

Helix BioMedix, Inc.

Amendment to [Annual Report](#) - Annual Report FY2024 & Financials (unaudited) - Amended for 12/31/2024 originally published through the OTC Disclosure & News Service on 10/18/2025

Explanatory Note:

Subsequent to the issuance of the financial statements for the year ended December 31, 2024, the Company concluded that the financial statements for the year ended December 31, 2024, contained an error related to the omission of \$77,106 in incremental stock-based compensation from a stock option modification to extend the post-termination exercise period for all vested and unvested awards and accelerate vesting of any unvested awards for a Director upon their separation from the Board (Note 7).

***This coversheet was automatically generated by OTC Markets Group based on the information provided by the Company. OTC Markets Group has not reviewed the contents of this amendment and disclaims all responsibility for the information contained herein.*



FINANCIAL STATEMENTS

HELIX BIOMEDIX, INC.

December 31, 2024 & 2023

Unaudited

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Helix BioMedix, Inc.
Balance Sheets (unaudited)

ASSETS		
	December 31,	
	2024 (Restated)	2023
CURRENT ASSETS		
Cash and cash equivalents	\$ 1,867,574	\$ 2,570,032
Accounts receivable, net of allowances	235,595	312,902
Prepaid expenses and other current assets	98,081	127,988
Total current assets	2,201,250	3,010,922
PROPERTY AND EQUIPMENT, net	5,510	11,958
OTHER LONG-TERM ASSETS	2,446	2,206
Total assets	<u>\$ 2,209,206</u>	<u>\$ 3,025,086</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 9,870	\$ 43,820
Accrued compensation and benefits	13,326	13,121
Accrued expenses	102,033	9,988
Total current liabilities	125,229	66,929
NON-CURRENT LIABILITIES		
Deferred rent	-	-
Total liabilities	125,229	66,929
COMMITMENTS AND CONTINGENCIES (Note 10)		
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, 2024 and 2023	49,780	49,780
Additional paid-in capital	63,723,399	63,538,132
Accumulated deficit	(61,505,856)	(60,446,409)
Treasury stock, 1,019 shares outstanding as of December 31, 2024 and 2023	(183,346)	(183,346)
Total stockholders' equity	2,083,977	2,958,157
Total liabilities and stockholders' equity	<u>\$ 2,209,206</u>	<u>\$ 3,025,086</u>

Helix BioMedix, Inc.
Statements of Operations (unaudited)

	Years Ended December 31,	
	2024	2023
	(Restated)	
REVENUE		
Licensing fees	\$ 804,229	\$ 997,726
Total revenue	804,229	997,726
OPERATING EXPENSES		
Research and development	510,597	317,062
Marketing and business development	16,780	279,778
General and administrative	1,354,592	1,375,194
Accounting, legal and professional fees	57,037	123,406
Depreciation	6,448	9,745
Total operating expenses	1,945,454	2,105,185
LOSS FROM OPERATIONS	(1,141,225)	(1,107,459)
OTHER (EXPENSE) INCOME		
Interest income	81,778	51,401
Other income (expense), net	81,778	51,401
NET LOSS	\$ (1,059,447)	\$ (1,056,058)

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, 2022	225,726	\$ 49,780	\$ 63,327,762	\$(59,390,351)	(1,019)	\$ (183,346)	\$ 3,803,845
Stock-based compensation	-	-	210,370	-	-	-	210,370
Net loss	-	-	-	(1,056,058)	-	-	(1,056,058)
Balance at December 31, 2023	225,726	49,780	63,538,132	(60,446,409)	(1,019)	(183,346)	2,958,157
Stock-based compensation	-	-	185,267	-	-	-	185,267
Net loss	-	-	-	(1,059,447)	-	-	(1,059,447)
Balance at December 31, 2024 (Restated)	<u>225,726</u>	<u>\$ 49,780</u>	<u>\$ 63,723,399</u>	<u>\$(61,505,856)</u>	<u>(1,019)</u>	<u>\$ (183,346)</u>	<u>\$ 2,083,977</u>

Helix BioMedix, Inc.
Statements of Cash Flows (unaudited)
Years Ended December 31, 2024 and 2023

	2024 (Restated)	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(1,059,447)	\$(1,056,058)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	6,448	9,745
Stock-based compensation expense	185,267	210,370
Non-cash lease expense	-	72,906
Bad debt (recovery) expense	-	(88,905)
Loss (Gain) on sale of asset	-	(908)
Changes in operating assets and liabilities		
Accounts receivable	77,307	32,527
Prepaid expenses and other current assets	29,667	9,429
Accounts payable	(33,950)	39,594
Accrued compensation and benefits	205	(5,391)
Operating lease liability	-	(71,200)
Accrued expenses	92,045	(22,317)
Net cash used in operating activities	(702,458)	(870,208)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of asset	-	7,569
Purchase of property and equipment	-	(1,319)
Net cash (used in) provided by investing activities	-	6,250
NET CHANGE IN CASH AND CASH EQUIVALENTS	(702,458)	(863,958)
CASH AND CASH EQUIVALENTS		
Beginning of year	2,570,032	3,433,990
End of year	<u>\$ 1,867,574</u>	<u>\$ 2,570,032</u>

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 \$1,059,447 and negative cash flows from operations of \$702,458 during the year ended December 31, 2024, and, as of that date, has working capital of \$2,076,021. 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 are available to be issued.

Basis of presentation – The accompanying financial statements as of December 31, 2024 and 2023, 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, 2024, 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, 2024, 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.

Accounts receivable and allowance for doubtful accounts – Accounts receivable are shown net of an allowance for credit losses which approximates their fair value. Included withing trade accounts receivable, there is a \$78,507 balance due for payments withheld by the customer for foreign taxes which is expected to be remitted from Germany tax authority.

The Company does not currently maintain an allowance for credit losses accounts based on management's consideration of historical collection experience and the characteristics of existing accounts. During the year ended December 31, 2023, the Company recorded bad debt recovery of \$88,905. As of December 31, 2024 and 2023, the Company had an accounts receivable allowance for credit losses of zero. Beginning accounts receivable as of January 1, 2023, was \$256,524.

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. Gains and losses on the sale of property and equipment are recorded within general and administrative expenses on the statements of operations as they are de minimis.

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 it's 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, 2024 and 2023, no impairment of long-lived assets has been recognized in the accompanying financial statements.

Helix BioMedix, Inc.

Notes to 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. 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 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, 2024 and 2023.

Advertising expense – The Company expenses advertising costs as incurred. The Company did not incur any advertising expenses for the years ended December 31, 2024 and 2023.

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.

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.

Helix BioMedix, Inc.

Notes to Financial Statements

Leases – 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 December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures (Topic 740). This standard enhances the transparency and decision usefulness of income tax disclosures primarily related to the rate reconciliation and income taxes paid information. For private companies, ASU 2023-09 is effective for annual periods beginning after December 15, 2025, with early adoption permitted. The Company is currently in the process of evaluating the impact of the adoption on the consolidated financial statements, which is expected to result in enhanced disclosures.

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 May 30, 2025, the date the financial statements were available for issuance.

Note 2 – Correction of Year 2024 Financial Statements

Subsequent to the issuance of the financial statements for the year ended December 31, 2024, the Company concluded that the financial statements for the year ended December 31, 2024, contained an error related to the omission of \$77,106 in incremental stock-based compensation from a stock option modification to extend the post-termination exercise period for all vested and unvested awards and accelerate vesting of any unvested awards for a Director upon their separation from the Board (Note 7). The Company has elected to correct this item by restating the presentation of the financial statements for year ended December 31, 2024, in conjunction with the issuance of the December 31, 2025 financial statements. The error has been corrected by recording an additional \$77,106 in stock-based compensation to general and administrative expense for the year ended December 31, 2024. The following reflects the impact of the restatement to the balance sheet, statement of operations, statement of stockholders' equity and statement of cash flows as of and for the year ended December 31, 2024:

Helix BioMedix, Inc.

Notes to Financial Statements

	<u>As Reported</u>	<u>As Restated</u>
Balance Sheet		
Additional paid-in capital	\$ 63,646,293	\$ 63,723,399
Accumulated deficit	(61,428,750)	(61,505,856)
Statement of operations		
General and administrative	1,277,486	1,354,592
Net loss	(982,341)	(1,059,447)
Statement of stockholder's equity		
Stock-based compensation	108,161	185,267
Net loss	(982,341)	(1,059,477)
Additional paid-in capital	63,646,293	63,723,399
Accumulated deficit	(61,428,750)	(61,505,856)
Statement of cash flows		
Net loss	(982,341)	(1,059,447)
Stock-based compensation expense	108,161	185,267

Note 3 – 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, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Customer A	50%	38%
Customer B	50%	62%

At December 31, 2024 and 2023, the following individual customers accounted for 10% or more of accounts receivable:

	<u>2024</u>	<u>2023</u>
Customer A	37%	47%
Customer B	63%	53%

Helix BioMedix, Inc.

Notes to Financial Statements

Note 4 – Property and Equipment

Property and equipment consisted of the following at December 31, 2024 and 2023:

	2024	2023
Machinery and equipment	\$ 35,352	\$ 35,352
Website development costs	36,000	36,000
	71,352	71,352
Less accumulated depreciation	(65,842)	(59,394)
Property and equipment, net	\$ 5,510	\$ 11,958

Depreciation expense for property and equipment was \$6,448 and \$9,745 for the years ended December 31, 2024 and 2023, respectively.

Note 5 – 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

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, 2024			
	Level 1	Level 2	Level 3	Total
Cash equivalents				
Money Market	\$ 1,830,674	\$ -	\$ -	\$ 1,830,674
Short-term investments				
Certificates of deposit	-	-	-	-
Total	<u>\$ 1,830,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,830,674</u>

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
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>

Note 6 – 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, 2024 and 2023, 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, 2024 and 2023, the Company had 225,726 shares of common stock issued, and 224,707 shares outstanding. 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.

Exercise of outstanding common stock options	56,958
Common stock options available for future grant	17,750
Exercise of outstanding common stock warrants	<u>-</u>
	<u>74,708</u>

Helix BioMedix, Inc.

Notes to Financial Statements

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, 2024 and 2023, 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, 2024 and 2023, is presented in the following table:

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life
Outstanding, December 31, 2022	14,584	\$ 180	1.5
Granted	-	-	
Expired	-	-	
Outstanding, December 31, 2023	14,584	180	0.5
Granted	-	-	
Expired	(14,584)	-	
Outstanding, December 31, 2024	-	\$ -	-
Exercisable, December 31, 2024	-	\$ -	-

The outstanding warrants expired in July 2024.

Note 7 – 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, 2024 there were 24,708 options outstanding under the 2011 Plan that will remain exercisable pursuant to the terms of the original award.

As of December 31, 2024, 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:

Helix BioMedix, Inc.

Notes to Financial Statements

	2024	2023
Risk-free interest rate	-	4.48%
Expected dividend yield	-	0%
Expected term in years	-	5.5
Expected volatility	-	48%

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, 2024 and 2023, related to stock options was \$185,267 and \$210,370, respectively.

A summary of the Company's stock-based compensation expense for the years ended December 31, 2024 and 2023, is summarized as follows:

	2024	2023
General and administrative	\$ 177,719	\$ 191,345
Research and development	7,548	14,399
Marketing and business development	-	4,626
	<u> </u>	<u> </u>
Total stock-based compensation	<u>\$ 185,267</u>	<u>\$ 210,370</u>

As of December 31, 2024, the total unrecognized stock-based compensation related to non-vested stock options was \$6,329, which is expected to be recognized over a weighted-average period of approximately 0.55 years.

Helix BioMedix, Inc.

Notes to Financial Statements

A summary of the Company's stock option activity for the years ended December 31, 2024 and 2023, is presented in the following table:

	Shares Subject to Options	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Life
Outstanding, December 31, 2022	56,281	\$ 78.64	6.0
Granted	10,000	18.92	
Forfeited	(55)	44.33	
Expired	(6,723)	135.00	
Outstanding, December 31, 2023	59,503	\$ 62.26	6.4
Granted	-	-	
Forfeited	(1,145)	86.79	
Expired	(1,400)	139.00	
Outstanding, December 31, 2024	56,958	\$ 59.88	5.6
Exercisable, December 31, 2024	56,639	\$ 60.06	5.5
Vested and expected to vest, December 31, 2024	56,958	\$ 59.88	5.6

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

Additional information regarding options outstanding as of 2024, is as follows:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
\$18.92 - \$21.39	10,000	8.9	\$ 18.92	10,000	\$ 18.92
\$21.40 - \$33.93	11,000	7.7	\$ 23.86	10,750	\$ 23.86
\$33.94 - \$68.00	13,970	6.1	\$ 44.00	13,901	\$ 44.00
\$68.01 - \$107.00	13,038	1.7	\$ 99.32	13,038	\$ 99.32
\$107.01 - \$135.00	8,950	4.0	\$ 117.28	8,950	\$ 117.28

Stock option modification – During the year ended December 31, 2024, the Company modified 7,750 stock options held by a Director upon their separation from the Board to extend the post-termination exercise period for all vested and unvested awards and accelerate vesting of the 500 unvested awards, as allowed per the Company's 2011 and 2020 Plans. As a result of the stock option modification, the Company recorded \$77,106 in incremental stock-based compensation within general and administrative expenses in the statement of operations during the year ended December 31, 2024. There were no stock modifications and was no incremental stock-based compensation expense recorded during the year

Helix BioMedix, Inc.

Notes to Financial Statements

ended December 31, 2023.

Note 8 – 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, 2024 and 2023 employer matching contributions totaled \$12,924 and \$17,907, respectively.

Note 9 – 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.

The tax effects of significant components comprising the Company's deferred taxes as of December 31, 2024 and 2023, were as follows:

	2024	2023
Deferred tax assets		
Net operating loss carryforwards	\$ 6,428,032	\$ 6,841,461
Stock-based compensation	338,495	790,787
Capitalized research and development expenses	232,168	186,875
Other	26,934	26,900
Total deferred tax assets	7,025,629	7,846,023
Deferred tax liabilities		
Property and equipment	(1,350)	(2,551)
Total deferred tax liabilities	(1,350)	(2,551)
Less valuation allowance	(7,024,279)	(7,843,472)
Net deferred tax assets (liabilities)	\$ -	\$ -

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, 2024 and 2023, for financial reporting purposes. The Company's valuation allowance for deferred tax assets decreased by \$819,193 and \$599,527 during the years ended December 31, 2024 and 2023, respectively. The changes in the deferred tax assets in 2024 and 2023

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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, 2024, are as follows:

	Amount	Expiration Years
Net operating losses, federal (post December 31, 2017)	\$ 3,695,314	Do Not Expire
Net operating losses, federal (pre January 1, 2018)	33,022,330	2023-2036
Net operating losses, state	167,071	2030-2037

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	21.00%
Permanent items	-0.39%
Expiring tax attributes	-56.01%
Change in valuation allowance	35.40%
Total	- %

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 \$1,294,368 as of December 2024 and 2023. All the unrecognized tax benefits as of December 31, 2024 and 2023, are accounted for as a reduction in the Company's deferred tax assets. Due to the Company's valuation allowance, none of the \$1,294,368 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, 2024 and 2023, there is no accrued interest or penalties recorded in the financial statements. Due to net operating loss carryforwards, tax years 2004 and onwards are open to review by taxing authorities.

Note 10 – Commitments and Contingencies

Leases – The Company leased office space at its headquarters in Bothell, Washington, under terms of an operating lease that expired in September 2023. Upon expiration they entered into a new lease for office space in Bothell, Washington with a term of 12 months. The Company accounted for this lease as a short term lease and as such there is no ROU asset or lease liability.

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Total operating lease cost for the years ended December 31, 2024 and 2023, was \$45,774 and \$126,982, respectively, and is included in general and administrative expense on the statements of operations. During the year ended December 31, 2024, operating lease cost included \$45,774 of short-term lease cost related to leases with a term of less than one year and zero of variable lease cost related to common area maintenance charges and other operating expenses. During the year ended December 31, 2023, operating lease cost included \$20,594 of short-term lease cost related to leases with a term of less than one year and \$33,272 of variable lease cost related to common area maintenance charges and other operating expenses.

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. In 2023, the original patent applications related to the license were abandoned by mutual agreement between the academic institution and Helix BioMedix due to considerable patent office examiner objections generated upon review. As currently there are no patents issued or in process for this license, it is unlikely that any of the payments below will occur. Historically, 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, 2024 and 2023, 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

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

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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
	\$ 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, 2024, none of the milestone payments or royalty payments have been triggered.