved NO vasodilation treatments would have limited success in treating microbial infections given the low concentrations of NO being delivered. Given that NO is produced naturally by the body as an innate immunity mechanism at a concentration of 200 ppm, supplemental high dose NO should aid in the body's fight against infection. Based on our clinical studies, we believe that 160 ppm is the minimum therapeutic dose to achieve the desired pulmonary antimicrobial effect of NO. To date, neither the FDA nor equivalent regulatory agencies in other countries or regions have approved any NO formulation and/or delivery system for the delivery of a dosage of NO at 160 ppm or higher to the lungs.

To date, we have not generated revenue from the sale of any product, and we do not expect to generate revenue unless and until we obtain marketing approval of, and commercialize, our product candidates. As of September 30, 2019, we had an accumulated deficit of \$47,923,133. Our financing activities are described below under "Liquidity and Capital Resources."

Critical Accounting Policies

The accounting policies followed in the preparation of our condensed consolidated financial statements appearing at the beginning of this Quarterly Report on Form 10-Q are consistent in all material respects with those included in Note 2 of our Annual Report on the Form 10-K for the year ended March 31, 2019. The unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP") for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required to be presented for complete financial statements. The accompanying condensed consolidated financial statements reflect all adjustments (consisting only of normal recurring items) which are, in the opinion of management, necessary for a fair presentation of the results for the interim periods presented. The accompanying condensed consolidated Balance Sheet as of March 31, 2019 has been derived from the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended March 31, 2019. The condensed consolidated financial statements and related disclosures have been prepared with the assumption that users of the interim financial information have read or have access to the audited consolidated financial statements for the preceding fiscal year. Accordingly, these financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto included in the Annual Report on Form 10-K for the year ended March 31, 2019 which was filed with the United States Securities and Exchange Commission, ("SEC"), on June 28, 2019.

Off-Balance Sheet Arrangements

As of September 30, 2019, we did not have any off-balance sheet arrangements as defined in the rules and regulations of the Securities and Exchange Commission.

Contractual Obligation

Please refer to Note 12 in our Annual Report on Form 10-K for the year ended March 31, 2019 under the heading Commitments and Contingencies. To our knowledge there have been no material changes to the risk factors that were previously disclosed in the Company's Annual Report on Form 10-K for the year ended March 31, 2019. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Results of Operations

Below are the results of operations for the three months ended September 30, 2019 and September 30, 2018:

	For the Three Months Ended September 30,	
	2019	2018
License revenues	\$ 645,602	\$ -
Operating expenses		
Research and development	(2,849,990)	(647,866)
General and administrative	(2,064,872)	(1,765,489)
Total operating expenses	(4,914,862)	(2,413,355)
Operating loss	(4,269,260)	(2,413,355)
Other income (loss)		
Realized and unrealized gain on marketable securities	142,806	2,805
Dividend income	30,691	31,085
Foreign exchange loss	(1,977)	(4,167)
Other expenses	-	(5,587)
Total other income	171,520	24,136
Net loss	\$ (4,097,740)	\$ (2,389,219)
Net loss per share – basic and diluted	\$ (0.38)	\$ (0.28)
Weighted average number of common shares outstanding – basic and diluted	10,699,370	8,400,327

Comparison of Three Months Ended September 30, 2019 with the Three Months Ended September 30, 2018

Revenue

License revenue for the three months ended September 30, 2019 was \$646,000 and \$0 for the three months ended September 30, 2018.

On January 23, 2019, the Company entered into an agreement for commercial rights (“the License Agreement”) with Circassia Pharmaceuticals plc, (“Circassia”) (located in the United Kingdom) for PPHN and future related indications at concentrations of ≤ 80 ppm in the hospital setting in the United States and China. The Company may receive payments up to \$32.55 million in up front and regulatory milestones, of which \$31.5 million is associated with the U.S. market. All such payments are payable in cash or ordinary shares of Circassia Pharmaceuticals plc, at the discretion of Circassia Pharmaceuticals, Inc., with payments in cash discounted by approximately 5%. During the three months ended March 31, 2019, the Company met the first two milestones under the license agreement and received 17,572,815 ordinary shares valued at \$9,987,295. This consideration was allocated to two separate identified performance obligations, one being the non-exclusive transfer of the intellectual property to Circassia, which was recognized at a point in time and was valued at \$9,987,295, and the other being the ongoing support associated with the PMA submission and regulatory approval by the FDA, which was initially valued at \$2.9 million and recorded as deferred revenue to be recognized over a period of time from the commencement of the agreement to when management expects to submit the PMA. During the three months ended September 30, 2019, \$646,000 of such deferred revenue associated with this second performance obligation has been recognized with \$1,881,000 being cumulatively recognized through September 30, 2019.

Research and development expenses

Research and development expenses for the three months ended September 30, 2019 was \$2,845,000 as compared to \$648,000 for the three months ended September 30, 2018. The increase of \$2,202,000 was primarily attributed to \$931,000 of development of LungFit™ for PPHN and pre-clinical studies increase of \$1,153,000 for other indications, an increase in salaries and benefits for new hires and an increase of \$157,000 in non-cash stock-based compensation.

General and administrative expenses

General and administrative expense for the three months ended September 30, 2019, was \$2,065,000 as compared to the three months September 30, 2018 of \$1,765,000. The difference of 300,000 was primarily attributed to an increase in professional fees of \$218,000, an increase of \$65,000 in salary and benefits due to the hiring of employees, an increase of \$95,000 in insurance, which was offset by a decrease of \$76,000 in non-cash stock-based compensation expense.

Comparison of Six Months Ended September 30, 2019 with the Six Months Ended September 30, 2018

Below are the results of operations for the six months ended September 30, 2019 and September 30, 2018:

	For the Six Months Ended September 30,	
	2019	2018
License revenues	\$ 1,273,071	\$ -
Operating expenses		
Research and development	(5,173,503)	(1,711,011)
General and administrative	(4,247,430)	(2,458,494)
Total operating expenses	<u>(9,420,933)</u>	<u>(4,169,505)</u>
Operating loss	<u>(8,147,862)</u>	<u>(4,169,505)</u>
Other income (loss)		
Realized and unrealized (loss) gain on marketable securities	(2,164,513)	8,208
Dividend income	34,067	63,986
Foreign exchange loss	(253)	(966)
Other expenses	-	(9,289)
Total other income	<u>(2,130,699)</u>	<u>61,939</u>
Net loss	<u>\$ (10,278,561)</u>	<u>\$ (4,115,774)</u>
Net loss per share – basic and diluted	<u>\$ (1.03)</u>	<u>\$ (0.49)</u>
Weighted average number of common shares outstanding – basic and diluted	<u>9,935,444</u>	<u>8,420,281</u>

Revenue

License revenue for the six months ended September 30, 2019 was \$1,273,000 and \$0 for the six months ended September 30, 2018.

On January 23, 2019, the Company entered into an agreement for commercial rights (“the License Agreement”) with Circassia Pharmaceuticals plc, (“Circassia”) (located in the United Kingdom) for PPHN and future related indications at concentrations of \leq 80 ppm in the hospital setting in the United States and China. The Company may receive payments up to \$32.55 million in up front and regulatory milestones, of which \$31.5 million is associated with the U.S. market. All such payments are payable in cash or ordinary shares of Circassia, at the discretion of Circassia Pharmaceuticals, Inc., with payments in cash discounted by approximately 5%. During the three months ended March 31, 2019, the Company met the first two milestones under the license agreement and received 17,572,815 ordinary shares valued at \$9,987,295. This consideration was allocated to two separate identified performance obligations, one being the non-exclusive transfer of the intellectual property to Circassia, which was recognized at a point in time and was valued at \$9,987,295, and the other being the ongoing support associated with the PMA submission and regulatory approval by the FDA, which was initially valued at \$2.9 million and recorded as deferred revenue to be recognized over a period of time from the commencement of the agreement to when management expects to submit the PMA. During the six months ended September 2019, \$1,273,000 of such deferred revenue associated with this second performance obligation has been recognized with \$1,881,000 being cumulatively recognized through September 30, 2019.

Research and development expenses

Research and development expenses for the six months ended September 30, 2019 was \$5,174,000 as compared to \$1,711,000 for the six months ended September 30, 2018. The increase of \$3,463,000 was primarily attributed to \$1,601,000 of development of the LungFit System for PPHN and pre-clinical studies of \$1,773,000 for other indications and an increase in stock-based compensation of \$277,000.

General and administrative expenses

General and administrative expense for the six months ended September 30, 2019, was \$4,247,000 as compared to the six months September 30, 2018 of 2,458,000. The difference of \$1,789,000 was primarily attributed to an increase of \$695,000 of non-cash stock-based compensation expense, an increase in professional fees of \$444,000, an increase of \$227,000 in salary and benefits due to the hiring of employees and an increase of insurance expense of \$136,000.

Other income (loss)

Other loss for the six months ended September 30, 2019 was \$2,131,000 and as compared to \$62,000 for the six months ended September 30, 2018. Other loss for the six months ended September 30 2019 was primarily from realized and unrealized loss of marketable securities of \$2,165,000.

Cash Flows

Below is a summary of the Company's cash flows activities for the six months ended September 30, 2019 and for the six months ended September 30, 2018:

	Six Months Ended	
	September 30,	
	2019	2018
Net cash provided by (used in):		
Operating activities	\$ (5,633,362)	\$ (4,107,031)
Investing activities	(3,125,401)	3,718,626
Financing activities	9,756,249	(18,500)
Net increase (decrease) in cash, cash equivalents and restricted cash	\$ 997,506	\$ (406,905)

Operating Activities

For the six months ended September 30, 2019, the net cash used in operating activities was \$5,633,000 which was primarily due to our net loss of \$10,279,000 and an increase in deferred revenue of \$1,273,000 which was offset by an increase in realized and unrealized loss in marketable securities of \$2,165,000 and non-cash stock-based compensation expense of \$1,836,000 and an increase in accounts payable and accrued expenses of \$1,440,000. For the six months ended September 30, 2018 net cash used in operating activities was \$4,107,000 which was primarily due to the net loss of \$4,116,000 and an increase in accrued expenses of \$895,000 which was offset by an increase in non-cash stock-based compensation expense of \$922,000.

Investing Activities

For the six months ended September 30, 2019 net cash used in investing activities was \$3,125,000 and for the six months ended September 30, 2018 net cash provided by investing activities was \$3,719,000. The primary use of cash for the six months September 30, 2019 was from the net investment of marketable securities of \$3,108,000. The primary source of cash for the six months September 30, 2018 was from the net sale of marketable securities of \$3,682,000.

Financing Activities

Net cash provided by financing activities for the six months ended September 30, 2019 was \$9,757,000 and was primarily from the net proceeds of a private placement of \$7,839,000, and the issuance and sales of \$1,982,000 of common stock to Lincoln Park Financial Corporation ("LPC"). Net cash used by financing activities for the six months ended September 30, 2018 was \$19,000 which was from the issuance and sale of common stock, net of offering cost to LPC.

Liquidity and Capital Resources

Overview

We have incurred losses and generated negative cash flows from operations since inception. To date, we have not generated any revenue from the sale of products, and we do not expect to generate revenue from sale of our products in the next several years. Since the time the Company became public through September 30, 2019, we have funded our operations principally through the issuance of equity securities. As shown in the accompanying financial statements, the Company has used cash from operating activities of \$5.6 million for the six months ended September 30, 2019 and has accumulated losses of \$47.9 million through September 30, 2019. The Company has cash equivalent and marketable securities, excluding restricted cash of \$9.4 million as of September 30, 2019. Included in marketable securities is Circassia Pharmaceuticals plc of \$1.9 million. Based upon the Company's business plan and expected burn utilization including proceeds from the sale of all its marketable securities, the Company estimates that it will have enough cash to operate its business for at least one year from filing Beyond Air September 30, 2019 10-Q. Insufficient funds may cause us to delay, reduce the scope of or eliminate one or more of our development programs.

On July 2, 2019, the SEC declared effective the Company's Form S-3 shelf registration statement which allows the Company to sell up to \$100 million of equity securities.

In addition, the Company has a \$20 million purchase agreement ("Purchase Agreement") and a registration rights agreement with Lincoln Park Capital Fund, LLC ("LPC"), providing for the issuance of up to \$20 million of the Company's common stock through August 2021 at the Company's discretion. There is approximately \$16,674,000 remaining on the Purchase Agreement.

Our ability to continue to operate is dependent upon the filing of our PMA, regulatory approval of the PMA, expected timing of the Company's launch of our product, obtaining partners in other parts of the world, timing of future milestones, royalties and, raising additional funds to finance our activities. There are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of our product candidates. The Company's ability to continue to operate is dependent upon raising additional funds to finance its activities.

There are numerous risks and uncertainties associated with the development of our LungFit™ NO generator and delivery system, we are unable to estimate the amounts of increased capital outlays and operating expenses associated with completing the research and development of our product candidate.

Our future capital requirements will depend on many factors, including:

- the progress and costs of our preclinical studies, clinical trials and other research and development activities;
- the scope, prioritization and number of our clinical trials and other research and development programs;
- the costs and timing of obtaining regulatory approval for our product candidates;
- the costs of filing, prosecuting, enforcing and defending patent claims and other intellectual property rights;
- the costs of, and timing for, strengthening our manufacturing agreements for production of sufficient clinical quantities of our product candidate;

- the potential costs of contracting with third parties to provide marketing and distribution services for us or for building such capacities internally;
- the costs of acquiring or undertaking the development and commercialization efforts for additional, future therapeutic applications of our product candidate;
- the magnitude of our general and administrative expenses; and
- any cost that we may incur under current and future in-and out-licensing arrangements relating to our product candidate.

Foreign Currency Exchange Risk

Our results of operations and cash flow are subject to fluctuations due to changes in foreign currency exchange rates. Certain of our expenses are denominated in New Israeli Shekels (“NIS”). Our results of operations and cash flow are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. We do not hedge our foreign currency exchange risk. In the future, we may enter into formal currency hedging transactions to decrease the risk of financial exposure from fluctuations in the exchange rates of our principal operating currencies. These measures, however, may not adequately protect us from significant changes in such fluctuations.

We have received Circassia Shares as payment, the price will be converted into US dollars for purposes of calculating our payment. As a result, our payment will be exposed to currency exchange rate risk with respect to British Pounds. Our net payment will depend on the extent to which British Pounds strengthens or weakens against the U.S. dollar and the relative weight of Circassia Shares we receive as payment. If, taking into account such weighting, the U.S. dollar strengthens against British Pounds, the price of Circassia Shares will be adversely affected and our payment may be reduced.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily a result of foreign currency exchange rates.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Report on Form 10-Q, the effectiveness of our 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”). Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2019.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

See Note 11 to our unaudited condensed consolidated financial statements.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this report, including the important information in the section entitled "Private Securities Litigation Reform Act," you should carefully consider the "Risk Factors" discussed in our Annual Report on Form 10-K for the year ended March 31, 2019 filed with the SEC on June 28, 2019 for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in this report and materially adversely affect our financial condition or future results. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial might materially adversely affect our actual business, financial condition and/or operating results.

ITEM 6. Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
31.1	<u>Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Chief Executive Officer pursuant to 18 U.S.C Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
32.2	<u>Certification of Chief Financial Officer pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002</u>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

**** Confidential treatment has been requested for portions of this exhibit

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.

BEYOND AIR, INC.

Date: November 6, 2019

/s/ Steven Lisi

Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2019

/s/ Douglas Beck

Douglas Beck
Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

I, Steven Lisi, certify that:

1. I have reviewed this Report on Form 10-Q of Beyond Air, Inc.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 13(a)-15(f) and 15(d)-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 condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of any transitional report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ Steven Lisi

Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Douglas Beck, CPA certify that:

1. I have reviewed this Report on Form 10-Q of Beyond Air, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) 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 13(a)-15(f) and 15(d)-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 condensed consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2019

/s/ Douglas Beck, CPA

Douglas Beck Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION

In connection with the accompanying Quarterly Report on Form 10-Q of Beyond Air, Inc. for the period ended September 30, 2019 (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, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Beyond Air.

/s/ Steven Lisi

Steven Lisi
President and Chief Executive Officer
(Principal Executive Officer)

November 6, 2019

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Beyond Air, Inc. or the certifying officers.

CERTIFICATION

In connection with the accompanying Quarterly Report on Form 10-Q of Beyond Air, Inc. for the period ended September 30, 2019 (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, to the best of my knowledge and belief, that:

- (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Beyond Air, Inc.

/s/ Douglas Beck

Douglas Beck Chief Financial Officer
(Principal Financial and Accounting Officer)

November 6, 2019

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Beyond Air, Inc. or the certifying officers.
