

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

HELIX BIOMEDIX, INC.

19125 North Creek Parkway, Suite 120, Bothell, WA 98011 USA

425.402.8400

www.helixbiomedix.com

ir@helixbiomedix.com

2834

Annual Report

For the period ending [December 31, 2023](#) (the “Reporting Period”)

Outstanding Shares

The number of shares outstanding of our Common Stock was:

[224,708](#) as of [March 31, 2024](#)

[224,708](#) as of [December 31, 2023](#)

Shell Status

Indicate by check mark whether the company is a shell company (as defined in Rule 405 of the Securities Act of 1933, Rule 12b-2 of the Exchange Act of 1934 and Rule 15c2-11 of the Exchange Act of 1934):

Yes: ☐ No: ☒

Indicate by check mark whether the company's shell status has changed since the previous reporting period:

Yes: ☐ No: ☒

Change in Control

Indicate by check mark whether a Change in Control¹ of the company has occurred over this reporting period:

Yes: ☐ No: ☒

¹ “Change in Control” shall mean any events resulting in:

- (i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) becoming the “beneficial owner” (as defined in Rule 13d-3 of the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total voting power represented by the Company's then outstanding voting securities;
- (ii) The consummation of the sale or disposition by the Company of all or substantially all of the Company's assets;
- (iii) A change in the composition of the Board occurring within a two (2)-year period, as a result of which fewer than a majority of the directors are directors immediately prior to such change; or
- (iv) The consummation of a merger or consolidation of the Company with any other corporation, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its parent) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity or its parent outstanding immediately after such merger or consolidation.

1) Name and address(es) of the issuer and its predecessors (if any)

In answering this item, provide the current name of the issuer any names used by predecessor entities, along with the dates of the name changes.

February 2, 1988	Caribbean Acquisitions
May 4, 1988	Cartel Acquisitions, Inc. (Colorado)
June 23, 1989	Helix BioMedix, Inc (Colorado) / November 1, 2000 Helix BioMedix, Inc. (Delaware)

The state of incorporation or registration of the issuer and of each of its predecessors (if any) during the past five years; Please also include the issuer's current standing in its state of incorporation (e.g. active, default, inactive):

Active Delaware Corporation

Describe any trading suspension orders issued by the SEC concerning the issuer or its predecessors since inception:

none

List any stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization either currently anticipated or that occurred within the past 12 months:

none

The address(es) of the issuer's principal executive office:

Company Name:	HELIX BIOMEDIX, INC
Address:	19125 North Creek Parkway, Suite 120
City, State, Zip:	Bothell, WA 98011
Main Telephone:	425.402.8400

The address(es) of the issuer's principal place of business:

☒ Check if principal executive office and principal place of business are the same address:

Has the issuer or any of its predecessors been in bankruptcy, receivership, or any similar proceeding in the past five years?

No: ☒ Yes: ☐ If Yes, provide additional details below:

2) Security Information

Transfer Agent

Firm Name:	Broadridge Corporate Issuer Solutions, Inc.
Contact Name:	Stephanie Manzanares
Email:	Stephanie.Manzanares@broadridge.com
Address:	51 Mercedes Way Edgewood, NY 11717 USA
Phone Number:	213-660-9548

Publicly Quoted or Traded Securities:

The goal of this section is to provide a clear understanding of the share information for its publicly quoted or traded equity securities. Use the fields below to provide the information, as applicable, for all outstanding classes of securities that are publicly traded/quoted.

Trading symbol:	HXBM
Exact title and class of securities outstanding:	Common Stock
CUSIP:	423287507
Par or stated value:	\$0.001
Total shares authorized:	2,000,000 as of date: April 23, 2024
Total shares outstanding:	224,708 as of date: April 23, 2024
Number of shares in the Public Float ² :	94,981 as of date: June 28, 2023 (proxy date of record)
Total number of shareholders of record:	215 as of date: June 28, 2023 (proxy date of record)

All additional class(es) of publicly quoted or traded securities (if any):

Trading symbol:	_____
Exact title and class of securities outstanding:	_____
CUSIP:	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding:	_____ as of date: _____
Total number of shareholders of record:	_____ as of date: _____

Other classes of authorized or outstanding equity securities:

The goal of this section is to provide a clear understanding of the share information for its other classes of authorized or outstanding equity securities (e.g. preferred shares). Use the fields below to provide the information, as applicable, for all other authorized or outstanding equity securities.

Exact title and class of the security:	_____
CUSIP (if applicable):	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding (if applicable):	_____ as of date: _____
Total number of shareholders of record (if applicable):	_____ as of date: _____

Exact title and class of the security:	_____
CUSIP (if applicable):	_____
Par or stated value:	_____
Total shares authorized:	_____ as of date: _____
Total shares outstanding (if applicable):	_____ as of date: _____
Total number of shareholders of record (if applicable):	_____ as of date: _____

Security Description:

The goal of this section is to provide a clear understanding of the material rights and privileges of the securities issued by the company. Please provide the below information for each class of the company's equity securities, as applicable:

² "Public Float" shall mean the total number of unrestricted shares not held directly or indirectly by an officer, director, any person who is the beneficial owner of more than 10 percent of the total shares outstanding (a "control person"), or any affiliates thereof, or any immediate family members of officers, directors and control persons.

1. For common equity, describe any dividend, voting and preemption rights.

None

2. For preferred stock, describe the dividend, voting, conversion, and liquidation rights as well as redemption or sinking fund provisions.

None

3. Describe any other material rights of common or preferred stockholders.

None

4. Describe any material modifications to rights of holders of the company's securities that have occurred over the reporting period covered by this report.

None

3) Issuance History

The goal of this section is to provide disclosure with respect to each event that resulted in any changes to the total shares outstanding of any class of the issuer's securities **in the past two completed fiscal years and any subsequent interim period**.

Disclosure under this item shall include, in chronological order, all offerings and issuances of securities, including debt convertible into equity securities, whether private or public, and all shares, or any other securities or options to acquire such securities, issued for services. Using the tabular format below, please describe these events.

A. Changes to the Number of Outstanding Shares

Indicate by check mark whether there were any changes to the number of outstanding shares within the past two completed fiscal years:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Shares Outstanding as of Second Most Recent Fiscal Year End: Opening Balance Date <u>12/31/2021</u> Common: <u>224,708</u> Preferred: <u>0</u> -			*Right-click the rows below and select "Insert" to add rows as needed.						
Date of Transaction	Transaction type (e.g., new issuance, cancellation, shares returned to treasury)	Number of Shares Issued (or cancelled)	Class of Securities	Value of shares issued (\$/per share) at Issuance	Were the shares issued at a discount to market price at the time of issuance? (Yes/No)	Individual/ Entity Shares were issued to. *You must disclose the control person(s) for any entities listed.	Reason for share issuance (e.g. for cash or debt conversion) - OR- Nature of Services Provided	Restricted or Unrestricted as of this filing.	Exemption or Registration Type.

Shares Outstanding on Date of This Report: Ending Balance: Date <u>12-31-23</u> Common: <u>224,708</u> Preferred: - 0 -	
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Example: A company with a fiscal year end of December 31st, in addressing this item for its Annual Report, would include any events that resulted in changes to any class of its outstanding shares from the period beginning on January 1, 2022 through December 31, 2023 pursuant to the tabular format above.

Use the space below to provide any additional details, including footnotes to the table above:

No changes during this time period

B. Promissory and Convertible Notes

Indicate by check mark whether there are any outstanding promissory, convertible notes, convertible debentures, or any other debt instruments that may be converted into a class of the issuer's equity securities:

No: ☒ Yes: ☐ (If yes, you must complete the table below)

Date of Note Issuance	Outstanding Balance (\$)	Principal Amount at Issuance (\$)	Interest Accrued (\$)	Maturity Date	Conversion Terms (e.g. pricing mechanism for determining conversion of instrument to shares)	Name of Noteholder. <small>*You must disclose the control person(s) for any entities listed.</small>	Reason for Issuance (e.g. Loan, Services, etc.)
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____	_____	_____

Use the space below to provide any additional details, including footnotes to the table above:

4) Issuer's Business, Products and Services

The purpose of this section is to provide a clear description of the issuer's current operations.
(Please ensure that these descriptions are updated on the Company's Profile on www.otcmarkets.com).

A. Summarize the issuer's business operations (If the issuer does not have current operations, state "no operations")

Helix BioMedix's drug development program focuses on unmet needs in the rare dermatological disease market. Additionally, the Company has a long history of discovery and design of patented bioactive peptides for topical use in the personal care market.

B. List any subsidiaries, parent company, or affiliated companies.

None

C. Describe the issuers' principal products or services.

Drug and peptide discovery and development

5) Issuer's Facilities

The goal of this section is to provide a potential investor with a clear understanding of all assets, properties or facilities owned, used or leased by the issuer and the extent in which the facilities are utilized.

In responding to this item, please clearly describe the assets, properties or facilities of the issuer, give the location of the principal plants and other property of the issuer and describe the condition of the properties. If the issuer does not have complete ownership or control of the property (for example, if others also own the property or if there is a mortgage on the property), describe the limitations on the ownership.

If the issuer leases any assets, properties or facilities, clearly describe them as above and the terms of their leases.

Helix BioMedix's leases corporate office space located in a business park in Bothell, WA.

6) Officers, Directors, and Control Persons

Using the table below, please provide information, as of the period end date of this report, regarding any officers, or directors of the company, individuals or entities controlling more than 5% of any class of the issuers securities, or any person that performs a similar function, regardless of the number of shares they own. **If any insiders listed are corporate shareholders or entities, provide the name and address of the person(s) beneficially owning or controlling such corporate shareholders, or the name and contact information (City, State) of an individual representing the corporation or entity in the note section.**

Include Company Insiders who own any outstanding units or shares of any class of any equity security of the issuer.

The goal of this section is to provide an investor with a clear understanding of the identity of all the persons or entities that are involved in managing, controlling or advising the operations, business development and disclosure of the issuer, as well as the identity of any significant or beneficial shareholders.

Names of All Officers, Directors and Control Persons	Affiliation with Company (e.g. Officer Title /Director/Owner of more than 5%)	Residential Address (City / State Only)	Number of shares owned	Share type/class	Ownership Percentage of Class Outstanding	Names of control person(s) if a corporate entity
Frank T Nickell(3)	stockholder	NY, NY	136,802	common	57.2%	_____
RBFSC, Inc(4)	stockholder	NY, NY	58,788	common	26.2%	Frank T Nickell
David B. Nickell(5)	stockholder	Clearwater, FL	16,105	common	7.2%	_____
R. Stephen Beatty(6)	Director & Chairman	Mill Creek, WA	13,873	common	5.8%	_____
Robin L. Carmichael(7)	CEO, President & Director	Redmond, WA	10,172	common	4.3%	
John F. Clifford(8)	Director	St Augustine, FL	7,100	common	3.1%	
Richard M. Cohen(9)	Director	Hartsdale, NY	7,100	common	3.1%	
William A. Goolsbee(10)	Director	Gardnerville, NV	5,500	common	2.4%	
Lawrence Blake Jones(11)	Director	New Orleans	13,236	common	5.7%	

7) Legal/Disciplinary History

A. Identify whether any of the persons or entities listed above have, in the past 10 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);

[No](#)

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;

[No](#)

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

[No](#)

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.

[No](#)

B. Describe briefly any material pending legal proceedings, other than ordinary routine litigation incidental to the business, to which the issuer or any of its subsidiaries is a party or of which any of their property is the subject. Include the name of the court or agency in which the proceedings are pending, the date instituted, the principal parties thereto, a description of the factual basis alleged to underlie the proceeding and the relief sought. Include similar information as to any such proceedings known to be contemplated by governmental authorities.

[NONE](#)

8) Third Party Service Providers

Provide the name, address, telephone number and email address of each of the following outside providers. You may add additional space as needed.

Securities Counsel (must include Counsel preparing Attorney Letters).

Name: [Laura Bertin](#)
Firm: [Cairncross & Hempelmann](#)
Address 1: [524 Second Avenue, Suite 500](#)
Address 2: [Seattle, WA 98104-2323](#)
Phone: [d: 206-254-4476](#)
Email: LBertin@Cairncross.com

Accountant or Auditor

Name: [Robb McEachran](#)
Firm: [Moss Adams](#)
Address 1: [999 Third Avenue, Suite 2800](#)
Address 2: [Seattle, WA 98104](#)
Phone: [\(206\) 302-6446](#)
Email: Robb.McEachran@mossadams.com

Investor Relations

Name: [N/A](#)
Firm: [N/A](#)

All other means of Investor Communication: [N/A](#)

Twitter: _____
Discord: _____
LinkedIn: _____
Facebook: _____
[Other] _____

Other Service Providers

Provide the name of any other service provider(s) that **that assisted, advised, prepared, or provided information with respect to this disclosure statement**. This includes counsel, broker-dealer(s), advisor(s), consultant(s) or any entity/individual that provided assistance or services to the issuer during the reporting period.

Name: [N/A](#)
Firm: _____
Nature of Services: _____
Address 1: _____
Address 2: _____
Phone: _____
Email: _____

9) Financial Statements

A. The following financial statements were prepared in accordance with:

- ☐ IFRS
☒ U.S. GAAP

B. The following financial statements were prepared by (name of individual)³:

Name: [Mark E. Landis, CPA](#)
Title: [Controller](#)
Relationship to Issuer: [Principal Accounting Officer](#)

Describe the qualifications of the person or persons who prepared the financial statements: [Mr. Landis has been the Company's controller since January 2013, and maintains an active Certified Public Accountant license.](#)

³ The financial statements requested pursuant to this item must be prepared in accordance with US GAAP or IFRS and by persons with sufficient financial skills.

Provide the following financial statements for the most recent fiscal year or quarter. For the initial disclosure statement (qualifying for Pink Current Information for the first time) please provide reports for the two previous fiscal years and any subsequent interim periods.

- a. Audit letter, if audited;
- b. Balance Sheet;
- c. Statement of Income;
- d. Statement of Cash Flows;
- e. Statement of Retained Earnings (Statement of Changes in Stockholders' Equity)
- f. Financial Notes

Important Notes:

- Financial statements must be "machine readable". Do not publish images/scans of financial statements.
- All financial statements for a fiscal period must be published together with the disclosure statement in one Annual or Quarterly Report.

10) Issuer Certification

Principal Executive Officer:

The issuer shall include certifications by the chief executive officer and chief financial officer of the issuer (or any other persons with different titles but having the same responsibilities) in each Quarterly Report or Annual Report.

The certifications shall follow the format below:

I, [Robin L Carmichael](#) certify that:

1. I have reviewed this Disclosure Statement for [Helix BioMedix, 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.

[23 April 2024](#) [Date]

[/s/ Robin L Carmichael](#) [CEO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")

Principal Financial Officer:

I, [Mark E Landis](#) certify that:

1. I have reviewed this Disclosure Statement for [Helix BioMedix, Inc;](#)
1. 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

2. 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.

[23 April 2024](#) [Date]

[/s/ Mark E. Landis](#) [CFO's Signature]

(Digital Signatures should appear as "/s/ [OFFICER NAME]")



FINANCIAL STATEMENTS

HELIX BIOMEDIX, INC.

December 31, 2023 & 2022

Unaudited

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Helix BioMedix, Inc.
Balance Sheets (unaudited)

ASSETS		
	December 31,	
	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,570,032	\$ 3,433,990
Accounts receivable, net of allowances	312,902	256,524
Prepaid expenses and other current assets	127,989	127,363
Total current assets	3,010,923	3,817,877
PROPERTY AND EQUIPMENT, net	11,957	27,045
RIGHT-OF-USE ASSETS	-	72,906
OTHER LONG-TERM ASSETS	2,206	12,260
Total assets	<u>\$ 3,025,086</u>	<u>\$ 3,930,088</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 43,820	\$ 4,226
Accrued compensation and benefits	13,121	18,512
Accrued expenses	9,988	32,305
Lease liability	-	71,200
Total current liabilities	66,929	126,243
NON-CURRENT LIABILITIES		
Deferred rent	-	-
Total liabilities	66,929	126,243
COMMITMENTS AND CONTINGENCIES (Note 13)		
STOCKHOLDERS' EQUITY		
Preferred stock, \$0.001 par value, 1,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock, \$0.001 par value, 2,000,000 shares authorized; 225,726 shares issued, and 224,707 shares outstanding as of December 31, 2022 and 2021	49,780	49,780
Additional paid-in capital	63,538,131	63,061,668
Accumulated deficit	(60,446,408)	(58,198,196)
Treasury stock, 1,019 shares outstanding as of December 31, 2022 and 2021	(183,346)	(183,346)
Total stockholders' equity	2,958,157	3,803,845
Total liabilities and stockholders' equity	<u>\$ 3,025,086</u>	<u>\$ 3,930,088</u>

Helix BioMedix, Inc.
Statements of Operations (unaudited)

	Years Ended December 31,	
	2023	2022
REVENUE		
Licensing fees	\$ 997,726	\$ 1,739,925
Peptide and consumer product sales	-	14,689
Total revenue	997,726	1,754,614
COST OF REVENUE		
Cost of peptide and consumer product sales	-	2,847
GROSS MARGIN	997,726	1,751,767
OPERATING EXPENSES		
General and administrative	1,375,194	1,639,473
Research and development	317,062	891,961
Marketing and business development	286,438	286,437
Accounting, legal and professional fees	123,406	127,426
Depreciation	9,745	12,721
Total operating expenses	2,105,185	2,958,018
LOSS FROM OPERATIONS	(1,107,459)	(1,206,251)
OTHER (EXPENSE) INCOME		
Interest income	51,402	2,896
Income from affiliated company	-	11,200
Other income (expense), net	51,402	14,096
NET LOSS	\$ (1,056,057)	\$ (1,192,155)

Helix BioMedix, Inc.
Statements of Stockholders' Equity (unaudited)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Stockholders' Equity
	Number of Shares	Amount			Number of Shares	Amount	
Balance at December 31, 2021	225,726	\$ 49,780	\$ 63,061,668	\$(58,198,196)	(1,019)	\$ (183,346)	\$ 4,729,906
Stock-based compensation	-	-	266,094	-	-	-	266,094
Net loss	-	-	-	(1,192,155)	-	-	(1,192,155)
Balance at December 31, 2022	225,726	49,780	63,327,762	(59,390,351)	(1,019)	(183,346)	3,803,845
Stock-based compensation	-	-	210,369	-	-	-	210,369
Net loss	-	-	-	(1,056,057)	-	-	(1,056,057)
Balance at December 31, 2023	<u>225,726</u>	<u>\$ 49,780</u>	<u>\$ 63,538,131</u>	<u>\$(60,446,408)</u>	<u>(1,019)</u>	<u>\$ (183,346)</u>	<u>\$ 2,958,157</u>

Helix BioMedix, Inc.
Statements of Cash Flows (unaudited)
Years Ended December 31, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(1,056,057)	\$(1,192,155)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	9,745	12,721
Stock-based compensation expense	210,369	266,094
Non-cash lease expense	72,906	96,491
Bad debt expense	-	89,905
Loss (Gain) on sale of asset	(908)	-
Changes in operating assets and liabilities		
Accounts receivable	(56,378)	119,675
Inventory	-	3,684
Prepaid expenses and other current assets	(625)	10,841
Other long-term assets	10,054	-
Accounts payable	39,594	(19,447)
Accrued compensation and benefits	(5,391)	(170)
Operating lease liability	(71,200)	(103,657)
Accrued expenses	(22,318)	(11,714)
Net cash used in operating activities	(870,209)	(727,732)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of asset	7,569	-
Purchase of property and equipment	(1,318)	(1,345)
Maturities of short-term investments	-	1,249,825
Net cash (used in) provided by investing activities	6,251	1,248,480
CASH FLOWS FROM FINANCING ACTIVITIES		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(863,958)	520,748
CASH AND CASH EQUIVALENTS		
Beginning of year	3,433,990	2,913,242
End of year	\$ 2,570,032	\$ 3,433,990
NONCASH FINANCING ACTIVITIES		
Initial recognition of operating right-of-use assets in Exchange for operating lease liabilities	\$ -	\$ 169,397

See accompanying notes

Helix BioMedix, Inc.

Notes to Financial Statements

Note 1 – Description of the Business and Summary of Significant Accounting Policies

Description of business – Helix BioMedix, Inc. (the Company), a Delaware corporation, is a biopharmaceutical company currently focused on drug development for treatment of xeroderma pigmentosum, an ultra-rare, dermatologic genetic condition (the “rare disease drug program”). In 2019, the Company in-licensed a poly-peptide technology from an academic institution and began development of a topical drug for the rare disease drug program. The Company is in the preclinical stage of development and intends to file for orphan drug designation prior to entering the clinical development pathway. The Company’s legacy business consists of an extensive proprietary library of patented bioactive peptides and historically, the business strategy has been to develop these peptides to derive revenue from a broad base of opportunities including licensing rights to third parties to use select proprietary peptides in specific fields of application.

The Company continues to explore possible sources of funding to support further in-house development work on its pharmaceutical programs

Liquidity and management’s plans – The accompanying financial statements have been prepared assuming that the Company will continue as a going concern, which contemplates, among other things, the realization of assets and satisfaction of liabilities in the normal course of business. The Company recorded a net loss of \$1,056,057 and negative cash flows from operations of \$863,958 during the year ended December 31, 2023, and, as of that date, has working capital of \$2,943,994. The Company may need substantial additional capital in order to maintain the current level of operations beyond the next 12 months, broaden the commercialization of its technology, and advance its pharmaceutical programs. The amount of capital the Company will need in the future will depend on many factors, including capital expenditures and hiring plans to accommodate future growth, research and development plans, future demand for the Company’s products and technology, and general economic conditions. Based on the Company’s current working capital and forecasted cash burn, management believes they have sufficient liquidity to continue for at least 12 months from when the financial statements were available to be issued.

Basis of presentation – The accompanying financial statements as of December 31, 2023 and 2022, and for the years then ended, have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Use of estimates – Preparation of the Company’s financial statements in accordance with U.S. GAAP requires the Company’s management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the dates of the balance sheets and the reported amounts of revenue and expenses during the reporting periods. In the opinion of management, the accompanying financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the Company’s financial position and its results of operations and cash flows for the periods indicated. Significant items subject to such estimates and assumptions include, but are not limited to, valuation allowances for receivables, inventories, deferred income tax assets, and valuation of stock-based compensation. Actual results could differ from those estimates

Helix BioMedix, Inc.

Notes to Financial Statements

Note 1 – Description of the Business and Summary of Significant Accounting Policies (continued)

Risks and uncertainties – The Company has a significant patent portfolio with over 200 patents worldwide. In 2019, the company began a strategic review of its patents and has begun selective abandonment of non-revenue producing patents in lower potential countries. The last two of the Company's U.S. patents related to certain personal care peptides expired in Q4 2022 and will no longer produce royalties, however, multiple peptide sequences still under patent are actively marketed by licensees and will continue to generate revenue for the Company.

Cash and cash equivalents – The Company considers all highly liquid debt instruments with an original maturity of 90 days or less at the time of purchase to be cash equivalents. Cash and cash equivalents consisted of demand deposits and money market funds and are stated at cost, which approximates fair value. The Company deposits its cash and cash equivalents with a high credit quality financial institution. As of December 31, 2023, the Company's cash and cash equivalents were maintained with one financial institution in the United States, and certain deposits were in excess of federally insured limits. The Company believes that as of December 31, 2023, the financial institution is stable, however, if the Company is unable to access cash and cash equivalents as needed, its financial position and ability to operate the business could be adversely affected. To date, the Company has not experienced any losses on its cash and cash equivalents.

Short-term investments – – The Company classifies its certificates of deposit as cash and cash equivalents or short-term investments based on their original maturities and reassesses the appropriateness of the classification of its investments at the end of each reporting period. Certificates of deposit held for investment with an original maturity greater than 90 days are carried at amortized cost and reported as short-term investments on the balance sheets. The type of certificates of deposit that the Company invests in are not considered debt securities.

Accounts receivable and allowance for doubtful accounts – – Accounts receivable are shown at their net realizable value which approximates their fair value. The Company does not currently maintain an allowance for doubtful accounts based on management's consideration of historical collection experience and the characteristics of existing accounts. During the years ended December 31, 2023 and 2022, the Company recorded bad debt expense of \$0 and \$89,905, respectively. As of December 31, 2023 and 2022, the Company had an accounts receivable allowance of \$0 and \$89,905, respectively. Beginning accounts receivable as of January 1, 2022 was \$466,104.

Inventory – Inventory historically consisted of peptides and consumer product finished goods. Inventory is stated at the lower of cost or net realizable value. The Company regularly monitors inventory quantities on hand and records write-downs or write-offs for any excess, obsolescence, and shrinkage based primarily on its sales forecast and production requirements. In those circumstances an adjustment is made to reduce the cost of inventory to the appropriate value through a charge to earnings recorded within cost of revenue in the statements of operations. The Company did not have inventory as of December 31, 2023.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 1 – Description of the Business and Summary of Significant Accounting Policies (continued)

Property and equipment – Property and equipment, which includes laboratory equipment, furniture, and leasehold improvements, are stated at cost. Depreciation of equipment is recorded using the straight-line basis over three to five years. Leasehold improvements are amortized over the lesser of the economic useful lives of the improvements or the term of the related lease. Repair and maintenance costs are expensed as incurred.

Impairment of long-lived assets – The Company reviews long-lived assets including property and equipment and intangible assets for possible impairment whenever significant events or changes in circumstances, such as changes in the Company's business strategy and plans, indicate that impairment may have occurred. An impairment is indicated when the sum of the expected future undiscounted net cash flows identifiable to that asset or asset group is less than its carrying value. Impairment losses are determined from actual or estimated fair values, which are based on market values or projections of discounted net cash flows, as appropriate. As of December 31, 2023 and 2022, no impairment of long-lived assets has been recognized in the accompanying financial statements.

Revenue recognition – The Company records revenue in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers (Topic 606).

The Company derives its revenue from technology licenses and sales of peptides and consumer products. Revenues from the sale of peptides and consumer products are recognized when control of the promised goods or services are transferred to customers in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. Revenue from technology licenses may include upfront payments and sales-based royalties. The Company recognizes revenue on upfront technology license fees at a point in time if the nature of the license granted is a right-to-use license. The Company recognizes sales-based royalties at a point in time based on actual reports or estimates received from license sales from customers. The Company records shipping and handling costs billed to customers as revenue. Freight costs associated with shipping goods to customers are recorded as a cost of revenue. Shipping and handling costs for the years ended December 31, 2023 and 2022, were immaterial to the financial statements.

The Company records an asset for the incremental costs of obtaining a contract with a customer if the expected benefit of those costs is expected to be longer than one year. There were no contract assets recorded for the years ended December 31, 2023 and 2022.

Advertising expense – The Company expenses advertising costs as incurred. The Company did not incur any advertising expenses for the years ended December 31, 2023 and 2022.

Research and development – Research and development costs are expensed as incurred. Research and development expenses include, but are not limited to, payroll and personnel expenses, lab supplies and expenses, and external trials and studies. In instances where the Company enters into agreements with third parties for research and development activities, which may include personnel costs, supplies and other costs associated with collaborative agreements, the Company expenses items as incurred.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 1 – Description of the Business and Summary of Significant Accounting Policies (continued)

Income taxes – The Company recognizes deferred tax assets and liabilities for the expected future income tax consequences of transactions that have been included in the financial statements or tax returns. The Company measures deferred tax assets and liabilities based on the differences between the financial reporting and the tax basis of the assets and liabilities using enacted tax rates in effect in the years in which those differences are expected to be recovered or settled. The Company records an allowance against deferred tax assets when it is more likely than not that such tax benefits will not be realized. Due to the uncertainty regarding the Company's profitability, the future tax benefits of its losses have been fully reserved for and no net benefit has been recorded in the financial statements.

The Company applies a more-likely-than-not threshold for the recognition and de-recognition of tax positions taken or expected to be taken in a tax return. The evaluation of uncertain tax positions is based on factors including, but not limited to, changes in tax laws, effectively sustained issues under audit and changes in facts or circumstances surrounding a tax position.

Stock-based compensation – The Company measures stock-based compensation expense for employee awards at the estimated grant date based on the fair value of the award using the Black-Scholes option pricing model. The Company records stock-based compensation expense as if all instruments granted are expected to vest. The effect of actual forfeitures of options is recognized as they occur. The Company recognizes the fair value of stock options and warrants issued to non-employees over the applicable performance period using the graded vesting attribution method. The Black-Scholes option pricing model uses various inputs to measure fair value, the more significant of which are expected term, estimated volatility, and fair value of the underlying stock. The Company calculates the expected term based on the simplified method. The Company estimates expected volatility based on the volatility of similar entities whose share prices are publicly available.

Leases – On January 1, 2022, the Company adopted Accounting Standards Codification (ASC) Topic 842, Leases (Topic 842), using the modified retrospective transition method for all lease arrangements at the beginning of the period of adoption. Results for reporting periods beginning January 1, 2022, are presented under Topic 842, while prior period amounts were not adjusted and continue to be reported in accordance under the accounting standards in effect for the prior period. The Company elected the package of practical expedients permitted under the transition guidance within Topic 842, which among other things, allowed the Company to carry forward the historical lease classification. The Company also adopted the hindsight practical expedient which allows the Company to use hindsight in determining the lease term and assessing impairment of the entity's right-of-use (ROU) assets.

The adoption of Topic 842 resulted in the recognition of an operating ROU asset and corresponding lease liability of \$169,397, net of deferred rent of \$14,056 and prepaid lease expense of \$8,596 as of the date of adoption. The adoption of Topic 842 had no cumulative effect of adoption on accumulated deficit. See Note 13.

Helix BioMedix, Inc.

Notes to Financial Statements

Under Topic 842, the Company determines whether the arrangement is or contains a lease at inception. The Company has elected the practical expedient not to separate non-lease components from lease components, and instead combines non-lease and lease components into a single lease component. Operating and finance leases are recognized on the balance sheets as ROU assets, current lease liabilities, and long-term lease liabilities. In addition, the Company has elected not to apply the recognition requirements of ASC 842 to short-term leases with a lease term less than 12 months. ROU assets represent the Company's right to use an underlying asset for the lease term and lease liabilities represent the Company's obligation to make lease payments arising from the lease. Lease liabilities and their corresponding ROU assets are recorded based on the present value of lease payments over the expected remaining lease term. For this purpose, the Company considers only payments that are fixed and determinable at the time of commencement. The lease ROU assets also include any lease payments made and adjustments for prepayments and lease incentives. The interest rate implicit in the lease contracts is typically not readily determinable. As a result, the Company utilized the risk-free rate as allowed under Topic 842 for non-public entities. The lease term includes options to extend or terminate the lease when the Company determines it is reasonably certain to exercise the option. Lease expense for lease payments is recognized on a straight-line basis over the lease term and is recorded in general and administrative expense on the statements of operations.

Recently issued accounting pronouncements – In August 2020, the FASB issued ASU No. 2020-06, Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity, which, among other things, simplifies the accounting models for the allocation of proceeds attributable to the issuance of a convertible debt instrument. As a result, after adopting the ASU's guidance, entities will not separately present in equity an embedded conversion feature in such debt. Instead, they will account for a convertible debt instrument wholly as debt, and for convertible preferred stock wholly as preferred stock (i.e., as a single unit of account), unless (i) a convertible instrument contains features that require bifurcation as a derivative under ASC 815 or (ii) a convertible debt instrument was issued at a substantial premium. The Company is currently evaluating the impact of the standard on the financial statements.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are issued. The Company evaluated subsequent events and transactions for potential recognition or disclosure in the financial statement through April 18, 2024, the date the financial statements were available for issuance.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to be comparable with current year presentation. Such reclassifications have no effect on previously reported operating results.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 2 – Concentration of Risks

A significant portion of the Company's revenue and accounts receivable are concentrated with a limited number of customers. The following individual customers accounted for 10% or more of revenue for the years ended December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Customer A	38%	40%
Customer B	-	21%
Customer C	62%	37%

At December 31, 2023 and 2022, the following individual customers accounted for 10% or more of accounts receivable:

	<u>2023</u>	<u>2022</u>
Customer A	53%	63%
Customer B	-	-
Customer C	47%	37%

Note 3 – Inventory

Inventory consisted of the following at December 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Finished goods	\$ -	\$ -

Helix BioMedix, Inc.

Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31, 2023 and 2022:

	2023	2022
Machinery and equipment	\$ 35,351	\$ 194,120
Website development costs	36,000	36,000
Furniture and fixtures	-	49,630
Leasehold improvements	-	5,519
	71,351	285,269
Less accumulated depreciation	(59,394)	(258,224)
Property and equipment, net	<u>\$ 11,957</u>	<u>\$ 27,045</u>

Depreciation expense for property and equipment was \$9,745 and \$12,721 for the years ended December 31, 2023 and 2022, respectively.

Note 5 – Investment in Affiliated Company

Membership interest agreement – On July 1, 2010, the Company entered into a Membership Interest Agreement (NuGlow Membership Agreement) in NuGlow Cosmaceuticals, LLC (NuGlow), a direct-response company selling specialty skin care products.

In August 2015, NuGlow sold its entire business operations (the Sale), including inventory, intellectual properties, and trademarks to an unaffiliated third party. The total cash consideration for the sale was \$555,000, which was payable in the following increments:

- At closing, Buyer shall pay \$100,000
- No later than December 10, 2015, Buyer shall pay \$75,000
- No later than April 10, 2016, Buyer shall pay \$80,000
- Commencing August 10, 2016, Buyer shall pay the remaining \$300,000 in equal installment payments over a period of 30 months plus 6% interest per annum

Helix BioMedix, Inc.

Notes to Financial Statements

Note 5 – Investment in Affiliated Company (continued)

The Company receives its portion of the sale price based on its percentage ownership in NuGlow and various terms in the NuGlow Membership Agreement. As of December 31, 2023 and 2022, the Company's share of NuGlow's cash received related to the sale was \$0 and \$11,200, respectively, which was recorded as other income on the statements of operations. As of December 31, 2022, the Company had received all remaining payments under the Sale agreement.

Note 6 – Fair Value of Financial Instruments

The Company follows authoritative guidance for fair value measurements for its financial assets and liabilities. This guidance defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements as follows:

Level 1 – Quoted prices in active markets for identical securities;

Level 2 – Other significant observable inputs (including quoted prices in active markets for similar securities), and

Level 3 – Significant unobservable inputs (including the Company's own assumptions in determining fair value of investments).

The Company evaluates assets and liabilities subject to fair value measurements on a recurring basis to determine the appropriate level at which to classify them for each reporting period, utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The determination requires significant judgments to be made by the Company. The Company's money market funds are classified within Level 1 of the fair value hierarchy because they are valued using quoted market prices. Certificates of deposit are carried at amortized cost in the Company's balance sheet, which approximates their fair value based on Level 2 inputs.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 6 – Fair Value of Financial Instruments (continued)

The following tables set forth by level, within the fair value hierarchy, financial assets and liabilities accounted for at fair value on a recurring basis:

	December 31, 2023			Total
	Level 1	Level 2	Level 3	
Cash equivalents				
Money Market	\$ 2,473,897	\$ -	\$ -	\$ 2,473,897
Short-term investments				
Certificates of deposit	-	-	-	-
Total	<u>\$ 2,473,897</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,473,897</u>

	December 31, 2022			Total
	Level 1	Level 2	Level 3	
Cash equivalents				
Money Market	\$ 2,922,495	\$ -	\$ -	\$ 2,922,495
Short-term investments				
Certificates of deposit	-	-	-	-
Total	<u>\$ 2,922,495</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,922,495</u>

Unrealized gains and losses were not material to the financial statements for the years ended December 31, 2023 and 2022.

Note 7 – Stockholders' Equity

Preferred stock – The Company is authorized to issue 1,000,000 shares of \$0.001 par value preferred stock. The board of directors (the Board) may authorize the issuance of preferred stock from time to time in one or more series and each series shall have such voting, redemption, liquidation and dividend rights as the Board may deem advisable. As of December 31, 2023 and 2022, the Company had zero shares of preferred stock issued or outstanding.

Common stock – The Company is authorized to issue 2,000,000 shares of \$0.001 par value common stock. As of December 31, 2023 and 2022, the Company had 225,727 and 225,727 shares of common stock issued, respectively, and 224,708 and 224,708 shares outstanding, respectively. The holders of common stock are entitled to one vote for each share of common stock held. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of the Company, after payment or provision for payment of the debts and other liabilities of the Company and subject to the preferential or other rights (if any) of the holders of shares of the Preferred Stock in respect thereof, the holders of shares of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares of the Common Stock held by them.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 7 – Stockholders' Equity (continued)

Exercise of outstanding common stock options	59,503
Common stock options available for future grant	17,750
Exercise of outstanding common stock warrants	<u>14,584</u>
	<u>91,837</u>

Treasury stock – In December 2012, the Company repurchased 1,019 shares of its outstanding common stock at a total cost of \$183,346. At December 31, 2023 and 2022, the shares are held as treasury shares within the Company's statements of stockholders' equity.

Common stock warrants – A summary of the Company's common stock warrant activity for the years ended December 31, 2022 and 2021, is presented in the following table:

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life
Outstanding, December 31, 2021	14,584	\$ 180	2.5
Granted	-	-	
Expired	<u>-</u>	<u>-</u>	
Outstanding, December 31, 2022	14,584	180	1.5
Expired	<u>-</u>	<u>-</u>	
Outstanding, December 31, 2023	<u>14,584</u>	<u>\$ 180</u>	<u>0.5</u>
Exercisable, December 31, 2023	<u>14,584</u>	<u>\$ 180</u>	<u>0.5</u>

The outstanding warrants expire in July 2024.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 8 – Stock-Based Compensation

Stock option plan – The company has a 2011 Equity Incentive Plan (the 2011 Plan) and a 2020 Equity Incentive Plan (the 2020 Plan), that provide for the grant of incentive stock options to employees and non-statutory stock options to employees, non-employee directors and consultants (collectively, the Plans). The Plans are administered by the Board, which has the authority to select the individuals to whom awards are to be granted, the number of awards granted, and the vesting schedule. Options granted under the Plans to employees generally vest over a three-year period with 1/3 of the shares vesting after one year from the date of grant and 1/36 of the shares vesting monthly thereafter. Option awards to directors may vest fully upon grant or quarterly over one year. All option awards have a maximum term of ten years and exercise prices equal to the closing market price of the Company's common stock on the grant date. In February 2021, the 2011 Plan expired and no options remain available for grant. As of December 31, 2023 there were 27,253 options outstanding under the 2011 Plan that will remain exercisable pursuant to the terms of the original award.

As of December 31, 2021, under the 2020 Plan there were 50,000 shares of common stock reserved for issuance pursuant to the Plans, of which 17,750 shares remain available for grant.

Stock option activities – The fair value of stock option awards was estimated using the Black-Scholes option pricing model with the following assumptions:

	2023	2022
Risk-free interest rate	4.48%	3.37%
Expected dividend yield	0%	0%
Expected term in years	5.5	5.6
Expected volatility	48%	111%

The risk-free rate is calculated based on the grant date and expected term. The Company does not anticipate declaring dividends in the foreseeable future. The Company calculates expected volatility based on the annualized daily historical volatility of the Company's stock price commensurate with the expected term of the option and other factors, including peer company data. The Company estimates the expected term of the options to employees following the permitted simplified method.

The Company's stock price volatility and option term involves management's best estimates at that time, both of which impact the fair value of the option calculated under the Black-Scholes pricing model and, ultimately, the expense that will be recognized over the life of the option. The Company recognizes stock-based compensation expense for only the portion of options that is expected to vest. The Company records forfeitures of options as they occur.

The amount of stock-based compensation expense recognized for the years ended December 31, 2023 and 2022, related to stock options was \$210,369 and \$266,094, respectively.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 8 – Stock-Based Compensation (continued)

A summary of the Company's stock-based compensation expense for the years ended December 31, 2023 and 2022, is summarized as follows:

	2023	2022
General and administrative	\$ 191,344	\$ 242,654
Research and development	14,399	9,668
Marketing and business development	4,626	13,772
	<u>4,626</u>	<u>13,772</u>
Total stock-based compensation	<u>\$ 210,369</u>	<u>\$ 266,094</u>

As of December 31, 2021, the total unrecognized stock-based compensation related to non-vested stock options was \$114,491, which is expected to be recognized over a weighted-average period of approximately 0.97 years.

A summary of the Company's stock option activity for the years ended December 31, 2023 and 2022, is presented in the following table:

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life
Outstanding, December 31, 2021	49,081	\$ 92.73	5.4
Granted	12,250	25.92	
Forfeited	(1,050)	136.33	
Expired	(4,000)	75.00	
	<u>49,081</u>	<u>92.73</u>	
Outstanding, December 31, 2022	56,281	\$ 78.64	6.4
Granted	10,000	18.92	
Forfeited	(55)	44.00	
Expired	(6,723)	135.00	
	<u>59,503</u>	<u>78.64</u>	
Outstanding, December 31, 2023	<u>59,503</u>	<u>\$ 62.26</u>	<u>6.0</u>
Exercisable, December 31, 2023	<u>48,284</u>	<u>\$ 71.95</u>	<u>5.6</u>
Vested and expected to vest, December 31, 2023	<u>59,503</u>	<u>\$ 62.26</u>	<u>6.0</u>

Helix BioMedix, Inc.

Notes to Financial Statements

Note 8 – Stock-Based Compensation (continued)

The estimated weighted-average grant date fair value of options granted to employees during the years ended December 31, 2023 and 2022, was \$9.46 per share and \$21.49 per share, respectively.

Additional information regarding options outstanding as of 2022, is as follows:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$18.92 - \$21.39	10,000	10.0	\$ 18.92	0	\$ 18.92
\$21.40 - \$33.93	11,000	8.7	\$ 23.86	10,417	\$ 23.86
\$33.94 - \$68.00	14,415	7.1	\$ 44.00	13,779	\$ 44.00
\$68.01 - \$107.00	13,038	2.7	\$ 99.32	13,038	\$ 99.32
\$107.01 - \$139.00	11,050	4.45	\$ 119.83	11,050	\$ 119.83

Note 9 – Employee Savings Plan

The Company offers a 401(k) plan to all of its employees. Company matching contributions are determined in accordance with the provisions of the Company's contribution plan. During the years ended December 31 2023 and 2022 employer matching contributions totaled \$17,907 and \$17,805, respectively.

Note 10 – Income Taxes

The Company's deferred income taxes reflect the net tax effects of (1) temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes, and (2) operating losses and tax credit carryforwards.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 10 – Income Taxes (continued)

The tax effects of significant components comprising the Company's deferred taxes as of December 31, 2023 and 2022, were as follows:

	2023	2022
Deferred tax assets		
Net operating loss carryforwards	\$	\$ 7,186,899
Stock-based compensation		1,007,744
Capitalized research and development expenses		224,643
Other		30,669
Lease liabilities		19,924
		<u>8,469,879</u>
Deferred tax liabilities		
Right-of-use assets		(20,402)
Property and equipment		(6,477)
		<u>(26,879)</u>
Less valuation allowance		<u>(8,443,000)</u>
Net deferred tax assets (liabilities)	<u>\$ -</u>	<u>\$ -</u>

Income taxes require that the tax benefit of net operating losses, temporary differences and credit carryforwards be recorded as an asset to the extent that management assesses that realization is more likely than not. Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carryforward period. Because of the Company's history of operating losses, management believes that recognition of the deferred tax assets arising from the above mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a full valuation allowance at December 31, 2023 and 2022, for financial reporting purposes. The Company's valuation allowance for deferred tax assets decreased by \$(xxx) and \$103,717 during the years ended December 31, 2023 and 2022, respectively. The changes in the deferred tax assets in 2023 and 2022 were primarily the result of change in net operating loss carryforwards, accrued interest and stock-based compensation during the year.

The Company's operating losses and tax credit carryforwards as of December 31, 2023, are as follows:

	Amount	Expiration Years
Net operating losses, federal (post December 31, 2017)	\$	Do Not Expire
Net operating losses, federal (pre January 1, 2018)		2024-2037
Net operating losses, state		2030-2037

Helix BioMedix, Inc.

Notes to Financial Statements

Note 10 – Income Taxes (continued)

The Company's ability to utilize the carryforwards may be limited in the event of an ownership change as defined in current income tax regulations.

The effective tax rate of the Company's provision (benefit) for income taxes differs from the federal statutory rate as follows:

Statutory rate	%
State tax	%
Permanent items	%
Expiring tax attributes	%
True-ups	%
Change in valuation allowance	%
	<hr/>
Total	<u>0.00%</u>

The Company files income tax returns in the U.S. federal and California jurisdictions. The Company accounts for uncertainty in income taxes in accordance with ASC 740. Tax positions are evaluated in a two-step process, whereby the Company first determines whether it is more likely than not that a tax position will be sustained upon examination by the tax authority, including resolutions of any related appeals or litigation processes, based on technical merit. If a tax position meets the more-likely-than-not recognition threshold it is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The Company has unrecognized tax benefits of \$(xxx) as of December 2023 and 2022. All the unrecognized tax benefits as of December 31, 2023 and 2022, are accounted for as a reduction in the Company's deferred tax assets. Due to the Company's valuation allowance, none of the \$(xxx) of unrecognized tax benefits would affect the Company's effective tax rate, if recognized. The Company does not believe it is reasonably possible that its unrecognized tax benefits will significantly change in the next twelve months. As of December 31, 2023 and 2022, there is no accrued interest or penalties recorded in the financial statements. Due to net operating loss carryforwards, tax years 2003 and onwards are open to review by taxing authorities.

Helix BioMedix, Inc.

Notes to Financial Statements

Note 11 – Commitments and Contingencies

Leases - The Company leases office space at its headquarters in Bothell, Washington, under terms of an operating lease that expired in September 2023. The office lease contains an option to extend the lease for an additional five years that the Company was not reasonably certain to exercise, and as such was excluded from the calculation of the lease term. Maturities of operating lease liabilities under non-cancelable operating leases for the year ending December 31, are as follows:

2024	0
Less: present value discount	(0)
	<u>\$ 0</u>

Total operating lease expense and rent expense for the years ended December 31, 2023 and 2022, was \$126,983 and \$159,055, respectively, and is included in general and administrative expense on the statements of operations. Operating lease expense for the year ended December 31, 2023 included variable lease expense related to common area maintenance charges and other operating expenses of \$18,328.

As of December 31, 2023, the weighted average remaining lease term of our operating lease was 0 years and the weighted average discount rate of our operating lease was 0%.

License Agreement - In June 2019, the Company entered into an Exclusive License Agreement (License Agreement) with an academic institution and began development of a topical drug for an ultra-rare dermatological condition. The agreement gives the Company the right to use certain licensed technology owned by the academic institution. The License Agreement expires at the later to occur of (a) when the last patent and patent application have expired, been abandoned, or been finally adjudicated as invalid or unenforceable by a non-appealable order; or (b) 10 years. The Company accrues for maintenance payments as they are incurred. Milestone payments will be accrued for when achieved. Royalty payments will be accrued for as the corresponding sales occur. As of December 31, 2023 and 2022, no milestones have been achieved and no sales which would trigger royalty payments have occurred.

Under the License Agreement, the Company is obligated to pay certain license maintenance payments on each anniversary of the active License Agreement as follows:

	<u>Annual Payment</u>
Anniversaries 1-4	\$ 5,000
Anniversaries 5-6	10,000
Each anniversary thereafter*	15,000

*Until the first royalty payment on a Licensed Product is made

Note 11 – Commitments and Contingencies (continued)

Helix BioMedix, Inc.

Notes to Financial Statements

The Company is also obligated to pay certain milestone payments within 30 days of achieving each of the applicable development milestones. Milestone payments under the License Agreement are as follows:

Upon the issuance of a US patent	\$ 10,000
For a first or second Orphan Disease:	
Upon the enrollment of the first patient in an FDA open label study	20,000
Upon the enrollment of the first patient in an FDA adaptive phase two/pivotal study	50,000
Upon regulatory approval by the FDA	150,000
For a non-Orphan disease:	
Upon enrollment of the first patient in a phase one FDA clinical trial	50,000
Upon enrollment of the first patient in a phase two FDA clinical trial	150,000
Upon enrollment of the first patient in a phase three FDA clinical trial	350,000
Upon regulatory approval by the FDA	500,000
Commercialization milestone payments	
Upon cumulative net sales exceeding \$250 million	1,000,000
Upon cumulative net sales exceeding one billion dollars	2,500,000
	<hr/>
	\$ 4,780,000

In addition, the License Agreement provides for certain royalty payments payable to the academic institution which are based on a percentage of net sales. Commencing on the first January 1 to occur after the first net sale, and for each year thereafter, the Company will pay minimum annual royalties of \$50,000 in the first year, \$100,000 in the second year, and \$250,000 in the third year and thereafter. Minimum royalty payments are subject to a 50% reduction if the Company is developing a licensed product for an Orphan Disease.

As of December 31, 2023, none of the milestone payments or royalty payments have been triggered.

Note 12 – Subsequent Events