ISLA PHARMACEUTICALS, INC.

Financial Statements
Years Ended December 31, 2020 and 2019

ISLA PHARMACEUTICALS, INC.

INDEX TO FINANCIAL STATEMENTS

Independent Auditor's Report

Board of Directors and Shareholders
Isla Pharmaceuticals, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Isla Pharmaceuticals, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, the related statements of operations, stockholders' equity and cash flows for the years then ended, and the related notes to the financial statements (collectively, the "financial statements").

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter Regarding Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has suffered recurring losses from operations and has stated that substantial doubt exists about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Horne LLP

Ridgeland, Mississippi
March 30, 2021

ISLA PHARMACEUTICALS, INC.
Balance Sheets
December 31, 2020 and 2019

	2020	2019
ASSETS		
Current assets:		
Cash	$ 70,081	$ 160,992
Prepaid expenses	-	300
Total current assets	70,081	161,292
Deferred financing costs	313,537	-
Total assets	$ 383,618	$ 161,292
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 13,389	$ 133,838
Total current liabilities	13,389	133,838
Total liabilities	13,389	133,838
Stockholders' equity:		
Series A preferred stock; $0.0001 par value; 125,000 shares authorized; 124,998 shares issued and outstanding as of December 31, 2020 and 2019	12	12
Series C preferred stock; $0.0001 par value; 145,915 shares authorized; 54,759 shares issued and outstanding as of December December 31, 2020	5	-
Common stock; $0.0001 par value; 10,000,000 shares authorized; 2,225,000 and 2,167,188 shares issued and outstanding as of December 31, 2020 and 2019, respectively	223	217
Additional paid-in capital	1,905,879	1,298,824
Accumulated deficit	(1,535,890)	(1,271,599)
Total stockholders’ equity	370,229	27,454
Total liabilities and stockholders’ equity	$ 383,618	$ 161,292

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

ISLA PHARMACEUTICALS, INC.
Statements of Operations
Years Ended December 31, 2020 and 2019

	2020	2019
Costs and Expenses:		
General and administrative	$ 182,486	$ 192,414
Research and development expense	81,805	668,121
Total costs and expenses	264,291	860,535
Loss from operations	(264,291)	(860,535)
Net loss	$ (264,291)	$ (860,535)
Net loss per common share, basic and diluted	$ (0.12)	$ (0.42)
Weighted average common shares outstanding, basic and diluted	2,210,547	2,056,632

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

ISLA PHARMACEUTICALS, INC.
Statements of Stockholders' Equity
Years Ended December 31, 2020 and 2019

	Series A Preferred Stock		Series C Preferred Stock		Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2018	125,000	$ 12	-	$ -	1,935,938	$ 194	$ 1,264,565	$ (411,064)	$ 853,707
Vesting of restricted stock	-	-	-	-	231,250	23	(23)	-	-
Stock-based compensation	-	-	-	-	-	-	34,282	-	34,282
Net loss	-	-		-	-	-	-	(860,535)	(860,535)
Balance at December 31, 2019	125,000	12	-	-	2,167,188	217	1,298,824	(1,271,599)	27,454
Vesting of restricted stock	-	-	-	-	57,812	6	(6)	-	-
Stock-based compensation	-	-	-	-	-	-	48,202	-	48,202
Issuance of Series C Preferred Stock for cash	-	-	54,759	5	-	-	558,859	-	558,864
Net loss	-	-	-	-	-	-	-	(264,291)	(264,291)
Balance at December 31, 2020	125,000	$ 12	54,759	$ 5	2,225,000	$ 223	$ 1,905,879	$ (1,535,890)	$ 370,229

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

ISLA PHARMACEUTICALS, INC.
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Net loss	$ (264,291)	$ (860,535)
Stock-based compensation	48,202	34,282
Prepaid expenses	300	-
Adjustments to reconcile net loss to net cash flows used in operating activities:		
Accounts payable and accrued expenses	(120,449)	129,106
Net cash flows used in operating activities	(336,238)	(697,147)
Cash flows from financing activities:		
Proceeds from issuance of Series C preferred stock	558,864	-
Cash paid for deferred financing costs	(313,537)	-
Net cash flows provided by financing activities	245,327	-
Net decrease in cash	(90,911)	(697,147)
Cash at beginning of period	160,992	858,139
Cash at end of period	$ 70,081	$ 160,992

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

1. Business

Isla Pharmaceuticals, Inc. ("Isla Pharmaceuticals", the "Company", "we", "our" or "us") is a pharmaceutical company focused on the rapid development of treatments for tropical infectious diseases, such as those caused by Dengue, Chikungunya and other viruses. Millions of people are afflicted each year by these viruses, for which no specific therapies exist. The Company was incorporated in Delaware on March 8, 2017 with the initial capitalization occurring on the same date.

Our corporate headquarters and all of our assets are located in San Juan, Puerto Rico.

2. Liquidity and Going Concern

Our financial statements have been presented on the basis that we are a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. Since March 8, 2017, the date of our inception, we have experienced operating losses and negative operating cash flows, and have financed our recent working capital requirements through the issuance of equity securities. For the years ended December 31, 2020 and 2019, we have reported net losses of \$264,291 and \$860,535, respectively. As of December 31, 2020, our working capital was \$56,692, our accumulated deficit was \$1,535,890, and we had negative cash flows from operations of \$336,238 for the year ended December 31, 2020.

Despite our current cash balance of \$70,081, we will require substantial funds to execute on our operating plan and corporate objectives and to develop and grow our infrastructure and corporate organization. We do not expect to generate any revenue from the sale of products under development in the next year.

Our ability to meet our current and projected obligations depends on our ability to control expenses and will require that we seek additional capital through private and/or public financing sources. In March 2021, the Company's related party, Island Pharmaceuticals Limited ("Island"), initiated an initial public offering with the Australian Securities and Investment Commission. Islands seeks to raise up to \$7,500,000 in connection with the initial public offering. Upon closing of the offering and contingent upon Island being listed on the Australian Stock Exchange, the Company will be become a wholly-owned subsidiary of Island. Island expects to be listed on the Australian Stock Exchange in April 2021. See Note 8 for further discussion. There can be no assurances that above mention offering will be closed or that we will be able to raise additional capital to operate our business. Any such failure would have a material adverse impact on our liquidity and financial condition and could force us to curtail or discontinue operations entirely and could require us to file for protection under bankruptcy laws. These conditions raise substantial doubt as to our ability to continue as a going concern. The financial statements do not contain any adjustments that might result from the outcome of this uncertainty.

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Use of Accounting Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make certain 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 expenses during the reporting period. We believe that judgement is involved in determining the valuation of certain accruals. We evaluate our estimates and assumptions as facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates and assumptions, and those differences could be material to the financial statements.

Cash

Cash is deposited at one area bank based in San Juan, Puerto Rico, and may exceed federally insured limits at times. We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Research and Development

The Company expenses research and development costs as incurred. Research and development costs include rent related to the laboratory space, lab supplies, consulting services and the costs associated with the filing and maintenance of our patent portfolio.

Loss Per Share

Basic loss per common share is computed by dividing net loss by the weighted-average number of common shares outstanding during the period. Diluted loss per common share is based upon the weighted-average common shares outstanding during the period plus the dilutive effects of additional weighted-average common equivalent shares outstanding during the period. Common equivalent shares result from the assumed exercise of outstanding stock options and warrants, the proceeds of which are then assumed to have been used to repurchase outstanding common stock using the treasury stock method. In addition, the numerator is adjusted for any changes in income (loss) that would result from the assumed conversion of potential shares. Potentially dilutive shares, for the year ended December 31, 2020, which were excluded from the diluted loss per share calculations because the effect would be antidilutive, or the option or warrant exercise prices were greater than or equal to the average market price of the common shares, were 1,087,536, including 500,000 common equivalents from the Series A Preferred Stock, 219,036 from the Series C Preferred Stock, 250,000 from the related warrants and 118,500 from stock options. Potentially dilutive shares, for the year ended December 31, 2019, which were excluded from the diluted loss per share calculations because the effect would be antidilutive, or the option or warrant exercise prices were greater than or equal to the average market price of the common shares, were 856,500, including 500,000 common equivalents from the Series A Preferred Stock, 250,000 from the related warrants and 106,500 from stock options.

Income Taxes

The Company files income taxes in the U.S. territory of Puerto Rico. Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences of temporary differences between the financial statement carrying amounts and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. We evaluate the realizability of our deferred tax assets and establish a valuation allowance when it is more likely than not that all or a portion of deferred tax assets will not be realized. As of December 31, 2020, we have net operating loss carry forwards of approximately $1,335,000, of which, approximately $40,000 will expire in 2037. The remaining net operating loss carryforwards, of approximately $1,295,000, have an indefinite carryforward period. The Company has provided a full valuation allowance as of December 31, 2020 and 2019.

We account for uncertain tax positions using a "more-likely-than-not" threshold for recognizing and resolving uncertain tax positions. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax law, the measurement of tax positions taken or expected to be taken in tax returns, the effective settlement of matters subject to audit, new audit activity and changes in facts or circumstances related to a tax position. We evaluate the uncertain tax position on a quarterly basis. We also accrue for potential interest and penalties, if applicable, related to unrecognized tax benefits in income tax expense.

Deferred financing costs

Deferred financing costs consist of costs incurred to issue shares classified as equity, such as underwriting, accounting and legal fees, printing costs, and taxes. Direct costs incurred before shares classified as equity are issued may be classified as a reduction of equity or as an asset until the stock is issued. Deferred financing costs in the accompanying balance sheet are classified as an asset and total $313,537 at December 31, 2020. There were no deferred financing costs as of December 31, 2019.

Stock-Based Compensation

Stock-based compensation is measured at the grant date based on the estimated fair value of the award and is recognized as an expense over the requisite service period. The valuation of employee stock options is an inherently subjective process, since market values are generally not available for long-term, non-transferable employee stock options.

Stock-based compensation for stock and stock-based awards issued to non-employees in which services are performed in exchange for the Company's common stock or other equity instruments is accounted for at fair value prescribed by Accounting Standards Update ("ASU") 2018-07, *Compensation - Stock Compensation (Topic 718),* and is recorded on the basis of the fair value of the service received or the fair value of the equity instruments issued, whichever is more readily measurable at the date of issuance.

Accordingly, the Black-Scholes option pricing model is utilized to derive an estimated fair value. The Black-Scholes pricing model requires the consideration of the following six variables for purposes of estimating fair value:

- the stock option exercise price;
- the expected term of the option;
- the grant date price of our common stock, which is issuable upon exercise of the option;
- the expected volatility of our common stock;
- the expected dividends on our common stock (we do not anticipate paying dividends in the foreseeable future); and
- the risk free interest rate for the expected option term.

Expected Dividends. We have never declared or paid any cash dividends on any of our capital stock and do not expect to do so in the foreseeable future. Accordingly, we use an expected dividend yield of zero to calculate the grant-date fair value of a stock option.

Expected Volatility. The expected volatility is a measure of the amount by which our stock price is expected to fluctuate during the expected term of options granted. Due to limited trading activity in our common stock, we determine our expected volatility solely based upon the historical volatility of four publicly traded companies in a biotechnology index.

Risk-Free Interest Rate. The risk-free interest rate is the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equal to the option's expected term on the grant date.

Expected Term. The expected life of stock options granted is based on the actual vesting date and the end of the contractual term.

Stock Option Exercise Price and Grant Date Price of Common Stock. The estimated fair value of the common stock on date of grant.

In accordance with the guidance for stock-based compensation, the Company has elected to account for forfeitures as they occur.

Fair Value of Financial Instruments

We follow Accounting Standards Codification 820-10 ("ASC 820-10"), *"Fair Value Measurements and Disclosures,"* for fair value measurements. ASC 820-10 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The standard provides a consistent definition of fair value, which focuses on an exit price, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard also prioritizes, within the measurement of fair value, the use of market-based information over entity specific information and establishes a three-level hierarchy for fair value measurement based on the nature of inputs used in the valuation of an asset or liability as of the measurement date.

The hierarchy established under ASC 820-10 gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy under ASC 820-10 are described below:

Level 1 - Pricing inputs are quoted prices available in active markets for identical investments as of the reporting date.

Level 2 - Pricing inputs are quoted prices for similar investments, or inputs that are observable, either directly or indirectly, for substantially the full term through corroboration with observable market data. Level 2 includes investments valued at quoted prices adjusted for legal or contractual restrictions specific to these investments.

Level 3 - Pricing inputs are unobservable for the investment, that is, inputs that reflect the reporting entity's own assumptions about the data market participants would use in pricing the asset or liability. Level 3 includes investments that are supported by little or no market activity.

As of December 31, 2020 and 2019, we had no assets or liabilities required to be carried at fair value. The carrying amounts of our cash, accounts payable and accrued expenses approximate their fair values due to their short-term maturities.

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016 – 02, *Leases (Topic 842)*, intended to improve financial reporting about leasing transactions. The ASU affects all companies and other organizations that lease assets such as real estate, office equipment and manufacturing equipment. The ASU will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases.

Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current U.S. GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance lease or an operating lease. However, unlike current U.S. GAAP - which requires only capital leases to be recognized on the balance sheet - the new ASU will require both types of leases to be recognized on the balance sheet. The ASU also will require disclosures to help investors and other financial statement users better understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements, providing additional information about the amounts recorded in the financial statements. ASU 2016-02 is effective for the Company beginning January 1, 2022. It is not anticipated that this updated guidance will have a material impact on our results of operations, cash flows or financial condition.

4. License Rights

On May 30, 2017, we acquired an exclusive worldwide license (excluding Israel, Russia and Canada) from 60P Australia Pty. Ltd ("60P"), for intellectual property covering the use of our lead compound Isla 101, for the treatment of Dengue and other viruses.

We will be required to make payments to 60P upon the achievement of certain development and marketing milestones and will also be required to pay royalties upon the sales of the product. No liability for the milestone payments has been recorded at December 31, 2020 and 2019. We will continue to review the milestones and will accrue for them when the probability of achievement rises to the appropriate level.

5. Stockholders' Equity

Our authorized capital stock consists of 10,000,000 shares of common stock, par value $0.0001 per share and 2,000,000 shares of blank check preferred stock, par value $0.0001. We are authorized to issue up to 125,000 shares of Series A Preferred Stock, stated value $9.00 per share and up to 50,000 shares of Series B Preferred Stock, stated value $9.00 per share, and up to 145,915 shares of Series C Preferred Stock, stated value $10.28. As of December 31, 2020, there were 2,225,000 shares of common stock outstanding, 125,000 shares of Series A Preferred Stock outstanding, and 54,759 shares of Series C Preferred Stock outstanding. As of December 31, 2019 there were 2,167,188 shares of common stock outstanding and 125,000 shares of Series A Preferred Stock outstanding.

Preferred Stock

Our board of directors, without further stockholder approval, may issue preferred stock in one or more series from time to time and fix or alter the designations, relative rights, priorities, preferences, qualifications, limitations and restrictions of the shares of each series. The rights, preferences, limitations and restrictions of different series of preferred stock may differ with respect to dividend rates, amounts payable on liquidation, voting rights, conversion rights, redemption provisions, sinking fund provisions and other matters. Our board of directors may authorize the issuance of preferred stock, which ranks senior to our common stock for the payment of dividends and the distribution of assets on liquidation. In addition, our board of directors can fix limitations and restrictions, if any, upon the payment of dividends on our common stock to be effective while any shares of preferred stock are outstanding.

Series A Preferred Stock

The holders of shares of Series A Preferred Stock shall be entitled to receive dividends, out of any assets legally available, in preference to any declaration or payment of any dividend on Common Stock of the Corporation. Dividends shall be paid only if, as and when declared, by the Board of Directors of the Corporation (the "Board of Directors"); provided, however, that upon a Liquidation Event or at redemption, the holders of the Series A Preferred shall receive all accrued but unpaid dividends which have been declared by the Board of Directors. Dividends declared on the Series A Preferred Stock may be payable in cash; provided, however, that no cash dividends on the Common Stock may be declared unless all prior dividends paid to the Series A Preferred Stock holders are in cash.

The holders of shares of Series A Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Series A Preferred Stock held by such holder could be converted as of the record date and shall also be entitled to a liquidation preference equal to $9.00 per share prior to any distributions to holders of Common Stock.

Each share of Series A Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share into Common Stock. The number of shares of Common Stock to which a holder of Series A Preferred Stock shall be entitled upon conversion shall be determined by dividing the Liquidation Preference of $9.00 by the Conversion Price of $2.25 per share.

Each share of Series A Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Rate for such share (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "Securities Act") or analogous statute and/or regulations in jurisdiction of offering, covering the public offer and sale of $5,000,000 or more of the Corporation's Common Stock in the aggregate or (ii) upon the vote of holders holding at least 2/3 of the then outstanding shares of Series A Preferred Stock.

Series C Preferred Stock

The holders of shares of Series C Preferred Stock shall be entitled to receive dividends, out of any assets legally available, in preference to any declaration or payment of any dividend on Common Stock of the Corporation. Dividends shall be paid only if, as and when declared, by the Board of Directors of the Corporation (the "Board of Directors"); provided, however, that upon a Liquidation Event or at redemption, the holders of the Series A Preferred shall receive all accrued but unpaid dividends which have been declared by the Board of Directors. Dividends declared on the Series C Preferred Stock may be payable in cash; provided, however, that no cash dividends on the Common Stock may be declared unless all prior dividends paid to the Series C Preferred Stockholders are in cash.

The holders of shares of Series C Preferred Stock shall be entitled to the number of votes equal to the number of shares of Common Stock into which the shares of Series A Preferred Stock held by such holder could be converted as of the record date and shall also be entitled to a liquidation preference equal to $10.28 per share prior to any distributions to holders of Common Stock.

Each share of Series C Preferred Stock shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share into Common Stock. The number of shares of Common Stock to which a holder of Series C Preferred Stock shall be entitled upon conversion shall be determined by dividing the Liquidation Preference of $10.28 by the Conversion Price of $2.57 per share.

Each share of Series C Preferred Stock shall automatically be converted into shares of Common Stock at the then effective Conversion Rate for such share (i) immediately prior to the closing of a firm commitment underwritten initial public offering pursuant to an effective registration statement filed under the Securities Act of 1933, as amended (the "Securities Act") or analogous statute and/or regulations in jurisdiction of offering, covering the public offer and sale of $5,000,000 or more of the Corporation's Common Stock in the aggregate or (ii) upon the vote of holders holding at least 2/3 of the then outstanding shares of Series C Preferred Stock.

Common Stock

Each holder of common stock is entitled to one vote for each share owned on all matters voted upon by stockholders. In the event we liquidate, dissolve or wind-up our operations, the holders of the common stock are entitled to share equally and ratably in our assets, if any, remaining after the payment of all our debts and liabilities and the liquidation preference of any shares of preferred stock that may then be outstanding. The common stock has no preemptive rights, no cumulative voting rights, and no redemption, sinking fund, or conversion provisions.

Holders of common stock are entitled to receive dividends, if and when declared by the board of directors, out of funds legally available for such purpose, subject to the dividend and liquidation rights of any preferred stock that may then be outstanding.

On March 8, 2017, we issued 310,000 shares of restricted common stock to Mr. David Foster, our President and a member of our Board of Directors. The shares were purchased for par value of $.0001 each for total consideration of $31. Such shares are subject to a Restricted Stock Purchase Agreement, whereby 77,500 shares are unrestricted upon issuance and the remaining 232,500 shares will vest and become unrestricted in equal installments over 36 months. As of December 31, 2020 and 2019, 310,000 and 290,625 shares, respectively, were unrestricted and included in the common stock outstanding.

On March 8, 2017, we issued 615,000 shares of restricted common stock to Mr. William Garner, a member of our Board of Directors. The shares were purchased for par value of $.0001 each for total consideration of $61.50. Such shares are subject to a Restricted Stock Purchase Agreement, whereby 153,750 shares are unrestricted upon issuance and the remaining 461,250 shares will vest and become unrestricted in equal installments over 36 months. As of December 31, 2020 and 2019, 615,000 and 576,563 shares respectively, were unrestricted and included in the common stock outstanding.

Series A Preferred Stock Offering

In March 2018, we completed the private placement of 125,000 units with each unit consisting of one share of our $0.0001 par value Series A Preferred stock and two five-year warrants to purchase the Company's common stock with an exercise price of $4.50 per share to accredited investors, at a price of $9.00 per unit resulting in aggregate gross proceeds of $1,125,000. The offering was conducted pursuant to an exemption from registration under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"). There is no stated dividend rate or dividends declared and accrued at December 31, 2020 and 2019.

Series C Preferred Stock Offering

In March 2020, we completed the private placement of 54,759 shares of our $0.0001 par value Series C Preferred stock to accredited investors, at a price of $10.28 per share resulting in aggregate gross proceeds of $562,924. The initial conversion price of the Series C Preferred stock was $2.57. Each share of the Series C Preferred stock will convert into four shares of our common stock. The conversion price of the Series C Preferred will be subject to proportional adjustment for stock splits, stock dividends and the like. In the event that we issue additional securities at a purchase price less than the Series C Preferred conversion price, the Series C conversion price shall be adjusted on a weighted average basis pursuant to a formula contained in the offering documents ("Round Down Feature"). The Company applied the guidance in ASU 2017-11, *Derivatives and Hedging (Part 1) Accounting for Certain Financial Instruments with Down Round Features* to the Down Round Feature. Accordingly, the entire proceeds from the Series C Preferred stock offering were allocated to stockholder's equity.

The Series C Preferred stock will be entitled to a liquidation preference over the common stock and will be pari passu with the Series A Preferred stock. The offering was conducted pursuant to an exemption from registration under Regulation D of the Securities Act. We incurred expenses related to the placement of the Series C Preferred stock of $4,060 for net proceeds of $558,864.

Warrants

In connection with the Series A Preferred Stock Offering in March 2018, we issued 250,000 fully-vested five-year warrants to purchase shares of our common stock with an exercise price of $4.50 per share. We determined that the warrants had an initial fair value of $202,222 which we recorded as an increase to additional paid-in capital. The Company estimated the fair value of the warrants using the Black-Scholes option-pricing model, based on the following assumptions: the recent cash offering price of $2.25 as the estimated fair value of the underlying common stock at the valuation measurement date; no dividend yield; expected volatility of 68.0%; risk-free interest rate of 2.47% and an expected life of 4.0 years.

As of December 31, 2020 and 2019, 250,000 warrants were fully vested and outstanding with an exercise price of $4.50.

6. Stock-Based Compensation

The Company has one stock-based compensation plan, the 2018 Equity Incentive Plan (the "2018 Plan").

The 2018 Plan provides for the granting of incentive stock options, non-qualified stock options, stock appreciation rights, and restricted stock and other stock awards. Options granted and shares underlying stock awards issued under the 2018 Plan vest over periods determined by the Compensation Committee of the Board of Directors.

All non-qualified stock options were issued to non-employees. The options are exercisable for a period not to exceed five years and vesting for the options range from being 22% to 31% immediately vested with the remainder vesting over a three year period.

As of December 31, 2020 and 2019, a total of 355,156 and 246,797 shares, respectively were authorized for grants under the 2018 Plan, of which 236,656 and 140,297 shares, respectively, were available for future grant. As of December 31, 2020 and 2019, a total of 118,500 and 106,500 stock options, respectively were outstanding under the 2018 Plan. As of January 1, 2020, the authorized options under the 2018 Plan increased by 111,250 pursuant to the evergreen provision contained in the 2018 Plan. The Company accounts for equity instruments issued to non-employees in accordance with the provisions of ASU 2018-07, *Compensation - Stock Compensation (Topic 718)*, using a fair-value approach. The compensation expense recorded was based on the fair value of the equity instruments being issued. The Company has not paid and does not anticipate paying cash dividends; Therefore, the expected dividend rate is assumed to be 0%. Stock price volatility is based on the volatility of four publicly traded companies in a biotechnology index.

The expected life is the length of time options are expected to be outstanding before being exercised. The Company estimates expected life using the "simplified method" as allowed under the provision of the Securities and Exchange Commission's Staff Accounting Bulletin No. 107, *Share-Based Payment*. The simplified method uses an average of the option vesting period and the option's original contractual term. The Company uses the implied yield of U. S. Treasury instruments with terms consistent with the expected life of options as the risk-free interest rate. In accordance with FASB ASC 718 the Company recognizes forfeitures as they occur.

The fair value of stock options granted during the year ended December 31, 2020 to non-employee consultants was estimated using a Black-Scholes option-pricing model and the following weighted-average assumptions:

Estimated dividend yield	-
Expected stock price volatility	67.00%
Expected life of option (in years)	3.00
Risk-free interest rate	1.62%

There were no stock options granted during 2019.

The weighted average grant-date fair value of options granted during 2020 was $1.02. There were no stock options exercised during 2020 or 2019.

The following summarizes certain information about fully vested stock options and stock options expected to vest as of December 31, 2020:

	Number of Options	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Aggregate Intrinsic Value
Outstanding	118,500	3.0	$ 2.28	$ -
Exercisable	91,073	3.0	$ 2.29	$ -

The Company recognized stock option compensation expense for non-employee consultants as follows:

	December 31, 2020	December 31, 2019
Research and development	$ 14,838	$ 19,444
General and administrative	33,364	14,838
Total stock-based compensation to non-employee consultants	$ 48,202	$ 34,282

There were no stock options that expired or forfeited during 2020 and 2019. As of December 31, 2020, there was $34,282 of total unrecognized compensation cost for non-vested share-based stock option compensation arrangements which is expected to be recognized over a weighted average period of 3 years.

7. Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19, a novel strain of Coronavirus, a pandemic. The Coronavirus outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of the outbreak on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company's customers, employees and vendors, and governmental, regulatory and private sector responses. The financial statements do not reflect any adjustments as a result of the subsequent increase in economic uncertainty.

8. Subsequent Events

The Company has evaluated subsequent events through March 30, 2021, the date the financial statements were available to be issued.

In January 2021, the Directors of the Company approved an additional capital raise in the form of a convertible note of up to $200,000. In February 2021, the Company issued convertible notes totaling $150,000. The Company will pay simple interest on the outstanding principal at a rate of 8% per annum. In the event that the Company or the related party mentioned below receives qualified financing, which is defined as the issuance of capital stock to investors, the outstanding principal balance of the note and any unpaid accrued interest will automatically convert at a conversion price equal to 80% of the price paid per share in the initial stock offering. Majority consent of the Series A and Series C stockholders was required in writing before the final approval.

In March 2021, the Company's related party, Island, initiated an initial public offering with the Australian Securities and Investment Commission. Upon closing of the offering and contingent upon Island being listed on the Australian Stock Exchange, the Company will be become a wholly-owned subsidiary of Island. Island expects to be listed on the Australian Stock Exchange in April 2021. The Company paid certain financing fees on behalf of Island in connection with the offering. Fees paid by the Company through December 31, 2020 and subsequent to year end have been recognized as deferred financing costs in the Company's balance sheets.