

# **Easton Pharmaceuticals, Inc.**

## **FINANCIAL STATEMENTS**

**For the Three Months Ended March 31, 2014 and 2013**

**(Unaudited)**

**Prepared by Management**

**ITEM I. NAME OF ISSUER:**

Easton Pharmaceuticals Inc.  
425 University Av., Suite 601  
Toronto, Ontario, CANADA  
M5G 1T6  
Office Tel: +1 (416) 619-0291  
Website: <http://www.eastonpharmaceuticalsinc.com>  
Email: info@eastonpharmaceuticalsinc.com

**ITEM II. SHARES OUTSTANDING****A. Common Stock**

	<b><u>March 31, 2014</u></b>	<b><u>December 31, 2013</u></b>
Shares Authorized	480,000,000	480,000,000
Shares Issued	500,000,000	359,712,997
Freely Tradable Shares	470,000,000	300,856,198
# of Shareholders of Record	approximately 200	approximately 200

**B. Preferred Stock**

	<b><u>Dec 31, 2014</u></b>	<b><u>Dec. 31, 2013</u></b>
Shares Authorized	20,000,000	20,000,000
Shares Issued	-	-
Freely Tradable Shares	-	-
# of Shareholders of Record	-	-

**EASTON PHARMACEUTICALS INC.**  
**BALANCE SHEETS**

UNAUDITED	March 31	December 31
	2014	2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 586,628	\$ 187,511
Prepaid expense	87,500	100,000
<b>Total Current Assets</b>	674,128	287,511
Other Assets	549,745	549,745
<b>Total Assets</b>	<b>\$ 1,223,873</b>	<b>\$ 837,256</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 189,427	\$ 174,427
Consultants, Directors or Officers fees payable	310,000	310,000
<b>Total Current Liabilities</b>	499,427	484,427
<b>Other Liabilities</b>		
Due to stockholders	98,628	98,628
<b>Total Liabilities</b>	598,055	583,055
Contingencies, note 3		
<b>Stockholders' Equity (Deficit)</b>		
Preferred Stock		
Authorized: 20,000,000 preferred shares par value \$0.0001 each		
Issued: nil preferred shares	0	0
Common Stock		
Authorized: 480,000,000 common shares par value \$0.0001 each		
Issued: 500,000,000 common shares : ( 359,712,997 December 31, 2013)	50,000	35,971
Additional paid-in capital	37,619,146	37,193,175
Accumulated deficit	(37,043,328)	(36,974,945)
<b>Total Stockholders' Equity (Deficit)</b>	625,818	254,201
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 1,223,873</b>	<b>\$ 837,256</b>

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

These unaudited financial statements have been prepared by management

**EASTON PHARMACEUTICALS INC.**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
**for the period December 31, 2004 through March 31, 2014**

<b>UNAUDITED</b>	<b>Number of Shares</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Accumulated Deficit</b>	<b>Total Stockholders' Equity (Deficit)</b>
<b>Balance - December 31, 2004</b>	<b>21,960</b>	<b>\$ 3</b>	<b>\$ 33,240,644</b>	<b>\$ (33,110,325 )</b>	<b>\$ 130,322</b>
Capital contribution - interest expense	-	-	8,315	-	8,315
Stock options granted:					
- Compensation for services rendered	-	-	5,433	-	5,433
Common shares issued:					
- Compensation for services rendered	11,621	1	1,454,035	-	1,454,036
Sale of shares under stock subscription agreements	3,767	-	316,902	-	316,902
Net loss December 31, 2005	-	-	-	(2,251,550 )	(2,251,550 )
<b>Balance - December 31, 2005</b>	<b>37,348</b>	<b>\$ 4</b>	<b>\$ 35,025,329</b>	<b>\$ (35,361,875 )</b>	<b>\$ (336,542 )</b>
Common shares issued:					
-Compensation for services rendered	1,073	-	123,664	-	123,664
Net loss December 31, 2006	-	-	-	(226,438 )	(226,438 )
<b>Balance - December 31, 2006</b>	<b>38,421</b>	<b>\$ 4</b>	<b>\$ 35,148,993</b>	<b>\$ (35,588,313 )</b>	<b>\$ (439,316 )</b>
Net loss December 31, 2007	-	-	-	(150,106 )	(150,106 )
<b>Balance - December 31, 2007</b>	<b>38,421</b>	<b>\$ 4</b>	<b>\$ 35,148,993</b>	<b>\$ (35,738,419 )</b>	<b>\$ (589,422 )</b>
Common shares issued:					
-to settle promissory note	14,258,220	1,426	12,832	-	14,258
Capital contribution - accounts payable beyond statute of limitations	-	-	886,958	-	886,958
Net loss December 31, 2008	-	-	-	(621,643 )	(621,643 )
<b>Balance - December 31, 2008</b>	<b>14,296,641</b>	<b>\$ 1,430</b>	<b>\$ 36,048,783</b>	<b>\$ (36,360,062 )</b>	<b>\$ (309,849 )</b>
Common shares issued:					
-to acquire Viorra assets	36,000,000	3,600	-	-	3,600
-to acquire Ixora assets	8,000,000	800	545,345	-	546,145
-to settle promissory notes	28,516,356	2,851	47,149	-	50,000
Net loss December 31, 2009	-	-	-	(15,665 )	(15,665 )
<b>Balance - December 31, 2009</b>	<b>86,812,997</b>	<b>\$ 8,681</b>	<b>\$ 36,641,277</b>	<b>\$ (36,375,727 )</b>	<b>\$ 274,231</b>
Net loss December 31, 2010	-	-	-	(56,774 )	(56,774 )
<b>Balance - December 31, 2010</b>	<b>86,812,997</b>	<b>\$ 8,681</b>	<b>\$ 36,641,277</b>	<b>\$ (36,432,501 )</b>	<b>\$ 217,457</b>
Issued for consulting fees	1,000,000	100	24,900	-	25,000
Net loss December 31, 2011	-	-	-	(112,630 )	(112,630 )
<b>Balance - December 31, 2011</b>	<b>87,812,997</b>	<b>\$ 8,781</b>	<b>\$ 36,666,177</b>	<b>\$ (36,545,131 )</b>	<b>\$ 129,827</b>
Issued for consulting fees	40,000,000	4,000	196,000	-	200,000
Net loss December 31, 2012	-	-	-	(183,281 )	(183,281 )
<b>Balance - December 31, 2012</b>	<b>127,812,997</b>	<b>\$ 12,781</b>	<b>\$ 36,862,177</b>	<b>\$ (36,728,412 )</b>	<b>\$ 146,546</b>
Issued for cash	231,900,000	23,190	322,049	-	345,239
Unrealized foreign exchange gain	-	-	8,949	-	8,949
Net loss December 31, 2013	-	-	-	(246,533 )	(246,533 )
<b>Balance - December 31, 2013</b>	<b>359,712,997</b>	<b>35,971</b>	<b>371,193,175</b>	<b>(36,974,945)</b>	<b>254,201</b>
Issued for cash	140,287,003	14,029	425,971	-	440,000
Net loss March 31, 2014	-	-	-	(53,383)	(53,383)
<b>Balance - March 31, 2014</b>	<b>500,000,000</b>	<b>50,000</b>	<b>371,619,146</b>	<b>(37,028,328)</b>	<b>640,818</b>

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

These financial statements have been prepared by management without audit

**EASTON PHARMACEUTICALS INC.**  
(a Development Stage Company)  
**STATEMENTS OF OPERATIONS**

For the three months ended <b>March 31</b>	<b>2014</b>	<b>2013</b>
UNAUDITED		
<b>Revenues</b>	<b>\$ 0</b>	<b>\$ 0</b>
<b>Expenses</b>		
Professional fees	0	0
Consulting fees	12,500	12,500
Management fees	35,000	5,000
Product development	12,625	4,900
Advertising and promotion	3,088	0
Travel and entertainment	5,068	0
Transfer agent	2,850	0
General and administrative	3,391	76
<b>Total Expenses</b>	<b>69,472</b>	<b>22,476</b>
<b>Loss Before Other Income (Expenses)</b>	<b>(69,472 )</b>	<b>(22,476 )</b>
<b>Other Income (Expenses)</b>		
Interest expense	0	0
Foreign exchange	1,089	0
Loss on disposal of patents and trademarks	0	0
<b>Total Other Income (Expenses)</b>	<b>1,089</b>	<b>0</b>
<b>Net Loss</b>	<b>\$ (68,383 )</b>	<b>\$ (22,476 )</b>
<b>Loss per Common Share - Basic and Diluted</b>	<b>\$ (0.00 )</b>	<b>\$ (0.00 )</b>
<b>Weighted Average Number of Common Shares Outstanding – Basic and Diluted</b>	<b>481,106,255</b>	<b>127,812,997</b>

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**EASTON PHARMACEUTICALS INC.**  
(a Development Stage Company)  
**STATEMENTS OF CASH FLOWS**

For the three months ended <b>March 31</b>	<b>2014</b>	2013
UNAUDITED		
<b>Cash Flows from Operating Activities</b>		
Net Loss	\$ (68,383 )	\$ (22,476 )
<b>Adjustments to Reconcile Net Loss to Cash Flows from Operating Activities:</b>		
Non cash expense: loss on disposal of patents and trademarks	0	0
Prepaid expense	12,500	12,500
<b>Changes in Assets and Liabilities:</b>		
Accounts payable and accrued expenses	15,000	5,014
<b>Net Cash Flows from Operating Activities</b>	<b>(40,883 )</b>	<b>(4,962 )</b>
<b>Cash Flows from Investing Activities</b>	<b>0</b>	<b>0</b>
<b>Net Cash Flows from Investing Activities</b>	<b>0</b>	<b>0</b>
<b>Cash Flows from Financing Activities</b>		
Common shares issued for cash	440,000	0
Loan payable	0	0
Increase in loans from shareholders	0	4,900
<b>Net Cash Flows from Financing Activities</b>	<b>440,000</b>	<b>4,900</b>
<b>Net Change in Cash and Cash Equivalents</b>	<b>399,117</b>	<b>(62 )</b>
Cash and Cash Equivalents - Beginning of Period	187,511	62
<b>Cash and Cash Equivalents - End of Period</b>	<b>\$ 586,628</b>	<b>\$ 0</b>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>		
Stock issued to settle promissory notes payable	\$ 0	\$ 0
Stock Subscriptions – Offset Against Due to Stockholders	\$ 0	\$ 0
Debentures Converted to Common Stock	\$ 0	\$ 0
Exercise of Stock Warrants	\$ 0	\$ 0
<b>SUPPLEMENTAL DISCLOSURE</b>		
Interest Paid	\$ 0	\$ 0
Income Taxes Paid	\$ 0	\$ 0
Common shares issued for assets	\$ 0	\$ 0

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

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## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

**Prepared by management without audit**

### **1. NATURE OF OPERATIONS**

EASTON PHARMACEUTICALS, Inc. (the “Company”) was initially formed as L.A.M. Pharmaceutical, Corp. (the “LLC”) on July 24, 1998. From February 1, 1994 to July 24, 1998 the Company conducted its activities under the name RDN. In September 1998, the members of LLC, a Florida limited liability company, exchanged all of their interests in LLC for 6,000,000 shares of LAM Industries Inc’s common stock. The stock exchange between the Company and the members of LLC is considered a recapitalization or reverse acquisition. Under reverse acquisition accounting, LLC was considered the acquirer for accounting and financial reporting purposes, and acquired the assets and assumed the liabilities of the Company. In 2009 the Company reorganized in the state of Delaware and changed its name to LAM Industries, Inc. On March 17, 2010 the Company and its shareholders again approved and implemented a name change from LAM Industries Inc to Easton Pharmaceuticals, Inc. The Company’s stock symbol was subsequently changed from LAIC to EAPH. In August of 2012, the company changed corporate domicile from the State of Delaware to the State of Wyoming.

EASTON PHARMACEUTICALS, Inc. is the owner and developer of a proprietary transdermal delivery technology (Viorra Delivery Matrix or “VDM”) that management believes will be commercialized to transport various medicinal ingredients in vivo. The combination of the delivery technology and active ingredients together is projected be developed and commercialized for marketing clearance and sale on a global basis. Active ingredients include, or will include a combination of generally recognized as safe (“GRAS”) additives, approved cosmetic ingredients or approved drugs (the combination of the VDM trans dermal delivery matrix and any drugs are not currently approved or cleared in any jurisdiction). The Company’s products are currently in various stages of commercialization: basic research; proof of concept research; development; and, commercialization. Product commercialization is currently focused on the Company’s product, “Viorra”, an aid to the relief of female sexual arousal disorder (FSAD). The Company has not recognized material sales of Viorra or VDM-based products to date.

In mid 2008 EASTON PHARMACEUTICALS abandoned and suspended any further research and development or commercialization efforts for products based on the L.A.M. IPM™ technology. This asset was the basis of L.A.M. Pharmaceutical’s IPM Wound Gel and delivery system, and other various L.A.M. Pharmaceutical’s products. This technology involved the use of the L.A.M. Pharmaceutical’s Ionic Polymer Matrix™ technology (L.A.M. IPM™) for the purpose of delivering, enhancing and sustaining the action of certain established therapeutic agents. EASTON PHARMACEUTICALS subsequently replaced the original delivery system in favor of the acquired Viorra proprietary delivery technology Viorra Delivery Matrix “VDM”. In 2008 the prior EASTON PHARMACEUTICALS Board of Directors reviewed strategic alternatives regarding the L.A.M. IPM™ and its patented IPM Wound Gel assets including but not limited to sale, licensing, abandonment or future product development. In 2008, EASTON PHARMACEUTICALS agreed to divest the L.A.M. IPM™ and its patented IPM Wound Gel assets, and shortly thereafter entered into negotiations to acquire the remaining assets and know how of Ixora Bio Medical Company Inc. (“IXORA”) and Viorra Bio Medical Inc. (“VBMI”) together with the VDM technologies and other assets. The Company believes VDM delivery system can provide superior efficacy for the Company’s current focus on topical FSAD, and other, products.

Prior to the acquisition of VBMI and IXORA the Company's corporate objectives were to develop, market and license wound healing and the trans dermal delivery of drugs, therapeutic preparations and cosmetics for the ethical-prescription, over-the-counter and cosmetic markets, using L.A.M. Pharmaceutical Ionic Polymer Matrix™ technology (“L.A.M. IPM™”). It was the Company's intention to seek out corporate alliances and co-marketing partnerships where other drugs and topical products could be enhanced by the L.A.M. IPM™ technology.

## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

### **Prepared by management without audit**

Easton Pharmaceuticals aim was to acquire complementary products, technologies or companies by identifying and evaluating potential products and technologies developed by third parties that it believed would fit within the overall objective. Since incorporation in 1999 the Company raised approximately \$18 million for research and development to commercialize its main pipeline of products which were mostly for development of its LAM IPM Wound gel.

### **Past and Present Product Development**

In December 1997, EASTON PHARMACEUTICALS granted an exclusive worldwide license to IXORA with rights granted for the marketing, sale and distribution of certain trans dermal treatments for male and female sexual dysfunction. EASTON PHARMACEUTICALS received licensing, milestone, and other fees and payments of approximately \$1,050,000 plus 2,025,000 common shares of IXORA; the consideration paid in shares of IXORA represented at that time 45% of the then outstanding share capital of IXORA.

Under terms of the IXORA license agreement Easton Pharmaceuticals obligation are to protect and bear the cost of defending the corresponding patent rights and IXORA's obligations related to reimbursing LAM, or to directly pay for: identified and qualifying costs of research and development including clinical studies determined necessary to complete regulatory filings in the US and other jurisdictions and various regulatory agencies that regulate the marketing and sale of the products; and, cost related to patent procurement and maintenance costs of the underlying intellectual property. The agreement has a term of 99 years and the following termination provisions:

- Ixora fails to pay any money due under the contract, but only in the event that the amount due remains outstanding 60 days after receipt of written notice from us that the amount is due, or
- Either party becomes bankrupt or insolvent, or
- Either party fails to observe, perform or keep any of the material covenants, provisions, stipulations, representations and conditions contained in the contract and that the breach has not been cured within 60 days after receipt by the defaulting party of notice of such breach

Under the terms of the licensing agreement IXORA is responsible for the manufacturing of the product, to ensure that the IPM matrix is manufactured in accordance with the Good Manufacturing Practices (GMP) and that the product is safe and performs to its specifications. Under the terms of the agreement EASTON PHARMACEUTICALS will receive the following royalties on sales under the agreement from IXORA:

- 9% of all net sales of licensed products approved by the FDA and for which the patent rights have not expired.
- 6.5% of all net sales of all licensed products which did not require FDA approval and for which the patent rights have not expired.
- 4.5% of all net sales of all licensed products for which the patent rights have expired or have been shown to be invalid.

At the time of the acquisition of the remaining IXORA assets by EASTON PHARMACEUTICALS and thereafter, EASTON PHARMACEUTICALS and IXORA confirm that the exclusive worldwide license granted IXORA remain valid, in full force and effect. On April 15, 2002, EASTON PHARMACEUTICALS obtained clearance from the United States Food and Drug Administration ("FDA") of its Section 510(k) pre-market notification of intent (number K020325) to market its proprietary L.A.M. IPM Wound Gel <sup>TM</sup>. Limited commercial sales of this product began in August 2002. The customer base was primarily derived from wound care professionals and centers, doctors, nurses, hospitals and individual sales through the Internet.



## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

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EASTON PHARMACEUTICALS subsequently engaged consultants who were directly involved in the initial development of the L.A.M. IPM Wound Gel TM and who were directly responsible for obtaining its 510K approval by the FDA to complete the reformulation efforts. In 2006 the Company's then President Joseph Slechta passed away. This was a material setback to the Company with the loss of valuable relationships brought forward by Mr. Slechta. In the fall of 2008, the then board of directors of EASTON PHARMACEUTICALS made the decision to divest itself and sell the L.A.M. IPM Wound Gel and the trans dermal delivery system being used at that time.

On November 12, 2003 EASTON PHARMACEUTICALS entered into an exclusive distribution agreement with Verus S.A. de C.V. ("Verus") to distribute our L.A.M. IPM Wound Gel TM in several South American, Central American and Caribbean countries. Under the terms of the agreement the financial and other obligations of the parties were to commence when Verus receives marketing authorization from regulatory authorities in at least one of the countries and was to continue for at least one year from such date. The agreement term was extended, without a specified term on a non-exclusive basis upon the expiration of the initial term and was agreed to continue to be extended unless terminated by the delivery of notice, one party to the other with thirty days written notice. EASTON PHARMACEUTICALS had the right to terminate the agreement with Verus at any time. To date, EASTON PHARMACEUTICALS has not received any payments under this agreement. Consequently the Company made the decision to terminate the agreement and relationship with Verus.

On March 24, 2004, EASTON PHARMACEUTICALS received approval from the Chinese State Food and Drug Administration for the importation and sale of the L.A.M. IPM Wound Gel TM in the Peoples Republic of China. In 2004 EASTON PHARMACEUTICALS signed a three year distribution agreement with China National Pharmaceutical Foreign Trade Corporation ("Sinopharm"). The agreement granted Sinopharm the exclusive distribution rights to market and sell L.A.M. IPM Wound Gel TM in China. Under the terms of this agreement the rights granted could be terminated by either party immediately upon giving written notice if certain performance criteria or financial obligations were not met. EASTON PHARMACEUTICALS did not receive any payments from Sinopharm. Under terms of the agreement EASTON PHARMACEUTICALS was to receive payments when sales were made to Sinopharm. To date there have not been any sales generated from this agreement and no payment from Sinopharm have been made to LAM. Consequently EASTON PHARMACEUTICALS determined to terminate its relationship with Sinopharm.

On January 5, 2005, EASTON PHARMACEUTICALS entered into a provisional agreement with Finest Enterprises Limited and China Elegant Development Limited to acquire New World Kellerton, a pharmaceutical company based in Xinyang, China. The provisional agreement is non-binding and remains in effect until the execution of a definitive agreement. As of this date a definitive agreement has not been completed.

EASTON PHARMACEUTICALS marketing plans related to licensed products, distribution agreements and products currently commercialized or in its pipeline are in the process of being revised and developed. EASTON PHARMACEUTICALS has received minimal orders for our product to date from the above distributors and will only receive payments to the extent that sales are made to the distributors.

It was the Company's intent to sell its wound care products to various hospitals, wound healing centers, physicians, nurses and other individuals through the Internet.

In late 2004 EASTON PHARMACEUTICALS applied to have its L.A.M. IPM Wound Gel approved for Medicare reimbursement. In 2005 the application as a drug was rejected by the FDA and was subsequently refused for Medicare reimbursement.

## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

### **Prepared by management without audit**

As a result, patients could not claim to have the costs of the wound gel reimbursed, the cost of the product would be paid directly by the patient without any subsidy by Medicare, or other plans. This was considered a material setback to the Company's commercialization efforts as most of its products were considered expensive and unlikely to be paid for directly by patients. The Company subsequently made the decision to attempt to reformulate and alter the product to satisfy certain deficiencies illuminated by the Medicare and FDA review, and to wait the required 5 year period in order to be eligible to reapply for full Medicare reimbursement.

EASTON PHARMACEUTICALS was subsequently dependant on its sole remaining partnership and hired consultants to take over the work from its founders and principles. The decision was subsequently made to attempt to acquire the VIORRA VDM technology and to try to acquire the technology and other assets of IXORA and VBMI.

**There have been no revenues related to the L.A.M. IPM™ based products to date.** In the third quarter of 2008 LAM's then board of directors made the decision to divest the L.A.M. IPM™ based assets and all products encompassing the L.A.M. IPM™ delivery system. Concurrently with the divesting of the L.A.M. IPM-based assets, EASTON PHARMACEUTICALS entered into negotiations to acquire all of the remaining assets and knowhow of IXORA and VBMI, including the proprietary VDM delivery system and line of products including products in development (the "VDM and Ixora Products"). Completion of the acquisition of IXORA, VBMI and VDM Products was dependent upon the restructuring of LAM's capital structure, including debt (promissory notes) and common stock, among other conditions of all parties.

The acquisition of the assets and knowhow of VBMI and IXORA, including the VDM Products closed on 25<sup>th</sup> June, 2009 and 10<sup>th</sup> August, 2009 respectively, following completion of the conditions precedent to closing. The VDM Products are in various stages of development and commercialization. **To date EASTON PHARMACEUTICALS has not generated material revenues from the sale of products and expects to incur losses until sufficient revenues are earned from the sale of its first product to operate on a net profit basis.** Management believes that the first product available for marketing and sale will be "Viorra", to be marketed as a cosmetic gel to aid in the alleviation of Female Sexual Arousal Disorder "FSAD". Although not a necessity to market and sell the product, EASTON PHARMACEUTICALS wishes to conduct research, development and commercialization on a pipeline of products derived from the VDM technology.

On June 25, 2009, EASTON PHARMACEUTICALS purchased 100% of the Assets from Viorra Bio Medical Inc., a private Canadian Company, for a total of thirty six million (36,000,000) shares of EASTON PHARMACEUTICALS restricted common stock (the "Purchase Price" or the "Shares"). The shares were issued to non-U.S. persons. These shares were issued pursuant to an exemption from registration requirements under Section 4(2) and exemptions provided under Regulation S ("Reg. S") of the Securities Act of 1933

On August 10, 2009 EASTON PHARMACEUTICALS purchased the remaining assets and know-how from Ixora Bio Medical Company Inc. a private Delaware Company for consideration of eight million (8,000,000) shares of EASTON PHARMACEUTICALS restricted common stock (the "Purchase Price" or the "Shares"). These shares were issued pursuant to an exemption from registration requirements under Section 4(2) and exemptions provided under Regulation S ("Reg. S") of the Securities Act of 1933. This acquisition resulted in EASTON PHARMACEUTICALS owning 100% of the assets of Ixora Inc. Immediately prior to the acquisition of the IXORA assets, EASTON PHARMACEUTICALS owned approximately 12% of the common stock of Ixora.

## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

### **Prepared by management without audit**

On September 4, 2009, a total of 14,258,220 (fourteen million two hundred and fifty eight thousand two hundred and twenty) common shares were issued pursuant to the conversion of convertible promissory notes dated June 11, 2006.

On September 12, 2013 EASTON PHARMACEUTICALS, Inc. closed on an agreement with a private Canadian company and individual to acquire a 50% ownership interest in an FSAD drug for the issuance of 10,000,000 restricted shares previously issued in escrow. This drug is a water soluble, non-irritating, gel that is applied directly to the external female genitalia and uses a transdermal delivery system to deliver Alprostadil (0.08%), also known as prostaglandin E1, into the tissue, primarily a mucous membrane. Alprostadil is a well known vasodilator that has been shown to induce vulvar and clitoral engorgement, increase vulvar erythema and edema, which indicates increased blood flow to the genital area. In preliminary studies, the FSAD Drug gel has been shown to positively affect both the subjective and objective parameters of sexual arousal and pleasure in a dose dependent manner. Over the long term, this FSAD Drug offers the potential to naturally improve the previously reduced blood flow to the genital area and restore the ability of the tissue to become engorged with blood and increase lubricating secretions during sexual stimulation, leading to increased arousal and pleasure.

Alprostadil, an off-patent therapeutic compound, which, when combined with the Glycotrans delivery system becomes subject to patent protection by virtue of its association with this proprietary delivery system. Any further research and development of this drug will require the consent and a mutual working relationship with the other 50% owner, a private Canadian Pharmaceutical Company.

### **Drug Delivery Technology**

The drugs transdermal delivery technology is a safe, novel and proprietary drug delivery platform that has been developed based on more than 30 years of research by various individuals to address many of the needs in the multi billion dollar drug delivery segment of the pharmaceutical market. The proprietary system used only in the FSAD Drug consists of a water based, complex polymer matrix, which includes methoxypolyethyleneglycol, hydroxyethylcellulose and carboxymethylcellulose.

Included with the 50% ownership interest with the purchase of the FSAD Drug are the following patents or patent pendings filed at that time:

- (i) Canadian Patent Application Number CA 2.591.203;
- (ii) U.S. Patent Application No. 11/010,154;  
Patent Cooperation Treaty Application Number PCT/IB2005/003672 (publication number  
W02006/061689; and
- (iii) European Patent Application Number EP 2005810583

On November 5, 2013 EASTON PHARMACEUTICALS, Inc. acquired an initial 10% ownership interest in a Cancer Treatment Drug called "XILIVE", with an exclusive option to purchase the remaining ownership interest exercisable at any point in time over the next 12 month time period. Should EASTON PHARMACEUTICALS provide funding towards any testing or clinical trials, these expenditures will be included and put towards acquiring additional ownership in the drug. "XILIVE" has not undergone any independent clinical trials, but was previously administered by the current majority owners on 2 individuals outside of the U.S. suffering from various forms of advanced stage cancer with others on a list of prospective candidates. Initial feedback was promising enough to allow EASTON PHARMACEUTICALS acquire an initial 10% ownership interest. It is the Company's Intent to enter into some type of feasibility, safety and efficacy tests. Any type of trials may depend on the involvement or the approval of the FDA in the United States and Health Canada in Canada. The Company is currently contemplating forming alliances with certain other company's who have adequate resources and knowledge towards such trials in the jurisdiction of the United States and Canada. Other avenues being seriously contemplating are to have "XILIVE" utilized in various other countries such as Mexico, Germany, Italy and other countries where regulations are less stringent for the use of experimental early stage drugs for the treatment of certain cancers.

## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

**Prepared by management without audit**

## **2. GOING CONCERN**

The Company's financial statements are prepared using accounting principles generally accepted in the United States applicable to a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business. The Company does not have significant cash or other material assets, nor does it have an established source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. This condition raises substantial doubt as to the entity's ability to continue operations. In the interim, shareholders of the Company have committed to meeting its minimal operating expenses.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. During the year ended December 31, 2013 the Company incurred a net loss of \$246,533 (year to December 31, 2012: net loss of \$183,281).

## **3. SUMMARY OF ACCOUNTING POLICIES**

### Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all debt instruments held with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require 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 during the reporting period. Actual results could differ from these estimates.

### Fair Value of Financial Instruments

The fair value of the Company's cash and cash equivalents, receivables, accounts payable and accrued liabilities approximate the carrying value based on their effective interest rates compared to current market prices.

### Concentration of Credit Risk

The Company has no significant off-balance-sheet concentrations of risk such as foreign exchange contracts, options contracts or other foreign hedging arrangements.

## NOTES TO FINANCIAL STATEMENTS

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### **Easton Pharmaceuticals, Inc.**

(a Development Stage Company)

Three Months Ended March 31, 2014

**Prepared by management without audit**

#### Basic and Diluted Loss Per Share

The Company computes loss per share in accordance with Statement of Financial Accounting Standards No. 128 – “Earnings Per Share” (“SFAS 128”). Under the provisions of SFAS No. 128 basic loss per share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted loss per share is computed using the weighted average number of common and potentially dilutive shares of common stock outstanding during the period. For the Company basic and diluted loss per share is the same as any exercise of options or warrants would be anti-dilutive. The Company currently has no stock dilutives.

#### Income Taxes

The Company accounts for income taxes under the provisions of SFAS No. 109 ‘Accounting for Income Taxes’. SFAS No. 109 requires recognition of deferred income tax assets and liabilities for the expected future income tax consequences, based on enacted tax laws, of temporary differences between the financial reporting tax bases of assets and liabilities.

#### **4. CONSULTANTS FEES PAYABLE**

Consultants, past and present directors and officers are owed a total of \$410,000 as of March 31, 2014. The amounts owing are unsecured, are interest bearing and without fixed terms of repayment.

#### **5. DUE TO RELATED PARTIES AND OTHER LOANS PAYABLE**

Amounts due to related parties and other loans payable are unsecured, bear interest and are payable on demand.

#### **6. COMMON STOCK**

- a) Prior to the rollback of its common stock implemented on April 30, 2009 the Company had a total of 115,499,179 shares issued and outstanding.
- b) On April 30, 2009 the shareholders approved a consolidation of share capital on a 3000 old for 1 new share basis and a change of name to LAM Industries Inc. All shares issued
- c) in these financial statements have been adjusted to reflect the 3000:1 reverse split.
- d) On July 30, 2009 the Company issued 36,000,000 shares of common stock to acquire the assets of Viorra Bio Medical, Inc. (closed on June 25, 2009) valued by management at \$3,600, the par value of the shares.
- e) On August 21, 2009 the Company issued 8,000,000 shares of common stock for the assets of Ixora Bio Medical valued by management at \$546,145, the book value of Ixora.
- f) On September 4, 2009 the Company issued 14,258,200 shares of the Company’s common stock pursuant to the conversion of a Promissory note issued on June 11, 2006.
- g) On November 2, 2009 the Company issued 14,258,210 shares of the Company’s common stock pursuant to the conversion of a Promissory note issued on June 11, 2006.

## NOTES TO FINANCIAL STATEMENTS

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### Easton Pharmaceuticals, Inc.

(a Development Stage Company)

Three Months Ended March 31, 2014

**Prepared by management without audit**

- h) On December 9, 2009 the Company issued 14,258,166 shares of the Company's common stock pursuant to the conversion of a Promissory note issued on June 11, 2006.
- i) On August 15, 2011 the Company issued 1,000,000 shares of the Company's common stock for services rendered to the Company and fairly valued by both parties at \$25,000.
- j) On November 15, 2012 the Company issued 40,000,000 shares of common stock valued at \$200,000 (\$0.005 per share) to consultants. \$50,000 was considered earned at December 31, 2012, \$50,000 considered earned at December 31, 2013 and the remaining \$100,000 is to be earned in equal instalments annually over the next two years.
- k) During the 3<sup>rd</sup> quarter between the period of July, August and September of 2013 the Company issued as per Regulation D offerings a total of 84,200,000 shares of common stock for cash of \$169,995.
- l) During the 4<sup>th</sup> quarter between the period of October, November and December of 2013 the Company issued as per Regulation D offerings a total of 231,900,000 shares of common stock for cash of \$345,239.
- m) During the 1<sup>st</sup> quarter ending March 31, 2014 the Company issued as per Regulation D offerings a total of 140,287,003 shares of common stock for cash of \$440,000.

## ITEM IV. MANAGEMENT DISCUSSION AND ANALYSIS

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### Product and Market Overview

For many years, lotions, creams, suspensions and solutions of various natural (herbal) and therapeutic (drug) substances have been applied to the skin. When it comes to treating pain, sexual dysfunction and other disease states that emanate from structures of the body below the skin, topical therapy is not effective unless the therapeutic agent can cross the outer layer of the skin (stratum corneum) which acts as a protective barrier. This layer consists of numerous dead cells and cells in transition, which collectively forms an effective barrier to penetration of substances, such as bacteria, in the air or in water. Thus the stratum comeum plays an important role in protecting the body from invasion by harmful substances.

It is this same protective role, which has posed a major challenge over the years regarding devising a mechanism that can effectively permit the stratum comeum to allow therapeutic substances to be delivered to structures within the body.

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) scientists discovered that certain molecules called polymers possessed strong electrical charges which, when combined with other polymers of a specific electrical charge, are able to effectively help transport agents through the outer layers of the skin.

In addition, these molecules are able to attach or surround other molecules such as therapeutic molecules and carry them within a matrix through the outer layers of the skin Easton Pharmaceuticals (*formerly LAM*) scientists recognized that these discoveries would be of great significance in regard to the delivery of therapeutic agents.

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) research indicates that its proprietary technology is capable of combining in a matrix, in a novel manner, certain ingredients that are well established and generally regarded by the public, the regulatory authorities and pharmaceutical industry as safe “GRAS”, or (Generally Recognized As Safe).

When combined with other therapeutic ingredients, we believe that the VDM technology allows the delivery of greater amounts of therapeutic ingredients to the target area than may otherwise be possible.

All cosmetic and drug products are regulated in the United States by the FDA, and in other jurisdictions by various other regulatory authorities.

We believe Viorra’s stretch mark and scar product line currently in development would be considered a Class I device in the US, and may be less regulated in other jurisdictions. Class I devices are subject to “general controls”. This is the lowest level of FDA control of medical devices that focuses on basic factors such as quality regulation. In foreign countries our products may be regulated by regulatory authorities similar to the FDA, and each such foreign regulatory authority may impose its own regulations on us which can be different or more difficult and costly to comply with than FDA regulations.

We believe that the products we are developing will be classified as cosmetics or Class I medical devices. Products classified as cosmetics may be marketed and sold in the US without FDA approval. Drugs are not cosmetics and those, as well as OTC drugs, must be marketed following FDA regulations and/or approvals in the United States. Before human testing can begin with respect to a new drug in the United States, preclinical studies are conducted in laboratory animals to evaluate the potential efficacy and the safety of a product. Human clinical studies generally involve a three-phase process. The initial clinical evaluation, Phase I, consists of administering the product and testing for safe and tolerable dosage levels. Phase II trials continue the evaluation of safety and determine the appropriate dosage for the product, identify possible side effects and risks in a larger group of subjects, and provide preliminary indications of efficacy. Phase III trials consist of testing for actual clinical efficacy within an expanded group of patients at geographically dispersed test sites.

We believe that our VDM technology, when used with prescription drugs, or with currently approved OTC drugs will be regulated as a new drug and will require approval by the FDA. Conversely, we believe that the VDM delivery technology, when used as a cosmetic can be marketed without prior approval.

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) has previously performed evaluations of a limited number of IPM/drug formulations, including formulations incorporating diclofenac and dimenhydrinate. Diclofenac is a non-steroidal anti-inflammatory medicine used in this formulation to help relieve some symptoms of arthritis, such as inflammation, swelling, stiffness, and joint pain. We have not performed any studies on the safety and efficacy of products containing these ingredients. Our preferred course for these formulations is to negotiate licensing agreements and/or joint ventures with larger pharmaceutical companies, which have the financial resources to fund the research and/or clinical trials necessary to complete the development of our products.

If in the future the results of any clinical trials involving these formulations are promising, we may then be in a position to negotiate licenses, which would generate sufficient revenue to allow EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) to exploit the VDM technology using a variety of other drugs. It should be emphasized that a number of risks may be associated with this approach.

In addition, more clinical studies may be requested by a potential licensee before it is willing to enter into an agreement. Any further clinical studies, as defined by the FDA, will not be performed without partnering.

Our objective is to raise sufficient capital to enable us to sustain ongoing research, marketing and administrative overhead as well as to enable us to undertake the work necessary to obtain clearances to market and sell our products in various countries if required, and to license certain products to third parties.

We believe that the longer we are able to continue development and the clinical trials for certain products and thereby establish their safety and efficacy, the greater their value will be to a potential licensee given the reduced risk of failure. Consequently, we believe that the longer we retain sole ownership of those products the greater will be our bargaining position with prospective licensees and strategic alliance partners. Indeed, the industry places incrementally larger different values on drugs as they progress through the clinical trials required by the FDA.

We plan to market our products in any country where a suitable market exists and which has approved our products for sale.

The Company's current focus is to serve the healthcare market in the USA and Canada and we are in the process of entering Mexico, and select South American with the assistance of contracted third parties. We will continue to analyze and review our options to market and sell the Company's products in China and other east Asian countries. As resources become available the Company will continue to review opportunities in other countries and will enter these countries as appropriate.

### **Current Product Pipeline**

**The following section describes the history and future intentions of the products under current development by the Company**

#### **XILIVE Cancer Drug**

On November 5, 2013 EASTON PHARMACEUTICALS, Inc. acquired an initial 10% ownership interest in a Cancer Treatment Drug called "XILIVE", with an exclusive option to purchase the remaining ownership interest exercisable at any point in time over the next 12 month time period. Should EASTON PHARMACEUTICALS provide funding towards any testing or clinical trials, these expenditures will be included and put towards acquiring an additional ownership in the drug. "XILIVE" is not yet patented and has not undergone any independent clinical trials, but was previously administered by the current majority owners on 2 non U.S. individuals suffering from various forms of advanced stage cancer. Initial feedback was promising enough to allow EASTON PHARMACEUTICALS to acquire an initial 10% ownership interest. It is the Company's Intent along with the current majority owners to enter into some type of feasibility, safety and efficacy tests. Any type of trials may depend on the involvement or the approval of the FDA in the United States and Health Canada in Canada. The Company is currently contemplating forming alliances with certain other company's who have adequate resources and knowledge towards such trials in the jurisdiction of the United States and Canada. Other avenues being seriously contemplated are to have "XILIVE" utilized and tested in various other countries such as Mexico, Germany, Italy and other countries where regulations are less stringent for the use of experimental early stage drugs for the treatment of certain cancers.



## Female Sexual Arousal Dysfunction

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) first product, Viorra for women is the first product using EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) priority VDM technology and is designed primarily to address the deficiencies in women experiencing FASD, which is often associated with post-menopausal problems that may inhibit their intimate relationships. Specifically, Viorra, using VDM technology acts to either eliminate or significantly minimize post-menopausal symptoms including vaginal dryness, pain during intercourse, while improving feeling and sensation.

Management believes that the VPM is a cosmetic and it is not pursuing any specific new chemical entity or other pharmaceutical drug claims for Viorra or VDM technology at this time. The product uses substances that have been approved and found safe by the regulatory authorities for many applications.

## Future Products

The acquired Viorra VPM technology is planned to be incorporated into a pipeline of other EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) products. The VDM gel can be safely used over large areas of skin, making it ideal for use as a cosmetic-based delivery system in various applications for the skin.

Cosmetics are a multi-billion dollar a year industry that do not require FDA approval prior to marketing, although cosmetics must be safe, contain appropriate cosmetic ingredients and be labeled properly. In addition to the primary market focus of adding in the treatment of FASD, the VDM technology is an ideal carrier of many active ingredients and supplements that may be useful in treating or as aids to treatment of a variety of skin conditions including but not limited: to scarring alleviation, wound healing, cellulite reduction reducing the severity of stretch marks, varicose veins, relief of general skin dryness, and moisturization. The VDM technology is appealing to users as a carrier of other active cosmetic ingredients particularly because it is quite viscous and contains non-staining and non-irritating ingredients.

OTC drug products marketed in the United States can make cosmetic claims as well as therapeutic claims and are intended to treat or prevent disease. Examples of such products include, but are not limited to, anti-dandruff shampoos; sunscreens; make-ups, moisturizers and skin care products that contain sunscreen, skin protectant or acne claims; products that make breath-freshening or whitening claims; antiperspirants that contain deodorant claims; and anti-microbial soaps. These products must comply with the FDA Monographs for OTC drugs products.

As a cosmeceutical, a combination of future OTC drug and cosmetic products, the Viorra proprietary matrix can be used for a variety of topical and other uses. These include use with certain antibiotic first aid products, antifungal drugs, dandruff, dermatitis and psoriasis control products, external analgesics, skin protectant-type products, such as for poison ivy and fever blisters and cold sores, first aid antiseptics, and anorectal products. Other products may also be developed from the VDM technology as determined by senior management, science team and board of directors based on an interdependent analysis of efficacy, development cost and market potential.

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) is currently reviewing the ability to manufacture its pipeline of products which encompasses the VDM proprietary matrix delivery system with certain contract manufacturing companies based in Canada and Mexico. No independent studies have been performed regarding the new products although prior product safety and efficacy internal tests appear to have been promising. EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) expects to incur costs associated with obtaining regulatory clearance prior to the introduction of these products to market.

Such costs could include clinical trials/studies and consulting fees should it file for a 510(k) application as a Class I medical device in the United States and other fees incurred within other countries. Any application to the FDA will be submitted only when we have completed the clinical validation trials for the product.

## **Government Regulation**

All of the EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) products will be regulated in the United States under the Federal Food, Drug and Cosmetic Act (FD&C Act), the Public Health Service Act, and the laws of certain states. The FDA exercises regulatory control over drugs manufactured and/or sold in the United States, including those that are unapproved.

We believe that some of the products currently in the research and development pipeline will be subject to Class I or Class II medical devices while others will be able to marketed using cosmetic classifications as described by the FDA.

It is also possible that the proprietary VDM technology, when used with approved or unapproved prescription drugs or biologics, may be regulated as a combination unapproved new drug and medical device, in which case it would be subject both to medical device and new drug regulation. It is also possible that the use of the VDM technology with a monographed OTC drug could render the product an unapproved new drug, which would mean that the product is subject to new drug application approval requirements before marketing. We intend to seek out partners for any products which require new drug applications and will rely on our partners to pursue any regulatory application in regards to these products.

Brief descriptions of the FDA classifications are as follows:

### **Cosmetics**

Cosmetics are generally the least regulated by the FDA compared to other products subject to the FD&C Act. The legal distinction between cosmetics and drugs is typically based on the intended use of the product, which is normally discerned from its label or labeling. Cosmetic products are those intended for cleansing, beautifying, promoting attractiveness, or altering appearance whereas drugs are those intended for diagnosis, cure, mitigation, treatment, or prevention of disease, or that affect the structure or any function of the body.

A claim suggesting that a product affects the body in some “physiological” way usually renders the product a drug - even if the effect is temporary. However, claims that a product affects appearance through a “physical” effect are generally considered cosmetic claims. The FDA’s rationale for this distinction is that a claim of a physiological effect is a claim that the product “affects” the structure or function of the body, which is one element of the statutory definition of a drug. A claim indicating that products effects are on the surface of the skin can be a cosmetic claim.

Although cosmetics may be marketed without FDA approval, in order to be marketed lawfully as a cosmetic, the product must be properly labeled and each ingredient and each finished cosmetic product must be adequately substantiated for safety prior to marketing.

Products which are not cosmetics, and are marketed in the United States, must either comply with specified OTC drug regulations (monographs) or be specifically approved through the New Drug Application (NDA) or biologic licensure process.

## *Medical Devices*

The FDA may choose to regulate certain uses of the proprietary VDM technology as a medical device if it determines that the mechanism by which the VDM technology exerts its effects meets the defined requirements of a medical device. A medical device is a product that, among other requirements, does not achieve its primary intended purposes through chemical action within or on the human body and is not dependent upon being absorbed to achieve its primary intended purpose.

Medical device regulation is based on classification of the device into three classes, I, II, or III. The three classes are based on the degree of control necessary to assure the various types of devices are safe and effective. Device classification depends on the intended use of the device and also upon indications for use. In addition, classification is risk based, that is, the risk the device poses to the patient and/or the user is a major factor in the class it is assigned. Class I medical devices present minimal potential for harm to the user and are often simpler in design than Class II or Class III devices. 47% of medical devices fall under Class I category and 95% of these are exempt from the regulatory process. 43% of medical devices are Class II devices. Class III medical devices usually sustain or support life, are implanted, or present potential unreasonable risk of illness or injury. 10% of medical devices fall under Class III category.

Section 510(k) of the Food, Drug and Cosmetic Act requires those device manufacturers who must register to notify FDA their intent to market a medical device. This is known as Premarket Notification (PMN) or 510(k). Under 510(k), before a manufacturer can market a medical device in the United States, they must demonstrate to FDA's satisfaction that it is substantially equivalent (as safe and effective) to a device already on the market. If FDA rules the device is "substantially equivalent," the manufacturer can market the device. Only a small percentage of 510(k)'s require clinical data to support a marketing clearance by the Food and Drug Administration (FDA).

## **OTC Drugs**

OTC drugs generally are defined as those drug products that can be used safely and effectively by the general public without seeking treatment by a physician or other health care professional. Thus, they do not require a prescription by a health care professional and are available at retail establishments. An OTC drug may be marketed without FDA approval if it conforms to a particular product monograph as described below and otherwise meets the requirements of the FD&C Act.

OTC monographs list active ingredients, their dosage levels, and uses (claims) for which OTC drug products are considered generally recognized as safe and effective for specific use and are not misbranded. If a particular level of an active ingredient and claim are allowed by a monograph, then a manufacturer may market a product containing that ingredient and bearing that claim without specific FDA approval, subject to compliance with other requirements of the monographs and FD&C Act, including labeling, drug registration and listing, and manufacturing obligations. With regard to labeling, the regulations require certain language for statement of identity, net contents, adequate directions for use, and name and address of the manufacturer, and their placement on the finished package, as well as additional warning statements when relevant to the product. All OTC manufacturers must register their establishments with the FDA and submit to the FDA a list of products made within five days after beginning operations, as well as submit a list of products in commercial distribution. The FDA must inspect all registered establishments at least every two years and OTC drug products must be manufactured in accordance with CGMP regulations. If the FDA finds a violation of CGMPs, it may enjoin a company's operations, seize product, or criminally prosecute the manufacturer.

If a drug product does not conform to a particular OTC monograph, then typically a New Drug Application must be reviewed and approved by the FDA prior to marketing. Unlike prescription drugs, OTC drugs must bear adequate directions for safe and effective use and warnings against misuse.

## New Drug Applications and Biologic License Applications

New drugs and products that are not cosmetics or devices and that are not covered by an OTC monograph must be approved by the FDA prior to marketing in the United States. Pre-clinical testing programs on animals, followed by three phases of clinical testing on humans, are typically required by the FDA in order to establish product safety and efficacy.

The first stage of evaluation, pre-clinical testing, must be conducted in animals. After safety has been demonstrated, the test results are submitted to the FDA (or a state regulatory agency) along with a request for authorization to conduct clinical testing, which includes the protocol that will be followed in the initial human clinical evaluation. If the applicable regulatory authority does not object to the proposed study, the investigator can proceed with Phase I trials. Phase I trials consist of pharmacological studies on a relatively few number of human subjects under rigidly controlled conditions in order to establish lack of toxicity and a safe dosage range.

After Phase I testing is completed, one or more Phase II trials are conducted in a limited number of patients to continue to test the products safety and also its efficacy, i.e. its ability to treat or prevent a specific disease. If the results appear to warrant further studies, the data are submitted to the applicable regulatory authority along with the protocol for a Phase III trial. Phase III trials consist of extensive studies in large populations designed to assess the safety of the product and the most desirable dosage in the treatment or prevention of a specific disease. The results of the clinical trials for a new drug are submitted to the FDA as part of a New Drug Application (NDA).

Biological drugs are subject to Biologics License Applications (BLAs), not NDAs as are other drugs. Biological drugs are a subset of “drug products” distinguished by their manufacturing process (biological vs. chemical process). A biological drug is any virus, serum, toxin, antitoxin, vaccine, blood, blood component or derivative, allergenic product, or analogous product applicable to the prevention, treatment, or cure of diseases or injuries. They must be safe, pure and potent. Generic competition does not exist for biologics, as it does for other drugs. Biological drugs are generally subject to the same testing, manufacturing, distribution, marketing, labeling, advertising and other requirements for other drugs.

To the extent that all of the manufacturing process for a product is handled by an entity other than EASTON PHARMACEUTICALS, Inc. the manufacturing entity will be subject to inspections by the FDA and by other federal, state and local agencies and must comply with FDA GMP requirements. In complying with GMP regulations, manufacturers must continue to expend time, money and effort in the area of production, quality control and quality assurance to ensure full compliance.

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) may undertake itself, or through partners, extensive and costly clinical testing to assess the safety and efficacy of product derived in combination with the VDM technology. Failure to comply with FDA guidelines regulating such testing can result in delay, suspension or cancellation of testing, and refusal by the FDA to accept the results of the testing. In addition, the FDA may suspend clinical studies at any time if it concludes that the subjects or patients participating in trials are being exposed to unacceptable health risks. Further, there can be no assurance that human clinical testing will show any of our drug delivery systems to be safe or effective or that data derived from any testing will be suitable for submission to the FDA.

The clinical studies prior to seeking marketing clearance required by European regulatory authorities before our systems can be marketed in Western Europe are similar to those in the United States. First, appropriate pre-clinical laboratory and animal tests must be done, followed by submission of a clinical trial exemption or similar documentation before human clinical studies can be initiated. Upon completion of adequate and well-controlled clinical studies in humans that establish that the drug is safe and efficacious, regulatory approval of a Market Authorization Application must be obtained from the

relevant regulatory authorities. As with the FDA review process, there are numerous risks associated with the Market Authorization Application review. Additional data may be requested by the regulatory agency reviewing the Market Authorization Application to demonstrate the contribution of a product component to the clinical safety and efficacy of a product, or to confirm the comparable performance of materials produced by a changed manufacturing process or at a changed manufacturing site.

The process of biologic and new drug development and regulatory approval or licensure requires substantial resources and many years. There can be no assurance that regulatory approval will ever be obtained for other products being developed by us. Authorization for testing, approval for marketing of drugs, including biologics, by regulatory authorities of most foreign countries must also be obtained prior to initiation of clinical studies and marketing in those countries. The approval process varies from country to country and the time period required in each foreign country to obtain approval may be longer or shorter than that required for regulatory approval in the United States.

There are no assurances that clinical trials conducted in foreign countries will be accepted by the FDA for approval in the United States. Product approval (or licensure in a foreign country) does not mean that the product will be approved or licensed by the FDA and there are no assurances that we will receive any approval or license by the FDA or any other governmental entity for the marketing of a drug product. Likewise, product approval by the FDA does not mean that the product will be approved or licensed by any foreign country.

## **Product Status**

All of our other products are in various stages of development and testing. Viorra, the first female sexual enhancement product encompassing GRAS ingredients, has been re-formulated and expected to be ready for marketing and sale sometime in the first half of 2014 or later. The Company has contracted a consultancy company located in Mexico, BMV Medica S.A. to file an application with the Mexican government to obtain approval to market and sell VIORRA in the country of Mexico which is as a result of efforts made by our chief consultant Dr. Daniel Bagi M.D and BMV Medical S.A. The remaining OTC products, initiatives and the commercial sale of any of these products may not occur or may be delayed while the company focuses on “Viorra” and its “Xilive” cancer drug. As a result, we expect to incur additional losses for the foreseeable future. Our estimate of the costs associated with future research, development and clinical studies may be substantially lower than the actual costs of these activities. If our cost estimates are incorrect, we will need additional funding for our research, development and clinical efforts. Please see our risk factors that discuss our ability to pay the costs of completing our research and development, which can be found in the next paragraph. There can be no assurance that our products will prove to have any therapeutic or other value.

## **Research and Development**

As part of our ongoing research and development program, we intend to develop and commercialize as many products as possible based on the proprietary VDM technology. Our long-range goal with Board of Directors’ approval is to exploit other uses of its matrix delivery system to improve the therapeutic effects and efficacy of various products

Since inception, EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) has raised approximately \$18 Million that it has used for research and development related at that time to the L.A.M. IPM™ technology which it has since sold. These research and development expenditures do not include research and development expenses relating to any of the acquired IXORA’s or VBMI’s VDM system or other research and development expenditures related to other pipeline products acquired in the VBMI and IXORA asset acquisitions, or corporate expenses accrued in the acquired companies for on-going costs for, among other things: marketing expertise, professional consultants, accounting, regulatory fees, sales

costs, and general corporate purposes for which arms length and non-arms-length individuals provided services to the companies in exchange for future consideration.

## **Manufacturers and Suppliers**

EASTON PHARMACEUTICALS, Inc. (*formerly LAM*) will purchase its supplies of raw materials for the formulation of its all product from various independent supply companies in the USA, Canada, Europe, Asia and Latin American Countries. Several vendors have been identified and these have been determined to be in compliance with any regulatory requirements for manufacture of our products; all future vendors will be chosen using established criteria for selecting quality vendors as accepted by our quality system infrastructure.

## **Competition**

The pharmaceutical industry is highly competitive. We believe that competition for product sales is based primarily on brand awareness, price, availability and product efficacy. Our products may be subject to competition from alternate therapies during the patent protection period, if applicable, and thereafter from generic equivalents.

Many of our competitors are large, well-established companies in the pharmaceutical, chemical, cosmetic and health care fields and may have greater resources than we do to devote to manufacturing, marketing, sales, research and development and acquisitions. Our competitors include Bristol-Myers Squibb, Johnson & Johnson, Smith & Nephew and others.

## **Patents and Trademarks**

The company through its acquisition and 50% ownership of its FSAD drug for the treatment of female sexual dysfunction, presently has patents and patent pendings.

- (i) Canadian Patent Application Number CA 2,591,203;
- (ii) U.S. Patent Application No. 11/010,154;  
Patent Cooperation Treaty Application Number PCT/IB2005/003672 (publication number  
W02006/061689; and
- (iii) European Patent Application Number EP 2005810583

Prior to the companys decision to abandon, suspend and subsequently sell its ownership interest in the L.A.M. IPM™ technology, in the fall of 2008, EASTON PHARMACEUTICALS, Inc. (formerly LAM) owned fifteen U.S. patents, nine foreign patents, five U.S. patent applications and numerous international patent applications designating over 100 foreign countries with claims relating to our sustained release delivery matrix system, systems containing drug preparations, uses of the systems for various treatment therapies and addiction therapeutic program. The patents were to expire between 2015 and 2018.

## **Results of Operations**

### **Liquidity and Capital Resources:**

The Company has increased its shareholders' deficit as a result of its efforts to increase its business activity. Cash outflow from operations for the three months ended March 31, 2014 was \$(40,883) compared to an outflow of cash of \$(4,962) in the comparative prior three months ended March 31, 2013. In the current period, the Company received \$440,000 for the issuance of 140,287,003 shares of common stock (\$0.00 in the comparative prior period and received \$0.00 \$4,900 (\$4,900 in the comparative prior period) in loans from related parties leaving cash on hand at March 31, 2014 of \$586,628 compared to cash on hand of \$187,521 at December 31, 2013.

The Company is dependent upon equity and loan financings to compensate for the continued outflow of cash anticipated from operations. The Company's continued operations are dependent upon obtaining revenues from outside sources or raising additional funds through debt or equity financing.

Profit & Loss:

Comparison of the three months ended March 31, 2014 with the three months ended March 31, 2013.

The net loss for the three months ended March 31, 2014 was \$68,383 compared to a net loss of \$22,476 for the three months ended March 31, 2013. The losses for the current period relates to product development expenses whereas the comparative period expenses relate to expenses incurred in administering the affairs of the Company and in the reorganization of the Company's business.

Cash Flow:

The Company's working capital position at March 31, 2014 was \$87,201 with cash of \$586,628 which is in excess of current liabilities of \$499,427. At December 31, 2013 the Company had a working capital deficiency of \$(296,916).

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

**ITEM V. LEGAL PROCEEDINGS**

The Company is not party to any material legal proceedings or administrative actions.

**7) Describe the Issuer's Facilities**

The company presently shares office space from which to conduct its day to day business affairs, located at 425 University Avenue, Suite 601, Toronto, Ontario, Canada. It does not own any plants or equipment

**8) Officers, Directors, and Control Persons**

**A. Names of Officers, Directors, and Control Persons.** In responding to this item, please provide the names of each of the issuer's executive officers, directors, general partners and control persons (control persons are beneficial owners of more than five percent (5%) of any class of the issuer's equity securities), as of the date of this information statement.

In December of 2009 John Easton was appointed Chairman and Director.

In December of 2009 Lee Hendelson was appointed Chief Financial Officer.

During the fourth quarter of 2012, the company entered into a management restructuring and subsequently accepted the resignation of Mr. John K. Easton as CEO and Mr. Lee Hendelson as CFO.

Mr. John Adams accepted the position as Director, CEO and President

Mr. Walter Folinski assumed the position of CFO.

During the 3<sup>rd</sup> quarter of 2013, the company accepted the resignation of Walter Folinski as CFO

During the 3<sup>rd</sup> quarter of 2013, the company appointed Mrs. Carla Pepe to the board as Marketing Director / Secretary / Treasurer and Director.

Subsequent to the Year ending Dec. 31, 2013, Mrs. Pepe was appointed as CEO

Mr. John Adams was appointed as CFO / and remains a Director

Mr. Kent Deuters was appointed as COO

**B. Legal/Disciplinary History.** Please identify whether any of the foregoing persons have, in the last five years, been the subject of:

1. A conviction in a criminal proceeding or named as a defendant in a pending criminal proceeding (excluding traffic violations and other minor offenses);

None

2. The entry of an order, judgment, or decree, not subsequently reversed, suspended or vacated, by a court of competent jurisdiction that permanently or temporarily enjoined, barred, suspended or otherwise limited such person's involvement in any type of business, securities, commodities, or banking activities;

None

3. A finding or judgment by a court of competent jurisdiction (in a civil action), the Securities and Exchange Commission, the Commodity Futures Trading Commission, or a state securities regulator of a violation of federal or state securities or commodities law, which finding or judgment has not been reversed, suspended, or vacated; or

None

4. The entry of an order by a self-regulatory organization that permanently or temporarily barred suspended or otherwise limited such person's involvement in any type of business or securities activities.

None

**C. Beneficial Shareholders.** Provide a list of the name, address and shareholdings or the percentage of shares owned by all persons beneficially owning more than ten percent (10%) of any class of the issuer's equity securities. If any of the beneficial shareholders are corporate shareholders, provide the name and address of the person(s) owning or controlling such corporate shareholders and the resident agents of the corporate shareholders.

None



## 9) Third Party Providers

Below are the names, addresses, telephone numbers, and email addresses of each of the following outside providers that advise the Company on matters relating to operations, business development and disclosure:

BMV Medica S.A. de C.V. – Tel: 52-55-5596-5414

Dr. Daniel Bagi – email: [info@eastonpharmaceuticalsinc.com](mailto:info@eastonpharmaceuticalsinc.com)

Neil Mellor – Tel: 1-416-619-0291, email: [info@eastonpharmaceuticalsinc.com](mailto:info@eastonpharmaceuticalsinc.com)

DLM Company, Pres Dana Leonard – [dlncompany@aol.com](mailto:dlncompany@aol.com)

Vivacom Consulting – email: [vivacom.consulting@aol.com](mailto:vivacom.consulting@aol.com), [info@eastonpharmaceuticalsinc.com](mailto:info@eastonpharmaceuticalsinc.com)

Dr. Lilla Albert PhD. – [drlillaalbert@eastonpharmaceuticalsinc.com](mailto:drlillaalbert@eastonpharmaceuticalsinc.com)

### Legal Counsel

Name: Allen C. Tucci, Esq

Firm: Archerlaw

Address 1: 300 Delaware Avenue, Suite 1370, Wilmington, DE 19801

### Accountant

Name: John Adams

Address 1: 425 University Av. Suite 601, Toronto, Ont.

### Investor Relations Consultant

Name: None

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

Other Advisor: Any other advisor(s) that assisted, advised, prepared or provided information with respect to this disclosure statement.

Name: None

Firm: \_\_\_\_\_

Address 1: \_\_\_\_\_

Address 2: \_\_\_\_\_

Phone: \_\_\_\_\_

Email: \_\_\_\_\_

## ITEM VI. DEFAULTS UPON SENIOR SECURITIES

The Company is not in default upon any of its debts however it has payables due and outstanding, bear interest, are not secured and have no fixed repayment dates.

## ITEM VII. OTHER INFORMATION

None

## ITEM VIII. EXHIBITS

During the 4<sup>th</sup> quarter of 2013, the company amended its Articles of Incorporation to increase its common shares authorized from 250,000,000 shares to 500,000,000 shares authorized. Subsequent to the quarter ending March 31, 2014 the company amended its articles of incorporation and increased its shares authorized to 1,000,000,000 shares

## ITEM IX. CERTIFICATIONS

I, Carla Pepe, certify that:

1. I have reviewed this annual disclosure statement of Easton Pharmaceuticals, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

By:	/s/ Carla Pepe	
Name:	Carla Pepe	
Title:	CEO	
Date:	May 28, 2014	

## ITEM IX. CERTIFICATIONS CONTINUED

I, John Adams, certify that:

1. I have reviewed this annual disclosure statement of Easton Pharmaceuticals, Inc.;
2. Based on my knowledge, this disclosure statement 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 disclosure statement; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

By:	/s/ John Adams	
Name:	John Adams	
Title:	CFO	
Date:	May 28, 2014	