

The international market is something, different regulatory requirements. Today, we've been successful in Canada. That's our largest international market outside of the U.S. anyway, a little bit into South Korea, a little bit into Japan. But we are working on the regulatory requirements to access some new markets. I think those are still a year or so out, a year-plus maybe out. But we can now really pursue those opportunities with greater energy, greater urgency having the inventory situation fixed. Obviously, we didn't want to create a new market, if it just added to our scarcity. That's out in front of us a bit, but it's definitely a priority for the next year to get entry and just build on one territory that's on.

Sam Rebotsky

Okay. Now as far as the Tri-Shield, you say you expect to have \$1.5 million sales in the next two quarters. Your building of inventory, this is all dependent upon getting larger amounts of inventory. And what do you need to do and how soon do you think you could get to building inventory to increase sales beyond \$1.5 million?

Michael Brigham

Right. Okay. The \$1.5 million we referenced in our filing was a production number, but the way Bobbi and our sales teams roll, they sell most of everything we produce. But what we're confident of is, what we can produce, what we're going to see over the next couple of quarters is how much of that can be shipped out our door. The inventory is building, and that again will get us back to a mass-market approach through distribution rather than direct to identified farms.

We're going to see that. We've seen that build over the last five quarters, and then projected what we'll see in the second half of the year. And the third and fourth quarter will reflect that transition from scarcity to inventory from direct allocation to farm to back to distribution. I look forward to seeing those numbers with you, Sam, to see our third and fourth quarter results.

Sam Rebotsky

So, you expect to be able to produce enough inventory to sell even more than the \$1.5 million? In other words, you don't have the bottleneck now? You have the ability to produce what you think the market wants?

Michael Brigham

Well, when you take that \$1.5 million and annualize it to \$6 million a year that's our starting point. That's not our starting point, that's our next step. Bringing sales—the production of that level lets sales work that inventory out the door. It's always nice to have a little buffer stock, especially as we go into the first quarter, our busiest seasonal sales quarter. But yes, that's where Tri-Shield goes. It goes from \$0.25 million per quarter in sales up to this new level here in this third and fourth quarter of the year and then we hit the busy season first quarter of 2020.

Sam Rebotsky

Okay. Now I just want to switch to the Norbrook versus setting up a plant. Norbrook, besides the date that you need to match, Norbrook had some problems with meeting the FDA requirements. Is that factored into the timeframe? Is that helping you negotiate with Norbrook the fact that they've had problems?

Michael Brigham

It's been a painful and long negotiation as all our investors that are following that are aware. It's something that I think what we need to do is grab control, as I mentioned in my prepared comments, grabbing control from start to finish. What we can control is our ability—so again, Sam, for the benefit of others what we're talking about here is we make the drug substance, the active ingredient. Somebody else, a CMO, fills it into a syringe aseptically for us. We have not been able to do that. We previously didn't have the money to invest in that capability.

Having raised money here in March, we have the financing. We are investing. We are going to bring that aseptic fill in-house so that we can control beginning and ending from drug substance to drug product. And what that does is leave a window where we know the shorter-term bridge to market is through the CMO, and we're going to try and make that happen, but we can't control an outside party.

And we are focused on both getting the best short-term bridge we can for the nearest to market with the CMO and then controlling our destiny being able to have this product produced here in Portland, Maine under one roof from beginning to finished product.

Sam Rebotsky

Okay. One final question. I assume you'll be making presentations and telling your story. What's your plans? Where do you expect to tell your story in the next six months or so?

Michael Brigham

Yes. We work with Lytham Partners on that kind of Investor Relations' outreach. Our schedule is basically to get out after each quarter for two days. Lytham has a great network of small cap interested investors that Joe and his team put me in front of. We'll continue to do that.

I think the schedule is basically that, Sam, two days after each quarter. And then special events pop up, like I do expect to be at the Alpha Select. I believe that's in November down in New York. We'll go anywhere. We'll go where the network is strongest where the interest is strongest. We do tend to end up in New York quite frequently.

Sam Rebotsky

Alright. Good luck, Mike. Hopefully, we get to meet all our milestones sooner than later. Good luck.

Michael Brigham

Perfect. Agreed Sam. Thank you.

Operator

Again, if you have a question, please press star, then one. Our next question today comes from Joe Diaz with Lytham Partners. Please go ahead.

Joe Diaz

Michael, Bobbi, I wonder if you might give us a little bit more color on the opportunity that the dam vaccine market represents. Dairy producers have been doing what they've been doing forever, and how is it that you're going to get them to change? And what could that possibly mean for the company in terms of a revenue ramp in the coming years?



Michael Brigham

Yes, Joe, that's a good question. For so long we were focused really just on the calf-level market where products are delivered directly to the calf. With Tri-Shield, it's really helped us get sort of to a new market. We think it's twice as big as the calf-level market. We're going to compete at both levels. We're going to continue to try and earn sales away from competitive products given to the newborn calf, while we get into what Bobbi was talking about in her comments, beyond vaccination, get into challenging the effectiveness of a dam vaccine that's given just to take care of the baby. Want to deliver our product directly to the newborn. We see that market as twice as big, so good opportunity for us to grow sales at both levels.

Bobbi, anything you want to add there on the dam vaccine, beyond vaccination?

Bobbi Jo Brockmann

On the producer side, what's really exciting to be able to bring them a different technology is, how they can target that investment. If you're going to use a dam vaccine as your scour preventative, you have to give that before you know if you even have a live-borne calf. This quality over quantity trend that we're seeing, there still were replacement heifers being held back, so there's more bull calves. And so, you'd have to invest that vaccine cost before you even know if you had a heifer calf on the ground. You can really target your spending better with our product.

The other thing that we're investigating is the common sense theory that the fewer vaccines you give to an animal, the better they'll respond to the other vaccines that are more important for cow health. And so, if we can drop that scour vaccine in the mother cow's vaccination program, she'll respond better to the other vaccines that are more important for her individual health. There's a couple of benefits from the producer side that are really helping drive that change in our paper.

Michael Brigham

Yes. Thanks for that Bobbi. I was just thinking about a direct answer to Joe, your question. I think we think pretty good estimate, but it's an estimate that calf-level product category is worth about \$18 million in sales per year. The dam vaccine market is about double that in the neighborhood of \$36 million per year in sales of those vaccine products.

Joe Diaz

Can you give us a little bit of a sense of what's going on with the milk price right now and the important metrics in that regard? We've been in a real trough here for a while. Are you seeing any sunshine going forward?

Michael Brigham

Well, you can't pay a lot of bills with a one-month trend. But I hope July's price holds and improves, but July was a very positive month, so the first half of the year was not that strong. June, July a little stronger. Hopefully, we're in a recovery mode here. I think we'll have to just wait and see what happens over the next few months.

Joe Diaz

Okay. Thank you.



CONCLUSION

Operator

Again, if you have a question, please press star, then one. As there are no further questions this concludes our question-and-answer session. I would like to turn the conference back over to Joe Diaz for any closing remarks.

Joe Diaz

Thanks, Alyssa. And again, thank all of you for participating in today's call. We look forward to talking with you again to review the results for the third quarter of 2019 somewhere around the middle of November. Again, I would encourage you to review our SEC filings for the full unaudited second quarter details. Thank you again and have a great week.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

