

Disclosure Statement Pursuant to the Pink Basic Disclosure Guidelines

STELLA DIAGNOSTICS, INC.

A Wyoming Corporation

50 West Broadway, Suite 300

Salt Lake City, UT 84101

1 (201) 381-1474

www.StellaDX.com

info@stelladx.com

SIC – 7373

ANNUAL REPORT

For the Period Ending: December 31, 2023

(the “Reporting Period”)

The number of shares outstanding of our Common Stock was:

401,600,370 as of December 31, 2023

299,409,808 as of December 31, 2022

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: ☒

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

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;

Yes: ☐ No: ☒

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.

Present: Stella Diagnostics, Inc. (herein referred to as "STELLA" or the "Company") formerly known as JMD Properties, Inc. (from October 1, 2018 until August 25, 2020, formerly known as 3D Eye Solutions Inc. (from January 10, 2018 until October 1, 2018), formerly known as 3D Entertainment Holdings Inc. (from August 2, 2016 until January 10, 2018), formerly known as Oak River Technology, Inc. (from November 14, 2015 until August 2, 2016) formerly known as 3D Eye Solutions, Inc., formerly known as AFA Music Group, Ltd., formerly known SuperPro Vending Group, Inc, formerly known as Harbour Capital Corp.

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):

Incorporated in Wyoming, Active

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:

50 West Broadway, Suite 300

Salt Lake City, UT 84101

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:

-
- (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.

2) Security Information

Transfer Agent

Name: Vstock Transfer, LLC.
Address: 18 Lafayette Place
Address 2: Woodmere, NY 11598
Phone: +1 (212) 828-8436
Email: info@vstocktransfer.com

Publicly Quoted or Traded Securities:

Trading symbol: SLDX
Exact title and class of securities outstanding: Common Stock ("Common Stock")
CUSIP: 85853Y104
Par or stated value: \$0.0001
Total shares authorized: 1,000,000,000 as of date: March 11, 2024
Total shares outstanding: 401,600,370 as of date: December 31, 2023
Number of shares in the public float: 16,506,851 as of date: March 11, 2024
Total number of shareholders of record: 207 as of date: March 11, 2024

All additional class(es) of publicly quoted or traded securities (if any): None

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 securities outstanding: Series A Preferred Stock ("Series A")
CUSIP (if applicable): N/A
Par or stated value: No par value
Total shares authorized: 100,000 as of date: March 11, 2024
Total shares outstanding: 0 as of date: March 11, 2024
Total number of shareholders of record (if applicable): N/A

Exact title and class of securities outstanding: Series B Preferred Stock ("Series B")
CUSIP (if applicable): N/A
Par or stated value: No par value
Total shares authorized: 3,500,000 as of date: March 11, 2024
Total shares outstanding: 0 as of date: March 11, 2024
Total number of shareholders of record (if applicable): N/A

Exact title and class of securities outstanding: Series D Preferred Stock ("Series D")
CUSIP (if applicable): N/A
Par or stated value: No par value
Total shares authorized: 5,000,000 as of date: March 11, 2024
Total shares outstanding: 935,514 as of date: March 11, 2024
Total number of shareholders of record (if applicable): 14

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:

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

The holders of our common stock currently have (i) equal rateable rights to dividends from funds legally available, therefore, when, as and if declared by the Board of Directors of the Company; (ii) are entitled to share rateably in all of the assets of the Company available for distribution to holders of common stock upon liquidation, dissolution or winding up of the affairs of the Company (iii) do not have pre-emptive, subscription or conversion rights and there are no redemption or sinking fund provisions or rights applicable thereto; and (iv) are entitled to one non-cumulative vote per share on all matters on which stockholders may vote.

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

Series A:

Dividend: Holders are not entitled to dividends, but Series A Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

Voting: Series A Preferred stockholders and common stockholders vote together as one class on an as converted basis. Series A Preferred stockholders are entitled to vote on all matters and shall have the number of votes equal to the number of shares of common stock into which the shares of Series A Preferred Stock held by such holder are convertible upon a reverse stock split. Certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 95% of the then outstanding shares of Series A Preferred.

Conversion Right: Shares of Series A Preferred Stock automatically convert into shares of common stock upon the earlier of a reverse stock split or August 20, 2022. In the event of a reverse stock split, each share of Series A Preferred shall be converted into the number of common stock equal to 0.01% of the total number of shares of common stock outstanding. As of December 31, 2020, there were 96,365,470 shares of common stock outstanding, the conversion factor upon a

reverse stock split was 9,637 shares of common stock for every share of Series A Preferred, and the total number of shares that would be exchanged in the event of a reverse stock split would be 963,654,700 shares of common stock.

If there is no reverse stock split before August 20, 2022, each share of Series A Preferred shall be automatically converted into the number of common stock equal to the fair value of a share of Series A Preferred as determined by a third party valuation, but not less than \$2,000. As of the date of the Merger Agreement, the minimum value of common stock to be issued would be \$200,000,000 based on 100,000 shares of Series A Preferred issued and outstanding. The Company has evaluated this conversion feature and determined that the Series A Preferred is a liability, the carrying value as of the date of the Merger Agreement is \$177,999,288 and the difference between that carrying value and \$200,000,000 is to be accreted over the period from the Reverse Merger and the automatic conversion date of August 20, 2022. For the year ended December 31, 2022, the Company recorded accretion of Series A preferred liability of \$596,363 in other expense. During the year ended December 31, 2022, the Series A Preferred Stock was automatically converted into 200,000,000 pursuant to the agreement.

Liquidation: There are no liquidation rights.

Series B:

Dividend: The holders of Series B Preferred are not entitled to dividends, but Series B Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

Voting: The holders of Series B Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series B Preferred.

Conversion Right Shares of Series B Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series B conversion price divided by 50% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series B conversion price is initially set at \$1.00 per share.

Liquidation: Upon liquidation, dissolution or winding up of business, the holders of Series B Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series B Preferred issue price plus any accrued but unpaid dividends. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

Series D:

Dividend: The holders of Series D Preferred are not entitled to receive dividends nor entitled to receive a dividend if declare on any other class or series of capital stock.

Voting: The holders of Series D Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series D Preferred.

Conversion Right: Shares of Series D Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series D conversion price divided by 80% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series D conversion price is initial set at \$4.00 per share. In the event that the Company is unsuccessful in issuing additional shares of Series D Preferred, the existing holders of Series D Preferred have the right to convert each share of Series D Preferred into 4.16667 shares of Series B Preferred.

Liquidation: Upon liquidation, dissolution or winding up of business, the holders of Series D Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series D issue price of \$5.00 per share. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

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

N/A – No other material rights for Common or Preferred.

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.

N/A- No material modifications to rights of holders of the company's securities

3) Issuance History

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)

Number of Shares outstanding as of 12/31/2020		Opening Balance: Common: 97,550,655 Preferred Series : 0		*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 (entities must have individual with voting / investment control disclosed).	Reason for share issuance (e.g. for cash or debt conversion) OR Nature of Services Provided (if applicable)	Restricted or Unrestricted as of this filing?	Exemption or Registration Type?
01/29/2021	New Issuance	500,000	Common	\$0.0001	No	MDM Worldwide Solutions, Inc./Steven Angel	Consulting Agreement	R	Exemption: Section 4(a)(2) of the Securities Act
04/21/2021	New Issuance	685,185	Common	\$0.50	No	Patagonia Global Trading LLC/David Zirulnikoff	Consulting Agreement	R	Exemption: Section 4(a)(2) of the Securities Act
02/18/2022	New Issuance	250,000	Common	\$0.65	No	VRG VRG Public Company CFO Services, LLC/Victoria Rudman	Consulting Agreement	R	Exemption: Section 4(a)(2) of the Securities Act

03/14/2022	New Issuance	28,858	Common	\$0.34652	No	Taconic Group LLC/Robert Grinberg	Reg A Conversion	U	<u>THESE SHOULD SAY REG A</u>
04/28/2022	New Issuance	100,000	Common	\$0.25	No	Taconic Group LLC/Robert Grinberg	Reg A Conversion	U	
06/07/2022	New Issuance	100,000	Common	\$0.25	No	Alumni Capital LP/Ashkan Mapa	Reg A Conversion	U	
8/31/2022	Cancellation	100,000	Series A Preferred Stock	\$0.0001	No	Mastiff Group LLC/ Jennifer Wainstein, Israel Levy Re, Leslie Venokur, Noah N. Levy Revocable Trust, MVNY Holdings, LLC/Robert Welner, Seven Knots, LLC Daniel Wainstein/M arissa Welner, Keystone Capital Partners, LLC/Fredric G. Zaino, Paul Mann, Joseph Michael Abo, Deandra K, Agrawal, Devki PLLC/ Sumeet Mittal, M.D., Parker Scott, David Seaburg, Jeffrey	Mandatory Conversion to Common	N/A	<u>Exemption: Section 4(a)(2) of the Securities Act</u>
8/31/2022	New Issuance	200,000,000	Common	\$0.98	No	Mastiff Group LLC /Jennifer Wainstein, Israel Levy	Conversion of Series A Preferred Stock	R	<u>3(a)(9)</u>

						Re, Leslie Venokur, Noah N. Levy Revocable Trust, MVNY Holdings, LLC/ Robert Welner, Seven Knots, LLC Daniel Wainstein/M arissa Welner, Keystone Capital Partners, LLC/Fredric G. Zaino, Paul Mann, Joseph Michael Abo, Deandra K, Agrawal, Devki PLLC /Sumeet Mittal, M.D., Parker Scott, David Seaburg, Jeffrey Russel Ambroziak			
11/07/2022	New Issuanc e	980,295	Common	\$0.2 3	No	Jed Latkin	Consulting Agreement	R	<u>4(a)(2)</u>
12/08/2022	New Issuanc e	400,000	Common	\$0.3 75	No	Atlanta Capital Partners LLC/David Kugelman	Consulting Agreement	R	<u>4(a)(2)</u>
12/26/2023	New Issuanc e – Sale of Commo n Stock	102,190,562	Common	\$0.0 01	No	Daniel Wainstein, Marissa Welner, Fredric Zaino, Peter A. Cohen Revocable Trust, David Seaburg, Joseph M	Stock Purchase Agreements	R	4(a)(2)

						Abdo and Seth Platt			
Shares Outstanding on <u>12/31/2023</u> :	<u>Ending Balance:</u> Common: 401,600,370 Series A Preferred: <u>Zero</u> Series D Preferred: <u>935,514</u>								

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	Reason for Issuance (e.g. Loan, Services, etc.)
<u>04/30/2016</u>	<u>318,132</u>	<u>180,000</u>	<u>138,132</u>	<u>11/30/2019</u>	<u>50% of the average of the three lowest intraday prices for the Company's stock during the previous 20 trading days.</u>	<u>Eddy Vasker</u>	<u>Accrued Salary</u>
<u>06/29/2017</u>	<u>410,899</u>	<u>310,000</u>	<u>100,899</u>	<u>06/29/2025</u>	<u>20% of the average of the three lowest intraday trading prices during the preceding twenty trading days</u>	<u>BWTMH Consulting, LLC/Leslie Venokur</u>	<u>Business Consulting Services</u>
<u>06/29/2017</u>	<u>410,899</u>	<u>310,000</u>	<u>100,899</u>	<u>06/29/2025</u>	<u>20% of the average of the three lowest intraday trading prices during the preceding twenty trading days</u>	<u>Levy Consulting Services, LLC/Noah Levy</u>	<u>Business Consulting Services</u>

4) Issuer's Business, Products and Services

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

Stella Diagnostics, Inc., formerly known as JMD Properties, Inc. ("Stella" or the "Company"), is as a molecular diagnostics-based organization that uses targeted mass spectrometry to determine the level of disease progression in tissue of the lower esophagus. Our proprietary technology is based on rigorous research by domain experts and practicing physicians and can notify providers if common diseases of the esophagus like GERD and Barrett's esophagus express proteins associated with normal or carcinogenic processes. With our panel of biomarkers and targeted proteomics method, the company can better inform gastroenterologists, surgical oncologists and pathologists which patients are high risk for disease progression into precancer or cancer. The predictive panel will be offered as a Laboratory Developed Test ("LDT") in a CAP/CLIA Certified moderate complexity laboratory. With additional R&D and the accumulation of data from our clinical efforts, we will also yield viable new drug targets to inhibit BE pathogenesis and/or treat EC. We believe that informing physicians of the

biomarkers playing a role in the pathogenesis of GERD, BE and EC early in the patient's treatment plan will help providers extend lives.

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

Subsidiary Name	Domicile	Address	Officer/Director	% Owned	Owned By
<u>SLDX, Inc.</u> (Formerly known as <u>Stella DX, LLC</u>)	<u>Delaware</u>	<u>50 West Broadway, Suite 300 Salt Lake City, UT 84101</u>	<u>David Seaburg</u>	<u>100%</u>	<u>Stella Diagnostics, Inc.</u>
<u>World Reach Pharma, LLC</u>	<u>Delaware</u>	<u>251 Little Falls Drive, Willington, 19808</u>	<u>David Seaburg</u>	<u>100%</u>	<u>Stella Diagnostics, Inc.</u>

C. Describe the issuers' principal products or services.

Please see above.

5) Issuer's Facilities

Stella Diagnostics, Inc. leases office space in a shared virtual office located at 50 West Broadway, Suite 300, Salt Lake City, Utah 84101. Stella currently has a six-month lease for the office space, which automatically renews for an additional six-month term unless cancelled at least 30 days prior to the expiration of the current term. The monthly rent is currently \$69 per month.

6) Officers, Directors, and Control Persons

<u>COMMON STOCK</u>						
<u>Name of Officer/Director and Control Person</u>	<u>Affiliation with Company (e.g., Officer/Director/Owner of more than 5%)</u>	<u>Residential Address (City/State Only)</u>	<u>Number of shares owned</u>	<u>Share type/class</u>	<u>Ownership Percentage of Class Outstanding</u>	<u>Names of control person(s) if a corporate entity</u>
Mastiff Group, LLC/Jennifer Wainstein ⁽¹⁾	Owner of more than 5%	Aventura, FL	79,602,871	Common Stock	19.821%	
Seven Knots, LLC/Daniel Wainstein/Marissa Welner ⁽²⁾	Director	New York, NY	10,006,444	Common Stock	2.492%	
Keystone Capital Partners, LLC/Fredric G. Zaino ⁽³⁾	Owner of more than 5% Director	New York, NY	34,238,505	Common Stock	8.526%	
Paul Mann	Owner of more than 5%	Port Saint Lucie, FL	18,000,000	Common Stock	4.482%	
David Seaburg	Owner of more than 5% Officer and Director	Naples, FL	53,977,790	Common Stock	13.441%	
Devandra Agrawal	Owner of more than 5%	Montclair, CA	34,200,000	Common Stock	8.516%	
DEVKI PLLC/Sumeet Mittal, M.D. ⁽⁴⁾	Owner of more than 5%	Paradise Valley, AZ	34,200,000	Common Stock	8.516%	
Joseph Michael Abdo	Owner of more than 5%	Salt Lake City, UT	42,235,462	Common Stock	10.517%	
Daniel Wainstein	Director	New York, NY	12,985,462	Common Stock	3.233%	
Marissa Welner	Director	New York, NY	12,985,462	Common Stock	3.233%	
Fredric Zaino	Director	New York, NY	11,635,462	Common Stock	2.897%	
Seth Platt	Director	New York, NY	10,285,462	Common Stock	2.561%	

(1) Daniel Wainstein is the spouse of Jennifer Wainstein, the majority owner of Mastiff Group. Mr. Wainstein disclaims any beneficial ownership of the shares held by Mastiff Group. Additionally, Mr. Wainstein is an owner of Seven Knots, LLC. Mr. Wainstein has neither voting control nor investment discretion over securities beneficially owned directly by Seven Knots, LLC. Mr. Wainstein's residential address is New York, NY.

(2) Marissa Welner has voting control and investment discretion over securities beneficially owned directly by Seven Knots, LLC. Ms. Welner's residential address is New York, NY.

- (3) Mr. Zaino's residential address is New York, NY.
(4) Mr. Mittal's residential address is Paradise Valley, AZ.
(5) Ms. Wainstein's residential address is New York, NY.

<u>SERIES D PREFERRED STOCK</u>						
<u>Name of Officer/Director and Control Person</u>	<u>Affiliation with Company (e.g. Officer/Director/Owner of more than 5%)</u>	<u>Residential Address (City/State Only)</u>	<u>Number of shares owned</u>	<u>Share type/class</u>	<u>Ownership Percentage of Class Outstanding</u>	<u>Notes (common shares on an as-converted basis)</u>
Israel Levy Revocable Trust/Israel Levy ⁽¹⁾	Owner of more than 5% of the Series D Preferred Stock Class	Deerfield, IL	147,754	Series D Preferred Stock	15.930%	253,943
White Birch Portal, LLC/Adam Venokur ⁽²⁾	Owner of more than 5% of the Series D Preferred Stock Class	New York, NY	261,600	Series D Preferred Stock	28.204%	499,608
Albert Levy	Owner of more than 5% of the Series D Preferred Stock Class	Chicago, IL	72,000	Series D Preferred Stock	7.763%	123,745
Arie Maor	Owner of more than 5% of the Series D Preferred Stock Class	Skokie, IL	96,000	Series D Preferred Stock	10.350%	164,994
Jay Parikh	Owner of more than 5% of the Series D Preferred Stock Class	Dubai, UAE	50,400	Series D Preferred Stock	5.434%	86,622
DASA Portal, LLC/Adam Venokur ⁽²⁾	Owner of more than 5% of the Series D Preferred Stock Class	New York, NY	113,760	Series D Preferred Stock	12.265%	7,314,363

(1) Mr. Levy's residential address is Deerfield, IL.

(2) Mr. Venokur's residential address is New York, NY.

Except as set forth above, no director or officer of the Company owns any securities of the Company.

7) Legal/Disciplinary History

A. Criminal and legal proceedings of Officers, Directors and Control Persons.

None of the persons 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);
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;

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
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.

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.

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

Name: Jonathan D. Leinwand, P.A.
Firm: Jonathan D. Leinwand, P.A.
Address 1: 18305 Biscayne Blvd. Suite 200
Address 2: Aventura, FL 33160
Phone: 954-903-7856
Email: jonathan@jdlpa.com

Accountant

Name: Mario A. Beckles
Firm: Beckles & Co
Address 1: 2001 Hollywood Blvd. Suite 208
Address 2: Hollywood, FL 33020
Phone: 954-251-2005

Investor Relations Consultant: N/A

Other Service Providers: N/A

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)²:

Name: Mario A. Beckles
Title: Outside CPA, May 20, 2020 to present
Relationship to Issuer: Independent, no relationship

The unaudited Balance Sheets and Statement of Stockholders Deficit as of September 30, 2023 and December 31, 2022 and Statement of Operations and Statement of Cashflows for the three months and nine months ended September 30, 2023 and 2022, are included at the end of this report.

10) Issuer Certification

Principal Executive Officer and Principal Finance Officer:

The certifications shall follow the format below:

I, Mr. David Seaburg, certify that:

1. I have reviewed this Disclosure Statement for Stella Diagnostics, 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.

Date: March 14, 2024
Signature: /s/ David Seaburg
Name: Mr. David Seaburg
Title: CEO

STELLA DIAGNOSTICS, INC. AND SUBSIDIARY
Consolidated Financial Statements
Annual Report for the Fiscal Year Ended December 31, 2023
(Unaudited)

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STELLA DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEET

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 7,626	\$ 1,199
Accounts receivables	10,219	-
Prepaid expenses and other current assets	2,578	583
Total current assets	20,423	1,782
Investment in equity	452,000	-
Total assets	<u>\$ 472,423</u>	<u>\$ 1,782</u>
Liabilities and stockholders' deficit		
Current liabilities:		
Accounts payable	\$ 137,593	\$ 1,131,214
Accrued expenses	6,550,919	6,100,118
Promissory notes payable	302,667	1,242,348
Convertible notes payable, current portion	422,007	1,763,736
Derivative liability	4,259,666	5,782,491
Series D preferred liability	4,677,570	4,677,570
Series E preferred liability	-	-
Common stock settleable liability	826,542	1,047,108
Simple agreements for future equity	30,000	30,000
Total current liabilities	17,206,964	21,774,585
Convertible notes payable, net of current portion	798,441	271,807
Total liabilities	18,005,405	22,046,392
Commitments and contingencies	-	-
Stockholders' deficit:		
Series A Preferred Stock: 100,000 shares authorized; No par value 100,000 issued and outstanding at December 31, 2021. Converted to 200,000,000 shares of Common Stock on August 31, 2022	\$ -	\$ -
Series D Preferred stock: 5,000,000 authorized; No par value 935,514 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	3,904,642	3,904,642
Common stock, par value \$0.0001; 3,000,000,000 authorized, 401,600,370 and 299,409,808 shares issued and outstanding at December 31, 2023 and December 31, 2022, respectively	40,160	29,941
Common stock to be issued	-	-
Additional paid-in capital	207,337,469	197,128,632
Accumulated deficit	(228,815,253)	(223,107,825)
Total stockholders' deficit	(17,532,982)	(22,044,610)
Total liabilities and stockholders' deficit	<u>\$ 472,423</u>	<u>\$ 1,782</u>

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

STELLA DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF OPERATIONS
For the Years ended December 31, 2023 and 2022

	For the Years Ended	
	December 31, 2023	December 31, 2022
Operating expenses:		
Research and development	\$ -	\$ 252,000
General and administrative	11,426,950	2,197,605
Total operating expenses	<u>\$ 11,426,950</u>	<u>\$ 2,449,605</u>
Other income (expense):		
Interest expense	153,955	(311,096)
Gain on sale of intellectual property	4,497,742	-
Change in fair value of derivative liability	1,522,825	(596,363)
Change in fair value of equity investment	(455,000)	-
Change in fair value of Series A preferred liability	-	(2,772,692)
Other income - over accrual 2021 expenses		488,936
Total other expense	<u>5,719,522</u>	<u>(3,191,215)</u>
Net loss	<u>\$ (5,707,428)</u>	<u>\$ (5,640,820)</u>
Net loss per common share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average common shares outstanding, basic and diluted	<u>299,990,970</u>	<u>165,119,233</u>

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

STELLA DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' DEFICIT
For the Years Ended December 31, 2023 and 2022

	Preferred Stock Series A		Preferred Stock Series D		Common Stock				Total Stockholders'
	Shares	Value	Shares	Value	Shares	Par	Additional Paid-in Capital	Accumulated Deficit	Deficit
Balance, December 31, 2021	100,000	\$ 100	927,514	\$ 3,864,642	97,550,655	\$ 9,755	\$ 910,066	\$ (217,467,005)	\$ (212,682,442)
Issuance of stock	-	-	13,000	65,000	1,659,153	166	407,901	-	473,067
Series A Preferred Converted to common stock to be issued	(100,000)	(100)	-	-	200,000,000	20,000	195,760,685	-	195,780,585
Net loss	-	-	-	-	-	-	-	(5,640,820)	(5,640,820)
Balance, December 31, 2022	-	\$ -	935,514	\$ 3,904,642	299,409,808	\$ 29,941	\$ 197,128,632	\$ (223,107,825)	\$ (22,044,610)
Sale of stock	-	-	-	-	102,190,562	10,219	10,208,837	-	10,219,056
Net loss	-	-	-	-	-	-	-	(5,707,428)	(5,707,428)
Balance, December 31, 2023	-	\$ -	935,514	\$ 3,904,642	401,600,370	\$ 40,160	\$ 207,337,469	\$ (228,815,253)	\$ (17,532,982)
	-	-	-	-	-	-	-	-	-

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

STELLA DIAGNOSTICS, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
Cash flows from operating activities:		
Net loss	\$ (5,707,428)	\$ (5,640,820)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	9,998,490	718,534
Change in fair value of derivative liability	(1,522,825)	596,363
Change in fair value of Series A preferred liability	-	2,772,692
Gain on sale of intellectual property	(4,304,498)	-
Change in fair value of equity investment	455,000	-
Non-cash interest expense	164,778	276,943
Expenses paid on behalf of the company		367,662
Changes in operating assets and liabilities:		
Prepaid expense and other current assets	(1,995)	-
Accounts receivables	(10,219)	-
Accounts payable	(993,621)	64,568
Accrued expenses	245,557	575,578
Net cash used in operating activities	<u>(1,676,761)</u>	<u>(268,480)</u>
Cash flows from investing activities:		
Equity investment	<u>3,590,742</u>	<u>-</u>
Net cash used in investing activities	<u>3,590,742</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from issuance of promissory notes	89,000	228,431
Proceeds from Series D Preferred stock issuance	-	40,000
Repayments of promissory notes payable	(1,016,681)	-
Repayments of convertible notes payable	(979,873)	-
Net cash provided by financing activities	<u>(1,907,554)</u>	<u>268,431</u>
Net increase in cash and cash equivalents	6,427	(49)
Cash and cash equivalents, beginning of period	1,199	1,248
Cash and cash equivalents, end of period	<u>\$ 7,626</u>	<u>\$ 1,199</u>
Non-cash financing costs:		
Equity investment as part of sale of asset	<u>\$ 907,000</u>	<u>\$ -</u>

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

STELLA DIAGNOSTICS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

1. NATURE OF THE BUSINESS

Stella Diagnostics, Inc. and Stella Diagnostics LLC (collectively the “Company”) is a research diagnostics company dedicated to developing molecular diagnostics tools and new drug targets for esophageal diseases and is headquartered in Salt Lake City, Utah and maintains its corporate registration in Wyoming.

Stella Diagnostics LLC was formed on February 13, 2020. On January 18, 2023, the Company filed a Certificate of Amendment with the State of Delaware to change its legal name to SLDX, Inc. The Company changed its name and converted into a “C” Corporation. Under the Certificate of Incorporation of SLDX, Inc. the Company is authorized to issue 500,000,000 shares of Common Stock having a par value of \$0.0001.

On December 13, 2023, the Company incorporated World Reach Pharma, LLC (“WRP”) in the State of Delaware. The entity is a wholly owned subsidiary of the Company and is qualified to do business in New York. WRP is an FDA registered, inspected, and innovative 503B Outsourcing Facility located in Albany, NY. WRP manufactures pharmaceutical sterile injectables, nasal- sprays, non-sterile compounds, admixes biologic agents, repackaging of both sterile and non-sterile products, addresses drug shortages, produces clinical supplies, and collaborates with biotechnology organizations developing boutique formulations. In collaboration with hospital systems, medical clinics, Group Purchasing Organizations (GPOs), Integrated Delivery Networks (IDNs), and insurance companies, WRP addresses unmet needs at faster rates for specific patient needs.

Applying the quality standards of 21 CFR 210 and 21 CFR 211, WRP is committed to utilizing the right people, processes, and facility in delivering high-quality affordable medicines. Driven by our passionate commitment to innovation and quality, WRP seeks to become the 503b industry leader of choice.

Reverse Merger

On August 20, 2020, JMD Properties, Inc. (“JMD”) acquired 100% of the issued and outstanding membership units of Stella Diagnostics LLC pursuant to a merger between the companies (“Transaction” or “Reverse Merger”). Upon consummation of the Transaction, JMD adopted the business plan of Stella Diagnostics LLC and discontinued the pursuit of JMD’s business plan pre-closing. In connection with the Transaction, JMD agreed to acquire all of the outstanding units of Stella Diagnostics LLC in exchange for the issuance of an aggregate 90,000 shares of JMD’s Series A Preferred Stock, representing 90% of its outstanding shares of Series A Preferred Stock. As a result of the Transaction, Stella Diagnostics LLC became a wholly owned subsidiary of JMD. While JMD was the legal acquirer in the Transaction, Stella Diagnostics LLC was deemed the accounting acquirer. Stella Diagnostics LLC changed its name to Stella DX LLC on August 20, 2020. Immediately after giving effect of the Transaction, JMD changed its name to Stella Diagnostics, Inc.

The financial statements of the Company reflect the operations of Stella Diagnostics LLC as the acquirer for accounting purposes, together with the deemed issuance of shares, equivalent to the shares held by the stockholders of the legal acquirer, JMD, prior to the Transaction, and the recapitalization of the equity of the accounting acquirer. The financial statements include the accounts of the Company since the effective date of the Reverse Merger and the accounts of Stella Diagnostics LLC since inception.

Asset Purchase Agreement

On January 3, 2023, Stella Diagnostics, Inc. and its wholly owned subsidiary SLDX, Inc. (formerly known as Stella DX, LLC) (hereinafter collectively referred to as the “Company”) finalized the sale of the STLA101, STLA102, STLA103, STLA104 assays (collectively the “Assays”) including all the intellectual property related to the Assays and the worldwide rights to the development, manufacture, sale, distribution or other commercialization of the Assays in exchange for a combination of cash and equity consideration as further defined in the Asset Purchase Agreement by and between the Company and ProPhase Labs, Inc. (the “Purchaser”). The Company retains the right to receive additional compensation in the form of ProPhase common stock as well as a 5% royalty generated from the commercialization of the Assays. In exchange for the asset purchase agreement the Company received net cash of \$3,590,742 and 100,000 shares of common stock of the Purchaser with a market value of \$907,000 on the date of issuance. The Company recognized a gain on the sale of the intellectual property of \$4,497,742. The proceeds were used to pay off various liabilities, promissory notes and convertible notes.

Going Concern

Since its inception, the Company has devoted substantially all of its efforts to business planning, research and development, recruiting management and technical staff, and raising capital, and has financed its operations through the issuance of promissory notes and Simple Agreements for Future Equity.

The Company is subject to risks common to companies in the biopharmaceutical industry. There can be no assurance that the Company’s research and development will be successfully completed, that adequate protection for the Company’s intellectual property will be maintained, that any therapeutic products developed will obtain required regulatory approval or that any approved products will be commercially viable. Even if the Company’s development efforts are successful, it is uncertain when, if ever, the Company will generate significant product sales.

The Company’s losses from operations, negative cash from operations and accumulated deficit, as well as the additional capital that is needed to fund operations within one year of the financial statement issuance date, and concluded such conditions, without raising additional capital, raise substantial doubt about the Company’s ability to continue as a going concern. The Company expects to incur substantial expenditures in the foreseeable future for the development of its product candidates and will require additional financing to continue development. The Company intends to pursue funding from the issuance of shares of preferred stock to fund future operations. While the Company continues to seek capital, there can be no assurance that additional financing will be available on acceptable terms, if at all. Accordingly, there is substantial doubt regarding the Company’s ability to continue as a going concern. The accompanying financial statements have been prepared as though the Company will continue as a going concern, which contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

Coronavirus Considerations

In December 2019, a novel strain of coronavirus (SARS-CoV-2), which causes COVID-19, was reported to have surfaced in China. In March 2020, the World Health Organization declared the outbreak of COVID-19 to be a pandemic, and the world’s economies began to experience pronounced effects. Despite the FDA approval of multiple COVID-19 vaccines in late 2020, there remains uncertainty around the extent and duration of disruption and any future related financial impact cannot be reasonably estimated at this time. The actual and perceived impact of the COVID-19 pandemic is changing daily, and its ultimate effect on the Company cannot be predicted. As a result, there can be no assurance that the Company will not experience negative impacts associated with COVID-19, which could be significant. The COVID-19 pandemic may negatively impact the Company’s business, financial condition and results of operations by decreasing or delaying the enrollment of patients in the Company’s clinical trials or otherwise causing interruptions or delays in the Company’s programs and services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements. Accordingly, they do not contain all information and footnotes required by accounting principles generally accepted in the United States of America for annual financial statements. In the opinion of the Company's management, the accompanying unaudited financial statements contain all the adjustments necessary (consisting only of normal recurring accruals) to present the financial position of the Company as of September 30, 2023, and the results of operations and cash flows for the periods presented. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the operating results for the full fiscal year or any future period.

Principles of Consolidation

The Company's consolidated financial statements include the accounts of the Stella Diagnostics, Inc. and its wholly owned subsidiary SLDX, Inc. (formerly known as Stella DX, LLC). All intercompany balances and transactions have been eliminated in the consolidated financial statements.

Segments

Management has concluded it has a single reporting segment for purposes of reporting financial condition and results of operations.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and expenses, and the disclosure of contingent assets and liabilities as of and during the reporting period. The Company bases its estimates and assumptions on various factors that it believes to be reasonable under the circumstances. The Company assesses estimates on an ongoing basis; however, actual results could materially differ from those estimates. Significant items subject to such estimates and assumptions include fair value of stock-based compensation expense and derivative liabilities.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentration of credit risk consist primarily of cash and cash equivalents. Periodically, the Company may maintain deposits in financial institutions in excess of government insured limits. Management believes that the Company is not exposed to significant credit risk as the Company's deposits are held at financial institutions that management believes to be of high credit quality, and the Company has not experienced any losses on these deposits.

Cash and Cash Equivalents

The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents.

Fair Value of Financial Instruments

The Company follows the guidance prescribed by FASB Accounting Standards Codification ("ASC") Topic 820, *Fair Value Measurements* ("ASC 820"), which establishes the following hierarchy that prioritizes the inputs used to measure fair value:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). Fair value is defined as the proceeds that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date.

Research and Development Costs

Research and development costs are charged to expense as incurred. Research and development costs consist of expenses incurred in performing research and development activities, including salaries and benefits, materials and supplies, preclinical expenses, stock-based compensation expense, depreciation of equipment, contract services, and other outside expenses. Costs for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information provided to the Company by its vendors on their actual costs incurred. Payments for these activities are based on the terms of the individual arrangements, which may differ from the pattern of costs incurred, and are reflected in the financial statements as prepaid or accrued research and development. The capitalized amounts are expensed as the related goods are delivered or services are performed.

Leases

The Company applies the provisions of the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2016-02, "Leases" ("ASC 842") to all leases. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on specific facts and circumstances, the existence of an identified asset(s), if any, and the Company's control over the use of the identified asset(s), if applicable. Operating lease liabilities and their corresponding right-of-use assets are recorded based on the present value of future lease payments over the expected lease term. The interest rate implicit in lease contracts is typically not readily determinable. As such, the Company will utilize the incremental borrowing rate, which is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment.

The Company has elected not to separate lease and non-lease components as a single component. Operating leases are recognized on the balance sheet as ROU lease assets, lease liabilities current and lease liabilities non-current. Fixed rents are included in the calculation of the lease balances while variable costs paid for certain operating and pass-through costs are excluded. Lease expense is recognized over the expected term on a straight-line basis.

Beginning in November 2020, the Company entered into a virtual office lease in Salt Lake City, Utah, for the purpose of maintaining a mailing address at a cost of \$69 per month. The initial term of the lease was for six months and automatically renews on a month-to-month basis thereafter. Short-term operating leases, which have an initial term of 12 months or less are not recorded on the statement of financial condition in accordance with the practical expedient provided in ASC 842.

Income Taxes

The Company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the Company's financial statements and tax returns. Deferred tax assets and liabilities are determined based upon the differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities and for loss and credit carryforwards, using enacted tax rates expected to be in effect in the year in which the differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance if it is more likely than not that these assets may not be realized. The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, none of the benefit attributable to the position is recognized. The tax benefit to be recognized for any tax position that meets the more-likely-than-not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency. The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes.

Convertible Preferred Stock

The Company has classified Series A, Series D and Series E Preferred Stock as liabilities in the accompanying balance sheet, in accordance with ASC 480, as the shares represent fixed monetary amounts known at inception. Therefore, the Series A and Series D Preferred Stock are considered share-settled liabilities. The Series A and Series D Preferred Stock were initially recorded at fair value and are adjusted to fair value each reporting period with changes reflected in the Statement of Operations. The Company has recorded a portion of the initial carrying value of the Series D Preferred Stock as part of the merger transaction (see Note 3).

Stock-based Compensation

The Company accounts for stock options granted in accordance with Accounting Standards Codification ("ASC") 718, *Compensation-Stock Compensation*, or ASC 718. The Company recognizes compensation expense for awards to employees and nonemployees based on the grant date fair value of stock-based awards on a straight-line basis over the period during which an award holder provides service in exchange for the award. For awards subject to performance conditions, the Company recognizes compensation expense using an accelerated recognition method over the remaining service period when management determines that achievement of the milestone is probable. Management evaluates when the achievement of a performance-based milestone is probable based on the expected satisfaction of the performance conditions as of the reporting date. The fair value is calculated using the Black-Scholes option pricing model. The Company recognizes stock-based award forfeitures as they occur rather than estimating a forfeiture rate in accordance with the guidance per ASU No. 2016-09.

Recently Issued Accounting Pronouncements

The company has reviewed all issued accounting pronouncements. The company does not expect the adoption of any pronouncements to have an impact on its results of operations or financial position.

REVERSE MERGER

As described in Note 1, the Reverse Merger was accounted for as a reverse recapitalization per ASC Topic 805, "Business Combinations" ("ASC 805"). Under reverse capitalization accounting, Stella Diagnostics LLC is considered the acquirer for accounting and financial reporting purposes and assumed the liabilities of JMD. The liabilities assumed by Stella Diagnostics LLC are reported at their historical amounts. The financial statements of the Company reflect the operations of Stella Diagnostic LLC for accounting purposes together with a deemed issuance of shares, equivalent to the shares held by the former stockholders of the legal acquirer and a recapitalization of the equity of the accounting acquirer. The annual consolidated financial statements include the accounts of the Company since the effective date of the reverse capitalization and the accounts of Stella Diagnostics LLC since inception.

The following summarizes the estimated fair value of the liabilities assumed at the date of the Reverse Merger:

Accounts payable	\$ 214,652
Accrued expenses	4,271,547
Convertible notes payable	1,409,190
Derivative liability	4,387,779
Series A preferred liability	17,800,019
Series D preferred liability	4,637,570
	<u>\$ 32,720,756</u>

No assets were assumed as part of the Reverse Merger.

ACCRUED EXPENSES

Accrued expenses as of December 31, 2023 and December 31, 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Accrued salaries pre-merger	\$ 3,833,787	\$ 3,833,787
Accrued salaries post-merger	1,114,078	853,661
Accrued interest pre-merger	404,847	437,760
Accrued board fees	1,008,054	719,304
Accrued other	190,153	255,606
	<u>\$ 6,550,919</u>	<u>\$ 6,100,118</u>

4. FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts payable, accrued expenses, promissory notes, convertible notes and the derivative liability related to the convertible notes. The carrying amount of cash and cash equivalents, accounts payable and accrued expenses is considered a reasonable estimate of fair value due to the short-term nature of those instruments.

Level 3 financial instruments

Convertible Notes - The derivative liability related to the convertible notes (see Note 6) and its embedded beneficial conversion feature for the settlement of the notes upon a qualified financing or voluntary event was valued at \$4,387,779 as of the date of the Merger Agreement using a present value calculation of the conversion feature. The valuation is based on the following inputs (primarily Level 3): the estimated probability of certain qualified financing events occurring ranging from 25% to 75%, the discount awarded upon conversion ranging from 50% to 80% and a discount rate of 6%. An increase in these inputs may result in a higher fair value and an increase in the expense from a change in fair value of the derivative liability.

The following table presents a roll forward for the embedded beneficial conversion feature using significant unobservable inputs (Level 3) for the period from the Merger Agreement of August 20, 2020 to September 30, 2023:

Fair value of embedded derivative liability as of August 20, 2020	\$ 4,387,779
Change in fair value of derivative liability	201,986
Fair value of embedded derivative liability as of December 31, 2020	\$ 4,589,765
Change in fair value of derivative liability	596,363
Fair value of embedded derivative liability as of December 31, 2021	\$ 5,186,128
Change in fair value of derivative liability	596,363
Fair value of embedded derivative liability as of December 31, 2022	\$ 5,782,491
Change in fair value of derivative liability	(1,828,651)
Fair value of embedded derivative liability as of March 31, 2023	\$ 3,953,840
Change in fair value of derivative liability	101,942
Fair value of embedded derivative liability as of June 30, 2023	\$ 4,055,782
Change in fair value of derivative liability	101,942
Fair value of embedded derivative liability as of September 30, 2023	\$ 4,157,725
Change in fair value of derivative liability	101,942
Fair value of embedded derivative liability as of December 31, 2023	\$ 4,259,666

Series A Liabilities – The carrying value of Series A liabilities (see Note 7) is the fair value using a present value calculation of the redemption feature. The valuation is based on the following inputs (primarily Level 3): the redemption floor of \$2,000 per share and a discount rate of 6%. An increase in the redemption value may result in a higher fair value and an increase in the expense from a change in fair value of Series A liabilities.

Series D Liabilities – The carrying value of Series D liabilities (see Note 7) is the fair value of the conversion feature. The valuation is based on the following inputs (primarily Level 3): the estimated probability of certain voluntary elections or financing events of 0% to 100%, respectively, and the discount awarded upon conversion of 20%. An increase in the discount awarded upon conversion may result in a higher fair value and a charge to expense from a change in fair value of Series D liabilities.

Series E Liabilities – The carrying value of Series E liabilities (see Note 7) is the fair value of the fees to be paid.

5. DEBT

Convertible Notes

In conjunction with the Reverse Merger, the Company assumed several convertible note agreements (“Convertible Notes”), which were issued at various dates between June 2014 and July 2017, totaling an aggregate of \$1,321,957 of which \$201,957 is from related parties. Interest is accruing on the Convertible Notes at original annual interest rates ranging from 5% to 10% with maturity dates through June 2025. For the Convertible Notes in which the maturity dates were prior to December 31, 2020, the interest rates have increased to the default annual rate of 18%.

The Convertible Notes contain conversion features, which include qualified financing and voluntary conversions. Some of the Convertible Notes included a provision whereby the Convertible Notes could be automatically convertible upon a qualified financing, at the election of the Company, at a conversion rate ranging from 50% to 70% of the per share price

paid by investors in the financing. At certain times ranging from immediate to 1 year after issuance. The Convertible Notes were eligible for voluntary conversion into Common Stock at certain times ranging from immediate to 1 year after issuance, at a conversion rate ranging from 20% to 70% of the value per share of either the average trading prices over various periods or the future issuance of Common Stock.

The Company evaluated the settlement features included within the Convertible Notes and determined that none of the features was predominant. Also, the Company determined that the features met the definition of a derivative and required bifurcation. The derivative was recorded at fair value based on the occurrence of a triggering event taking place during the term of these Convertible Notes.

The following table shows changes to the carrying values of the Convertible Notes and associated embedded derivatives for the period August 20, 2020 to December 31, 2023:

	Convertible Notes and Accrued Interest	Derivative Liability
Balance at December 31, 2020	\$ 1,481,656	\$ 4,589,765
Additional accrued interest	119,928	-
Accretion of debt discount	157,016	-
Change in fair value of derivative	-	596,363
Balance at December 31, 2021	\$ 1,758,600	\$ 5,186,128
Additional accrued interest	119,928	-
Accretion of debt discount	157,016	-
Change in fair value of derivative	-	596,363
Balance at December 31, 2022	\$ 2,035,544	\$ 5,782,491
Additional accrued interest	20,501	-
Accretion of debt discount	26,840	-
Change in fair value of derivative	-	(1,828,651)
Repayment of convertible note and accrued interest	(979,874)	-
Balance at March 31, 2023	\$ 1,103,011	\$ 3,953,840
Additional accrued interest	12,216	-
Accretion of debt discount	26,840	-
Change in fair value of derivative	-	101,942
Balance at June 30, 2023	\$ 1,142,067	\$ 4,055,782
Additional accrued interest	12,351	-
Accretion of debt discount	26,840	-
Change in fair value of derivative	-	101,942
Balance at September 30, 2023	<u>\$ 1,181,258</u>	<u>\$ 4,157,724</u>
Additional accrued interest	12,351	-
Accretion of debt discount	26,840	-
Change in fair value of derivative	-	101,942
Balance at December 31, 2023	<u><u>\$ 1,220,448</u></u>	<u><u>\$ 4,259,666</u></u>

Promissory Notes

During the year ended December 31, 2023, the Company made repayment on promissory notes payable of \$1,016,681.

Simple Agreements for Future Equity

In July and August 2020, the Company received an aggregate of \$40,000 in exchange for entering into a Simple Agreement for Future Equity ("SAFE") with two investors. Upon the completion of an equity financing of Preferred Stock, the SAFE proceeds will convert into the Preferred stock at a 20% discount. If there is no equity financing within one year of receiving the SAFE proceeds, the investors may elect to convert the SAFE proceeds into the most recent financing at a 20% discount or receive their proceeds plus interest at an annual rate of 8%. If no election is made by the investor, the SAFE term extends for an additional six months. The Company has evaluated the SAFE agreements and determined that they are liabilities.

7. PREFERRED STOCK LIABILITIES

In conjunction with the formation of the Company in February 2020 and after giving effect to the Reverse Merger, 90,000 shares of Series A Preferred Stock were issued for aggregate proceeds of \$90. In conjunction with the Merger Agreement, an additional 10,000 shares of Series A Preferred Stock and 927,514 shares of Series D Preferred Stock were recorded at a carrying value of \$17,799,929 and \$4,637,570, respectively. There are no Series B Preferred shares issued or outstanding.

On September 1, 2020, the Company filed an amendment to the Certificate of Designation to reduce the authorized shares of Series B Preferred Stock from 10,000,000 shares to 3,500,000 shares.

On August 31, 2022, in accordance with the terms of the Series A Certificate of Designation, the Preferred Stock underwent a mandatory conversion into common stock of the Company, extinguishing the Series A Preferred Stock. The conversion of the Series A increased the number of common shares authorized by an additional 200,000,000 shares.

As of December 31, 2023, the Company's Preferred Stock consists of the following:

	Shares Authorized	Shares Issued and Outstanding
Series A Preferred	-	-
Series B Preferred	3,500,000	-
Series D Preferred	5,000,000	935,514

Preferred stock activity for the period February 13, 2020 (inception) to December 31, 2023 is as follows:

	Series A		Series D	
	Preferred Stock Liability		Preferred Stock Liability	
	Shares	Amount	Shares	Amount
Balance, February 13, 2020 (inception)	-	\$ -	-	\$ -
Issuance of founder shares	90,000	90	-	-
Effect of merger	10,000	17,799,929	927,514	4,637,570
Change in fair value of Series A preferred liability	-	164,207,618	-	-
Balance, December 31, 2020	100,000	182,007,637	927,514	4,637,570
Change in fair value of Series A preferred liability	-	11,000,356	-	-
Balance, December 31, 2021	100,000	193,007,993	927,514	4,637,570
Issuance of Reg A shares	-	-	8,000	40,000
Change in fair value of Series A preferred liability	-	2,772,692	-	-
Series A Preferred 100,000 shares converted to 200,000,000 shares of Common Stock on August 31, 2022	(100,000)	(195,780,685)	-	-
Balance, December 31, 2022	-	-	935,514	4,677,570
Change in fair value	-	-	-	-
Balance, December 31, 2023	-	\$ -	935,514	\$ 4,677,570

The significant rights, preferences and privileges of Preferred Stock as of December 31, 2023:

Series A Preferred Stock

Conversion - Shares of Series A Preferred Stock automatically convert into shares of common stock upon the earlier of a reverse stock split or August 20, 2022. In the event of a reverse stock split, each share of Series A Preferred shall be converted into the number of common stock equal to 0.01% of the total number of shares of common stock outstanding. As of December 31, 2020, there were 96,365,470 shares of common stock outstanding, the conversion factor upon a reverse stock split was 9,637 shares of common stock for every share of Series A Preferred, and the total number of shares that would be exchanged in the event of a reverse stock split would be 963,654,700 shares of common stock.

If there is no reverse stock split before August 20, 2022, each share of Series A Preferred shall be automatically converted into the number of common stock equal to the fair value of a share of Series A Preferred as determined by a third party valuation, but not less than \$2,000. As of the date of the Merger Agreement, the minimum value of common stock to be issued would be \$200,000,000 based on 100,000 shares of Series A Preferred issued and outstanding. The Company has evaluated this conversion feature and determined that the Series A Preferred is a liability, the carrying value as of the date of the Merger Agreement is \$177,999,288 and the difference between that carrying value and \$200,000,000 is to be accreted over the period from the Reverse Merger and the automatic conversion date of August 20, 2022. For the year ended December 31, 2022, the Company recorded accretion of Series A preferred liability of \$596,363 in other expense. During the year ended December 31, 2022, the Series A Preferred Stock was automatically converted into 200,000,000 pursuant to the agreement.

There are no other rights to convert into common stock.

Dividend - Holders are not entitled to dividends, but Series A Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

Voting – Series A Preferred stockholders and common stockholders vote together as one class on an as converted basis. Series A Preferred stockholders are entitled to vote on all matters and shall have the number of votes equal to the number of shares of common stock into which the shares of Series A Preferred Stock held by such holder are convertible upon a reverse stock split. Certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 95% of the then outstanding shares of Series A Preferred.

Liquidation – There are no liquidation rights.

Series B Preferred Stock

Conversion - Shares of Series B Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series B conversion price divided by 50% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series B conversion price is initially set at \$1.00 per share.

Dividend – The holders of Series B Preferred are not entitled to dividends, but Series B Preferred holders shall first receive, or simultaneously receive, a dividend if declared on any other class or series of capital stock.

Voting - The holders of Series B Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series B Preferred.

Liquidation - Upon liquidation, dissolution or winding up of business, the holders of Series B Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series B Preferred issue price plus any accrued but unpaid dividends. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

Series D Preferred Stock

Conversion - Shares of Series D Preferred are convertible, at the option of the holder, at any time, into the number of shares of common stock equal to the Series D conversion price divided by 80% of the average closing price of a share of common stock for the 20 trading days immediately preceding the date of conversion. The Series D conversion price is initial set at \$4.00 per share. The Company has evaluated this conversion feature and determined that the Series D Preferred is a liability and the carrying value reflects the beneficial conversion of the 80% discount valued at \$772,928.

In the event that the Company is unsuccessful in issuing additional shares of Series D Preferred, the existing holders of Series D Preferred have the right to convert each share of Series D Preferred into 4.16667 shares of Series B Preferred.

Dividends - The holders of Series D Preferred are not entitled to receive dividends nor entitled to receive a dividend if declare on any other class or series of capital stock.

Voting - The holders of Series D Preferred are not entitled to vote except for certain actions such as mergers, acquisition, liquidation, dissolution, and the wind up of the business, must be approved by the holders of at least 50% of the then outstanding shares of Series D Preferred.

Liquidation - Upon liquidation, dissolution or winding up of business, the holders of Series D Preferred are entitled to receive a liquidation preference in priority to holders of common stock at the original Series D issue price of \$5.00 per share. If assets available for distribution are insufficient to satisfy the liquidation payment to holders in full, assets available for distribution will be allocated among holders based on their pro rata shareholdings.

Series E Preferred Stock

Pursuant to a consultant agreement, by and between the Company and Nagel (the "Consultant"), dated August 16, 2022, the Consultant shall be entitled to up to \$87,500 worth of to be designated Series E Preferred Stock (the "Series E") of the Company (the "Equity Payment"). Following the filing of the applicable designations thereof, the Series E Preferred Stock shall be remitted to the Consultant in equal quarterly installments, in arrears, beginning with \$21,875 worth of Series E Preferred Stock to be issued on January 1, 2023. For the avoidance of doubt, in the event that this Agreement is terminated prior to the full vesting of the Series E, the Company shall have no obligation to remit any additional Series E Shares. Furthermore, upon termination, any Equity Payments that have been accrued and are due to the Consultant shall be issued within ten (10) business days thereof. The consulting agreement has been terminated as of January 2023 and the consultant has been paid full fees and stock for services rendered under the consulting agreement. And no Series E Preferred Stock has to be issued.

8. STOCKHOLDERS' DEFICIT

Common Stock

As of December 31, 2023, the Company has authorized 1,000,000,000 shares of Common Stock.

For the period ended December 31, 2022, the Company awarded an aggregate of 1,859,153 shares of Common Stock to various consultants for services. The fair value of the awards was based on the most recent closing prices of the Common Stock on the respective award dates.

For the period ended December 31, 2023, the Company sold an aggregate of 102,190,562 shares of Common Stock to various directors for accrued board fees and to an employee at par value. The Company determined fair value for its common stock based on the closing price in the public market. See note 9 – related party transactions for more details related to the sale of the common stock.

Rights of Common Stock

The holders of the common stock are entitled to one vote for each share of common stock. Subject to the payment in full of all preferential dividends to which the holders of the Preferred Stock are entitled, the holders of common stock shall be entitled to receive dividends out of funds legally available. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, after the payment or provision for payment of all debts and liabilities of the Company and all preferential amounts to which the holders of Preferred Stock are entitled with respect to the distribution of assets in liquidation, the holders of common stock shall be entitled to share ratably in the remaining assets of the Company available for distribution.

9. RELATED PARTY TRANSACTIONS

In 2020, the Company agreed to issue 1,927,310 shares of common stock to its board members for no consideration. These shares have not been issued as of December 31, 2022. The Company determined fair value for its common stock based on the closing price in the public market. Based on the fair value of the Company's common stock on each the date each of the board member agreements entered that the aggregate liability for the awards in 2020 total \$277,533 and has recorded a related non-cash expense in the statement of operations under general and administrative.

In 2021, the Company agreed to issue 528,458 shares of common stock to its new board members for no consideration. These shares have not been issued as of December 31, 2022. The Company determined fair value for its common stock based on the closing price in the public market. Based on the fair value of the Company's common stock on each the date each of the board member agreements entered that the aggregate liability for the awards in 2021 total \$549,008 and has recorded a related non-cash expense in the statement of operations under general and administrative.

In 2023, the Company sold 102,190,562 shares of common stock to its board members and an employee at par value \$0.0001. A discount of \$10,208,837 was recorded in association with the sale of the common stock as the shares market value on the date of grant was an aggregate of \$10,219,056. The Company recorded a receivable on the balance sheet of \$10,219 as of December 31, 2023.

10. NET LOSS PER SHARE

Basic net loss per share attributable to common stockholders is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period, adjusted for outstanding shares that are subject to repurchase.

Diluted net loss per share is computed by giving effect to all potentially dilutive securities outstanding for the period using the treasury stock method or the if-converted method based on the nature of such securities. The Company has reported net losses for all periods presented, therefore diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

Basic and diluted net loss per share attributable to common stockholders was calculated at December 31, 2023 and 2022 as follows:

	For the Years Ended	
	December 31, 2023	December 31, 2022
Numerator:		
Net loss	\$ (5,707,428)	\$ (5,640,820)
Denominator:		
Weighted average common shares outstanding, basic and diluted	299,990,970	165,119,233
Net loss per common share, basic and diluted	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>

The following table sets forth the potentially dilutive securities that have been excluded from the calculation of diluted net loss per share because to include them would be anti-dilutive (in common stock equivalent shares) at September 30, 2023 and 2022:

	As of December 31,	
	2023	2022
Series A Preferred	-	-
Series B Preferred	-	-
Series D Preferred	53,000,800	46,375,700
Total shares of common stock equivalents	<u>53,000,800</u>	<u>46,375,700</u>

12. SUBSEQUENT EVENTS

The company's management has evaluated subsequent events occurring after December 31, 2023, the date of our most recent balance sheet, through the date our financial statements were issued. Based on management's evaluation there were no subsequent events to be disclosed as of the date of filing of the unaudited condensed consolidated financial statements.