

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

# FORM 10-K

**x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2020

**.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 000-55800

## QRONS INC.

(Exact name of registrant as specified in its charter)

Wyoming

81-3623646

(State or other jurisdiction of incorporation or  
organization)

(I.R.S. Employer Identification No.)

50 Battery Place, #7T, New York, New York 10280

(Address of principal executive office)

Registrant's telephone number, including area code: (212)-945-2080

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
None	N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, \$0.0001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$950,937.

As of March 31, 2021, there were 13,289,789 shares of the registrant's common stock outstanding.

## TABLE OF CONTENTS

Item No.		Page No.
<b>PART I</b>		
<u>1</u>	<u>Business</u>	1
<u>1A</u>	<u>Risk Factors</u>	10
<u>1B</u>	<u>Unresolved Staff Comments</u>	10
<u>2</u>	<u>Properties</u>	10
<u>3</u>	<u>Legal Proceedings</u>	10
<u>4</u>	<u>Mine Safety Disclosures</u>	10
<b>PART II</b>		
<u>5</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	11
<u>6</u>	<u>Selected Financial Data</u>	12
<u>7</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>7A</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	16
<u>8</u>	<u>Financial Statements and Supplementary Data</u>	17
<u>9</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	18
<u>9A</u>	<u>Controls and Procedures</u>	18
<u>9B</u>	<u>Other Information</u>	19
<b>PART III</b>		
<u>10</u>	<u>Directors, Executive Officers and Corporate Governance</u>	20
<u>11</u>	<u>Executive Compensation</u>	22
<u>12</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	23
<u>13</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	24
<u>14</u>	<u>Principal Accounting Fees and Services</u>	25
<u>15</u>	<u>Exhibits, Financial Statement Schedules</u>	26
<u>16</u>	<u>Form 10-K Summary</u>	27
	<u>SIGNATURES</u>	27

## PART I

### Item 1. Business

As used in this Annual Report on Form 10-K (this "Report"), references to the "Company," the "registrant," "we," "our" or "us" refer to Qrons Inc. unless the context otherwise indicates.

#### Forward-Looking Statements

This Report contains predictions, estimates and other forward-looking statements that relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performances or achievements expressed or implied by the forward-looking statements. Forward-looking statements represent our management's beliefs and assumptions only as of the date of this Annual Report. You should read this Report and the documents that we have filed as exhibits to this Report completely and with the understanding that our actual future results may be materially different from what we expect.

All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made, except as required by federal securities and any other applicable law.

#### Overview

We were incorporated under the laws of the State of Wyoming on August 22, 2016 as BioLabMart Inc. and changed our name to Qrons Inc. on August 8, 2017.

We are an innovative biotechnology company dedicated to developing biotech products, treatments and technologies that create a platform to combat neuronal diseases an enormous social and economic burden on society. We seek to engage in strategic arrangements with companies and institutions that are developing breakthrough technologies in the fields of artificial intelligence ("AI"), machine learning ("ML"), molecular biology, stem cells and tissue engineering, for deployment in the fight against neuronal diseases. Our search is focused on researchers based in Israel, a country which is world-renowned for biotech innovations.

To date, the Company has collaborated with universities and scientists in the fields of regenerative medicine, tissue engineering and 3D printable hydrogels to develop a treatment that integrates proprietary, engineered mesenchymal stem cells ("MSCs"), 3D printable implant, smart materials and a novel delivery system and has two product candidates for treating penetrating and non-penetrating (concussion-like) TBIs, both integrating proprietary, anti-brain inflammation synthetic hydrogel and modified MSCs. QS100™ is an injury specific, 3D printable, implantable MSCs-synthetic hydrogel, to treat penetrating brain injuries and QS200™ is an injectable MSCs-synthetic hydrogel for the treatment of diffused injuries commonly referred to as concussions.

Under an intellectual property license agreement (the "Intellectual Property Agreement") with the Trustees of Dartmouth College ("Dartmouth") to develop innovative 3D printable, biocompatible advanced materials, Dartmouth granted the Company an exclusive worldwide, royalty bearing license for 3D printable materials in the field of human and animal health and certain additional patent rights to use and commercialize licensed products and services.

The Company has relied primarily on its two co-founders, Jonah Meer, Chief Executive Officer, and Ido Merfeld, President, who are its sole directors, to manage its day-to-day business. The Company currently outsources professional services to third parties in an effort to maintain lower operational costs.

Messrs. Meer and Merfeld, as the holders of the Company's issued and outstanding shares of the Company's Class A Preferred Stock, collectively have 66 2/3% of the voting rights of the Company. Acting together, they will be able to influence the outcome of all corporate actions requiring approval of our stockholders.

The Company's common stock has traded on the OTCQB Venture Market since August 12, 2019 under the symbol "QRON".

#### *Agreements with Dartmouth*

On October 2, 2019, the Company entered into the Intellectual Property Agreement pursuant to which Dartmouth granted the Company an exclusive world-wide license under the patent application entitled "Mechanically Interlocked Molecules-based Materials for 3D Printing" in the field of human and animal health and certain additional patent rights to use and commercialize licensed products and services. The license grant includes the right of the Company to sublicense to third parties subject to the terms of the Agreement.

The Agreement provides for : (i) a \$25,000 license issue fee; (ii) an annual license maintenance fee of \$25,000, until the first commercial sale of a licensed product or service; (iii) an earned royalty of 2% of net sales of licensed products and services by the Company or a sublicensee; (iv) 15% of consideration received by the Company under a sublicense; and (v) beginning in the first calendar year after the first commercial sale, an annual minimum royalty payment of \$500,000, \$1,000,000 in the second calendar year, and \$2,000,000 in the third calendar year and each year thereafter. The Company will also reimburse Dartmouth for all patent preparation, filing, maintenance and defense costs.

Under the Agreement, the Company must diligently proceed with the development, manufacture and sale of licensed products and licensed services, including funding at least \$1,000,000 of research in each calendar year beginning in 2019 and ending with the first commercial sale of a licensed product; filing an IND/BLA (or equivalent) with the FDA or a comparable European regulatory agency before the four-year anniversary and make the first commercial sale of a licensed product before the twelve-year anniversary of the effective date of the Agreement and achieve annual net sales of at least \$50,000,000 by 2033. If the Company fails to perform any of these obligations, Dartmouth has the option to terminate the Agreement or change the exclusive license to a nonexclusive license.

Failure to timely make any payment due under the Agreement will result in interest charges to the Company of the lower of 10% per year or the maximum amount of interest allowable by applicable law.

The Agreement may be terminated by Dartmouth if the Company is in material breach of the Agreement which is not cured after 30 days of notice thereof or if the Company becomes insolvent. Dartmouth may terminate the Agreement if the Company challenges a Dartmouth patent or does not terminate a sublicensee that challenges a Dartmouth patent, except in response to a valid court or governmental order. The Company may terminate the Agreement at any time upon six months written notice to Dartmouth.

If the Company or any sublicensee or affiliate institutes or participates in a licensed patent challenge, the then current earned royalty rate for licensed products covered by Dartmouth patents will automatically be increased to three times the then current earned royalty rate.

The Company's sponsored research agreement, pursuant to which the Company funded research conducted by Dartmouth of mutual interest to the parties terminated by its terms in July 2020.

#### *Royalty and License Fee Sharing Agreement with Ariel*

On November 30, 2019, the Company entered into a royalty and license fee sharing agreement (the "Royalty Agreement") with Ariel Scientific Innovations Ltd., a wholly owned subsidiary of Ariel University, in Ariel, Israel ("Ariel"). which, among other things, supersedes and terminated the license and research funding agreement, dated December 14, 2016, as amended, between the Company and Ariel (the "License Agreement"). Upon the occurrence of an Exit Event, as such term is described in the Royalty Agreement, including an underwritten public offering of the Company's shares with proceeds of at least \$25 million, a consolidation, merger or reorganization of the Company, and a sale of all or substantially all of the shares and/or the assets of the Company, Ariel has the right to require the Company to issue up to 3% of the then issued and outstanding shares of its common stock. The issuance of any such shares in the future will result in dilution to the interests of other stockholders. In consideration for the parties' agreement to terminate the License Agreement and for future general scientific collaboration between the parties, the Company agreed to pay Ariel a royalty of 1.25% of net sales (as defined in the Royalty Agreement) of products sold by the Company, or its affiliates and licensees for fifteen years from the first commercial sale in a particular country.

Services agreements which the Company had with Ariel related to laboratory access, molecular biology and neurobiology research, and other services have terminated.

#### **Business Description**

The Company's focus from inception has been traumatic brain injury ("TBI"), a severe form of neuronal damage caused by powerful head impacts. Patients can experience transient symptoms, profound disability or death. TBI is generally caused by violent acts, motor vehicle accidents, falls and sports-related concussions.

TBI can be characterized into two distinct subtypes, penetrating injuries, in which an object pierces the skull and directly damages the brain causing extensive damage to the neuronal tissue, or diffused axonal injuries (commonly referred to as concussions) that are non-penetrating blows that push the brain against the skull, inflicting neuronal damage.

Neuronal cells interconnect to create the gigantic network that drives core brain functions. Unfortunately, neurons rarely regenerate after an injury. As a result, following a severe brain injury, neural connectivity is lost and brain function compromised.

TBI patients can become blind, deaf, paralyzed and experience cognitive and psychological issues. There is also evidence that TBI patients may be more likely to develop Alzheimer's, Huntington's, Parkinson's and other neurodegenerative diseases. Repeated head injuries may induce brain pathologies associated with chronic traumatic encephalopathy ("CTE") a neurodegenerative disease associated with multiple head injuries. CTE is often discovered in athletes, post-mortem.

There are no effective approved FDA treatments to help patients regain function of which we are aware. Current treatments focus on reducing secondary injuries. They can partially reduce further damage but do little or nothing to heal the brain. Most strategies are rehabilitative, helping patients adjust to their impaired cognitive state by creating workarounds, such as taking notes to compensate for lost short-term memory.

The Company developed two product candidates, QS100TM for treating penetrating brain injuries and QS200TM, for treating concussions and other diffused axonal injuries. Both QS100TM and QS200TM integrate proprietary, anti-brain inflammation synthetic hydrogel and modified MSCs and smart synthetic material. QS100TM is an injury specific, 3D printable, implantable MSCs-synthetic hydrogel to treat penetrating brain injuries (such as gunshot wounds, motor vehicle accidents and falls) and QS200TM is an injectable MSCs-synthetic hydrogel for the treatment of diffused injuries commonly referred to as concussions.

QS100TM has demonstrated astrogliosis inhibition and induction of neuronal differentiation in our in-vivo animal experiment penetrating injury animal model. QS200TM research has been completed, has shown efficacy for concussions and diffused brain injuries, and results are being compiled.

We believe that QS100™'s advances provide a superior stem cells/synthetic hydrogel integration which will enable the unleashing of a precise, effective and controlled delivery of our proprietary MSCs so as to induce neuronal growth.

Building on the Company's activities in its research activities for TBI's and its activities and interactions in Israel, the Company has expanded its proprietary TBI research, to create a platform making use of synergic technologies to combat a broader range of additional neuronal diseases.

The nervous system is comprised of the brain, spinal cord and nerves. Together they control all of the workings of the body. When something goes awry with a part of the nervous system, one can experience difficulties with movement, speech, swallowing, breathing or learning. Problems may also develop that affect memory, senses or mood.

Four decades of intense research and development efforts have failed to yield effective interventions for neuronal diseases. The lack of success in the search for a drug or treatment to improve the devastating symptoms of chronic neuronal diseases has been one of modern medicine's greatest frustrations.

The lack of effective therapies for neuronal diseases creates an enormous social and economic burden on society.

Major types of neuronal diseases include:

Diseases caused by faulty genes, such as Huntington's disease and muscular dystrophy nervous system development disorder, such as spina bifida.

- Degenerative diseases, where nerve cells are damaged or die, such as Parkinson's disease and Alzheimer's disease
- Diseases of the blood vessels supplying the brain, such as stroke
- Injuries to the spinal cord and brain
- Seizure disorders, such as epilepsy

Although these diseases occur in different regions and display different causes or origins, they share common cellular and molecular mechanisms.

#### *Our Mission and Approach*

Our goal is to develop and license biotech products, treatments and technologies through the creation of a platform to combat neuronal diseases. Our approach is to seek to marshal and leverage the remarkable advances made in the fields of AI, ML, molecular biology, stem cells and tissue engineering for deployment in the fight against neuronal diseases. We seek to accomplish this through development, acquisitions and investments.

We are seeking to engage in strategic and partner arrangements and provide assistance and support in furtherance of our development goals. We seek companies and institutions that are developing breakthrough technologies in line with our approach. Our search is focused on researchers based in Israel, a country which is world-renowned as having a long track record of successful and ground-breaking innovations.

We believe we have assembled a talented and experienced development team, comprised of scientists, doctors and finance professionals, who can identify and evaluate promising product and treatment candidates and partner companies for potential acquisition. The core of our team consists of seasoned Israelis making us well positioned to mine Israel's up and coming start-ups and technologies.

Our search is for value accretive transactions with high growth, and clinical and commercial potential. Following the exclusive license or acquisition of the intellectual property underpinning a product candidate, we will seek to leverage our business, scientific, regulatory, legal and finance expertise to help young partner companies and entrepreneurs achieve their goals while providing us a platform to advance treatments of unmet neuronal diseases.

To date, we have two product candidates, QS100TM for treating penetrating brain injuries and QS200TM, for treating concussions and other diffused axonal injuries. Both QS100TM and QS200TM integrate proprietary, anti-brain inflammation synthetic hydrogel and modified MSCs and smart synthetic material. QS100TM is an injury specific, 3D printable, implantable MSCs-synthetic hydrogel to treat penetrating brain injuries (such as gunshot wounds, motor vehicle accidents and falls) and QS200TM is an injectable MSCs-synthetic hydrogel for the treatment of diffused injuries commonly referred to as concussions.

We aim through future research and development collaborations to advance these and other product candidates. There can be no assurance that any collaborative research conducted will be successful in achieving its goals.

### *Our Market*

There are various estimates of the size of the neurological disorder market as individual reports focus on particular segments or disorder, geographical area or treatment in the broad neurological disorder market. According to some reports, one in six people live with a neurological disease or disorder in the United States.

Continued growth of the global neurological disorder drugs market has been projected and can be attributed to the rise in prevalence of neurology diseases among the geriatric population across the globe and is expected to substantially increases as the population ages.

The market for TBI, which has been the Company's focus to date, has been analyzed by the Center for Disease Control and Prevention (the "CDC"), which sees TBI as a major cause of death and disability in the United States with TBI contributing about 30% of all injury deaths. According to the CDC, every day, 153 people in the United States die from injuries that include TBI. In 2014, about approximately 2.87 million TBI-related emergency department visits, hospitalizations, and deaths occurred in the United States including over 837,000 among children. TBIs contributed to the deaths of nearly 56,800 people. TBI was a diagnosis in approximately 288,000 hospitalizations including over 23,000 occurring among children. CDC data indicates that the economic cost of TBI in 2010, including direct and indirect medical costs, is estimated to be approximately \$76.5 billion. According to the European CENTER, the global annual burden of TBI was estimated at \$400 billion.



## *Market Competition*

The biotechnology and pharmaceutical industries are characterized by intense and rapidly changing competition to develop new technologies and proprietary products, and any product candidates that we successfully develop and commercialize will have to compete with existing therapies and new therapies that may become available in the future.

We believe that our approach of creating a platform to combat neuronal diseases making use of next generation treatments through our development team based in Israel can provide us with a competitive intellectual and cost advantage. We face potential competition from many different sources, including larger and better-funded pharmaceutical, specialty pharmaceutical and biotechnology companies, as well as from academic institutions and governmental agencies and public and private research institutions that may develop potentially competitive products or technologies. To the extent that we develop product candidates for indications with larger patient populations, we expect to experience particularly intense competition from larger and better funded pharmaceutical and biotechnology companies. Any product candidate that we may develop will compete with such larger and better funded pharmaceutical and biotechnology companies, established drugs or solutions and new drug candidates being developed by others, that may currently be in clinical trials.

Currently there are no approved products for our two product candidates. We believe the key competitive factors that will affect the success of our product candidates, if approved, are likely to be their effectiveness, efficacy, safety, convenience of administration and delivery, price, level of generic competition and the availability of reimbursement from government and other third-party payors.

In the search for treatments for additional neuronal diseases there are many product candidates in development. While competition may be intense there are many indications that still remain untreated and we will seek out those indications where we believe we can bring a therapeutics and/or cost advantage versus competitors.

Many of our potential competitors, alone or with their strategic partners, have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and development of product candidates, obtaining FDA and other regulatory approvals of treatments and the commercialization of those treatments. Mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated among a smaller number of competitors. Our commercial opportunity could be reduced or eliminated if competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. Competitors also may obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours, which could result in competitors establishing a strong market position before we are able to enter the market.

## *Intellectual Property*

Our intellectual property is critical to our business and we will strive to protect it, including by seeking, obtaining and maintaining patent protection for our product candidates, novel discoveries and technology, including new targets and applications, and other inventions that are important to our business. We also rely on trademarks, trade secrets, know-how, continuing technological innovation and licensing opportunities to develop and maintain our proprietary position.

We also depend upon the skills, knowledge, experience and know-how of our advisers, consultants and other contractors. To help protect our proprietary know-how, which is not patentable, and for inventions for which patents may be difficult to enforce, we currently rely and will in the future rely on trade secret protection and confidentiality agreements to protect our interests. To this end, we require all of our employees, consultants, advisers and other contractors to enter into confidentiality agreements that prohibit the disclosure of confidential information and, where applicable, require disclosure and assignment to us of the ideas, developments, discoveries and inventions important to our business.

Dartmouth granted the Company an exclusive worldwide, royalty bearing license for such 3D printable materials in the field of human and animal health and certain additional patent rights to use and commercialize licensed products and services pursuant to the Intellectual Property Agreement.

On April 9, 2018, the Company filed a provisional patent application with the USPTO entitled "Techniques for Promoting Neuronal Recovery" and on January 22, 2019, filed a second application that included further technological developments and data. In addition, on April 7, 2019, the Company filed a Patent Cooperation Treaty ("PCT") application with the World Intellectual Property Organization to allow the Company to file patent applications and seek protection in most major market countries throughout the world. On September 23, 2020, the Company filed with the USPTO the US National Phase of its international PCT application thereby initiating its application for a United States Patent.

Subject to sufficient resources, the Company intends to file additional patents as research increases to protect its intellectual property, including for methods and techniques related to the integration of pseudopolyrotaxane hydrogel with live cells and epigenetic modifications of MSCs to induce neuronal differentiation and other cellular changes.

On November 15, 2017, Dartmouth filed a utility patent application with the USPTO for "Mechanically Interlocked Molecules-Based Materials" for 3-D printing, which the Company financed by reimbursing Dartmouth for patent filing costs.

We cannot guarantee that our pending patent applications, or any patent applications that we may in the future file or license from third parties, will result in the issuance of patents. We also cannot predict the scope of claims that may be allowed or enforced in our patents. In addition, the coverage claimed in a patent application can be significantly reduced before a patent is issued, and its scope can be reinterpreted after issuance. Consequently, we may not be able to maintain adequate patent protection for any of our product candidates.

The Company's strategy of creating a platform through development, acquisition and investment is to enable it to obtain access to patented intellectual property in a more streamlined and cost-effective fashion as the patent process will have either been already granted or be at a later stage in the application process.

#### *Government Regulation*

The research, testing, manufacturing, labeling, approval, selling, import, export, marketing, and distribution of drug products, including biologics, are subject to extensive regulation by the FDA and other regulatory authorities in the United States. We are not permitted to market any biological drug product in the United States until we receive a Biologics License from the FDA. We have not previously submitted a Biologics License Application ("BLA") to the FDA, or similar approval filings to comparable foreign authorities. A BLA must include extensive preclinical and clinical data and supporting information to establish that the product candidate is safe, pure, and potent for each desired indication. The BLA must also include significant information regarding the chemistry, manufacturing, and controls for the product, and the manufacturing facilities must complete a successful pre-license inspection. We expect the novel nature of our product candidates to create further challenges in obtaining regulatory approval. The FDA may also require a panel of experts, referred to as an Advisory Committee, to deliberate on the adequacy of the safety and efficacy data to support licensure. The opinion of the Advisory Committee, although not binding, may have a significant impact on our ability to obtain licensure of the product candidates based on the completed clinical trials. Accordingly, the regulatory approval pathway for our product candidates may be uncertain, complex, expensive, and lengthy, and approval may not be obtained.

We will also be required to comply with costly and time-consuming compliance by foreign regulatory authorities if we want to sell our products outside of the United States.

Ethical, social and legal concerns about research regarding stem cells, could result in regulations restricting or prohibiting the processes we may use. Federal and state agencies, congressional committees and foreign governments have expressed interest in further regulating biotechnology. More restrictive regulations or claims that our products are unsafe or pose a hazard could prevent us from commercializing any products. New government requirements may be established that could delay or prevent regulatory approval of our product candidates under development. It is impossible to predict whether legislative changes will be enacted, regulations, policies or guidance changed, or interpretations by agencies or courts changed, or what the impact of such changes, if any, may be.

#### *FDA Review, Clearance and Approval Process*

In the US, an Investigational New Drug application ("IND") or BLA is required for nearly all new drugs or biologics entering clinical trials. The IND or BLA comprises three sections: chemistry and manufacturing controls ("CMC"), clinical study design, and nonclinical studies. The nonclinical studies section mainly concerns safety and toxicity in animals using the clinically intended route of administration and a product very similar, if not identical, to that which will be used in the clinic. This section typically includes a description of efficacy studies in relevant disease models. The CMC section pertains to manufacturing processes and quality control systems for ensuring consistency and the absence of potentially deleterious agents in the final product. Each of the sections of the IND or BLA must provide reviewers with a sufficient amount of detail to determine the potential safety of any product before allowing evaluation in humans.

The regulatory route for licensure of an eventual product based on MSCs will likely require a BLA as opposed to a New Drug Application ("NDA"), the latter which generally pertains to drugs of well-defined composition. Within the FDA there are two centers responsible for oversight and approval of new drugs, The Center for Biologics Evaluation and Research ("CBER") and the Center for Drug Evaluation and Research ("CDER"). Jurisdictional oversight of biologics generally falls to CBER: with important exceptions for less complex entities, such as monoclonal antibodies and recombinant proteins. Therefore, the complexity of MSCs whether wholly or partially fractionated, likely will place it under the review of CBER.

#### *Clinical Trials*

The first step, a preclinical phase, is to find a promising agent, which involves taking advantage of the advances made in understanding a disease, pharmacology, computer science, and chemistry. Breaking down a disease process into its components can provide clues for targeting drug development. For example, if an enzyme is determined to be a key component of a disease process, a researcher might seek ways to inhibit this enzyme. Advances in basic science might help by ascertaining the active enzyme site. Numerous compounds might be synthesized and tested before a promising agent emerges. Computer modeling often helps select what compounds might be the most promising.

The next step before attempting a clinical trial in humans is to test the drug in living animals, usually rodents. The FDA requires that certain animal tests be conducted before humans are exposed to a new molecular entity. The objectives of early in vivo testing are to demonstrate the safety of the proposed medication. For example, tests should prove that the compound does not cause chromosomal damage and is not toxic at the doses that would most likely be effective. The results of these tests are used to support the IND or BLA application that is filed with the FDA. The IND application includes chemical and manufacturing data, animal test results, including pharmacology and safety data, the rationale for testing a new compound in humans, strategies for protection of human volunteers, and a plan for clinical testing. If the FDA is satisfied with the documentation, the stage is set for phase 1 clinical trials.

Phase 1 studies focus on the safety and pharmacology of a compound. During this stage low doses of a compound are administered to a small group of healthy volunteers who are closely supervised. In cases of severe or life-threatening illnesses, volunteers with the disease may be used. Generally, 20 to 100 volunteers are enrolled in a phase 1 trial. These studies usually start with very low doses, which are gradually increased. On average, about two thirds of phase 1 compounds will be found safe enough to progress to phase 2.

Phase 2 studies examine the effectiveness of a compound. To avoid unnecessarily exposing a human volunteer to a potentially harmful substance, studies are based on an analysis of the fewest volunteers needed to provide sufficient statistical power to determine efficacy. Typically, phase 2 studies involve 100 to 300 patients who suffer from the condition the new drug is intended to treat. During phase 2 studies, researchers seek to determine the effective dose, the method of delivery (e.g., oral or intravenous), and the dosing interval, as well as to reconfirm product safety. Patients in this stage are monitored carefully and assessed continuously. A substantial number of these drug trials are discontinued during phase 2 studies. Some drugs turn out to be ineffective, while others have safety problems or intolerable side effects.

Phase 3 trials are the final step before seeking FDA approval. During phase 3, researchers try to confirm previous findings in a larger population. These studies usually last from 2 to 10 years and involve thousands of patients across multiple sites. These studies are used to demonstrate further safety and effectiveness and to determine the best dosage. Despite the intense scrutiny, a product receives before undergoing expensive and extensive phase 3 testing, approximately 10% of medications fail in phase 3 trials.

If a drug or biologic survives the clinical trials, an NDA or BLA is submitted to the FDA. An NDA or BLA contains all the preclinical and clinical information obtained during the testing phase. The application contains information on the chemical makeup and manufacturing process, pharmacology and toxicity of the compound, human pharmacokinetics, results of the clinical trials, and proposed labeling. An NDA can include experience with the product from outside the United States as well as external studies related to the drug.

After receiving an NDA or BLA, the FDA completes an independent review and makes its recommendations. The Prescription Drug User Fee Act of 1992 (“PDUFA”) was designed to help shorten the review time. This Act allowed the agency to collect user fees from pharmaceutical companies as financial support to enhance the review process. The 1992 act specifies that the FDA reviews a standard drug or biologic application within 12 months and a priority application within 6 months. The FDA does not always meet its PDUFA goal dates for standard and priority NDAs or BLAs, and the review process may be extended by FDA requests for additional information or clarification. Application for drugs or biologics similar to those on the market are considered standard, whereas priority applications represent drugs or biologics offering important advances in addition to existing treatments. If during the review the FDA staff feels there is a need for additional information or corrections, they will make a written request to the applicant. During the review process it is not unusual for the FDA to interact with the applicant staff.

Once the review is complete, the NDA or BLA might be approved or rejected. If the drug or biologic is not approved, the applicant is given the reasons why and what information could be provided to make the application acceptable. Sometimes the FDA makes a tentative approval recommendation, requesting that a minor deficiency or labeling issue be corrected before final approval. Once a drug or biologic is approved, it can be marketed.

Some approvals contain conditions that must be met after initial marketing, such as conducting additional clinical studies. For example, the FDA might request a post-marketing, or phase 4, study to examine the risks and benefits of the new drug or biologic in a different population or to conduct special monitoring in a high-risk population. Alternatively, a phase 4 study might be initiated by the sponsor to assess such issues as the longer-term effects of exposure, to optimize the dose for marketing, to evaluate the effects in pediatric patients, or to examine the effectiveness of the drug or biologic for additional indications. Post-marketing surveillance is important, because even the most well-designed phase 3 studies might not uncover every problem that could become apparent once a product is widely used. Furthermore, the new product might be more widely used by groups that might not have been well studied in the clinical trials, such as elderly patients. A crucial element in this process is that physicians report any untoward complications. The FDA has set up a medical reporting program called Medwatch to track serious adverse events. The manufacturer must report adverse reactions at quarterly intervals for the first 3 years after approval including a special report for any serious and unexpected adverse reactions.

## **Employees**

We had two full-time employees and two part-time employees, however, on March 23, 2020, due to the uncertainty caused by the COVID-19 pandemic and its impact on our ability to raise additional capital for research and development, we terminated these employees in April 2020. Our two executive officers, Jonah Meer and Ido Merfeld, who are our sole executive officers and directors, are responsible for the day-to-day operations of our company. Dr. Liat Hammer continues to serve as our Director of Research on an as-needed basis to assist in our development goals. We currently outsource all professional services to third parties.

## **Research and Development**

During the years ended December 31, 2020 and December 31, 2019, we incurred research and development costs of \$258,620 and \$651,476, respectively.

### **Item 1A. Risk Factors**

As a smaller reporting company, we are not required to provide the information required by this Item.

### **Item 1B. Unresolved Staff Comments**

Not applicable.

### **Item 2. Properties**

The Company's principal executive office is located at 50 Battery Place, #7T, New York, New York 10280 in space currently provided by the Company's Chief Executive Officer at no cost. The Company believes that this space is adequate for its current needs.

### **Item 3. Legal Proceedings**

There are no pending legal proceedings to which we are a party or in which any director, officer or affiliate of ours, any owner of record or beneficially of more than 5% of any class of our voting securities, or security holder is a party adverse to us or has a material interest adverse to us.

### **Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

#### Market Information

Our common stock is traded on the OTCQB Venture Market under the symbol "QRON".

The over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not represent actual transactions.

On March 26, 2021, the last reported sales price of our common stock on the OTCQB, was \$1.09.

As of March 26, 2021, there were 39 stockholders of record of our common stock.

#### Dividend Policy

The Company has never paid dividends on its common stock and does not anticipate that it will pay dividends in the foreseeable future. It intends to use any future earnings for the expansion of its business. Any future determination of applicable dividends will be made at the discretion of the board of directors and will depend on the results of operations, financial condition, capital requirements and other factors deemed relevant.

#### Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information regarding our equity compensation plans as of December 31, 2020:

##### Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	-	-	-
Equity compensation plans not approved by security holders <sup>(1)</sup>	3,276,666 <sup>(2)</sup>	\$ 2.00	-

(1) On December 14, 2016, the Board adopted the Plan as described in Item 10 of this Annual Report on Form 10-K. 10,000,000 shares are reserved for issuance under the Plan.

(2) Represents (i) five-year options granted to each of Jonah Meer and Ido Merfeld to purchase an aggregate of 1,275,000 shares of common stock at \$2.00 per share (ii) three-year options to purchase an aggregate of 13,333 shares of common stock at \$2.00 per share granted to each of Motti Ratmansky and Albert Pinhasov, each a Science Advisor, (iii) three-year option to purchase an aggregate of 30,000 shares of common stock at \$0.40 per share to Yitshak Francis, a former Science Advisor, (iv) three-year option to purchase an aggregate of 30,000 shares of common stock at \$2.00 per share to Chenfeng Ke, a Science Advisor, (v) three-year option to purchase an aggregate of 20,000 shares of common stock at \$2.00 per share to Igor Korman, a Science Advisor, (vi) three-year option to purchase 100,000 shares of common stock at \$2.00 to Matanel Tfilin, our former Head of Stem Cell Research (vii) five-year options to purchase an aggregate of 245,000 shares of common stock at \$2.00 per share and three-year options to purchase an aggregate of 100,000 shares of common stock to Liat Hammer, our Director of Research and Development, (viii) three-year options to purchase an aggregate of 100,000 shares of common stock at \$2.00 per share to Motti Ratmansky, a Science Advisor, (ix) three-year option to purchase an aggregate of 50,000 shares of common stock at \$2.00 per share to John Bonfiglio, former chief operating officer, and (x) three-year options to purchase an aggregate of 25,000 shares of common stock at \$2.00 per share to Michael Maizels, a former Business Advisor as set forth in Note 11 to the financial statements under Item 8 of this Annual Report on Form 10-K.

## **Recent Sales of Unregistered Securities**

Except as set forth below, there were no sales of equity securities during the period covered by this Report that were not registered under the Securities Act and were not previously reported in a Quarterly Report on Form 10-Q or a Current Report on Form 8-K filed by the Company.

On December 10, 2020, we granted a five-year option to purchase 325,000 shares of common stock, at an exercise price of \$2.00 per share, to each of Jonah Meer and Ido Merfeld for services provided to the Company.

On December 10, 2020, we granted a five-year option to purchase 100,000 shares of common stock, at an exercise price of \$2.00 per share, to Liat Hammer for research services provided to the Company.

The above issuances did not involve any underwriters, underwriting discounts or commissions, or any public offering and we believe is exempt from the registration requirements of the Securities Act of 1933 by virtue of Section 4(2) thereof.

## **Item 6. Selected Financial Data**

As a smaller reporting company, we are not required to provide the information required by this Item.

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

Our Management's Discussion and Analysis contains forward-looking statements relating to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as "may", "should", "intends", "expects", "plans", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" or the negative of these terms or other comparable terminology. These statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our or our industry's actual results, levels of activity or performance to be materially different from any future results, levels of activity or performance expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity or performance. You should not place undue reliance on these statements, which speak only as of the date of this Annual Report. These cautionary statements should be considered with any written or oral forward-looking statements that we may issue in the future. You should read this Annual Report on Form 10-K with the understanding that our actual future results may be materially different from what we expect. All forward-looking statements speak only as of the date on which they are made. We undertake no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they are made, except as required by federal securities and any other applicable law.

The management's discussion and analysis of our financial condition and results of operations are based upon our audited financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

The following discussion and analysis of financial condition and results of operations of the Company is based upon, and should be read in conjunction with, the audited financial statements and related notes elsewhere in this Annual Report on Form 10-K.

## **Plan of Operation**

We are an innovative biotechnology company dedicated to developing biotech products, treatments and technologies that create a platform to combat neuronal diseases. We seek to engage in strategic arrangements with companies and institutions that are developing breakthrough technologies in the fields of AI, ML, molecular biology, stem cells and tissue engineering, for deployment in the fight against neuronal diseases. Our search is focused on researchers based in Israel, a country which is world-renowned for biotech innovations.

To date, the Company has collaborated with universities and scientists in the fields of regenerative medicine, tissue engineering and 3D printable hydrogels to develop a treatment that integrates proprietary, engineered MSCs, 3D printable implant, smart materials and a novel delivery system and has two product candidates for treating penetrating and non-penetrating (concussion-like) TBIs, both integrating proprietary, anti-brain inflammation synthetic hydrogel and modified MSCs.

We have not generated any revenue from the sale of products.

## Results of Operations

### Revenue

We have not generated any revenue since our inception and do not expect to generate any revenue from the sale of products in the near future.

### Operating Expenses

For the years ended December 31, 2020 and 2019 we had the following operating expenses:

	For the Year ended December 31,	
	2020	2019
Operating expenses:		
Research and development expenses	\$ 258,620	\$ 651,476
Professional fees	47,560	75,677
General and administrative expenses	247,561	789,279
Total operating expenses	<u>\$ 553,741</u>	<u>\$ 1,516,432</u>

Total operating expenses for the year ended December 31, 2020 were \$553,741 as compared to \$1,516,432 for the year ended December 31, 2019. During the year ended December 31, 2020, the Company incurred \$258,620 of research and development expenses which included payroll of \$79,274, service fees related to certain research and development agreements of \$167,548, a rebate of fees associated with a sponsored research agreement of \$26,809, legal and filing fees related to patents of \$6,196, software fees of \$6,966, technology licensing fees of \$25,000 and purchases of expendable lab supplies and equipment of \$445, as compared to \$651,476 of research and development expenses which included payroll of \$223,766, service fees related to certain research and development agreements of \$292,044, fees associated with a sponsored research agreement of \$80,006, legal and filing fees related to patents of \$21,760, software fees of \$1,374, technology licensing fees of \$8,333 and purchases of expendable lab supplies and equipment of \$24,193 incurred during the year ended December 31, 2019. The Company incurred general and administrative expenses of \$247,561 for the year ended December 31, 2020 compared to general and administrative expenses of \$789,279 for the year ended December 31, 2019. The substantial decrease in general and administrative expense during the 2020 fiscal year was primarily due to stock-based compensation costs of \$213,530 related to the issuance of stock options to our officers and certain advisors during the year ended December 31, 2019, with \$409,495 in stock-based compensation to officers and advisors in the year ended December 31, 2019. Professional fees were \$47,560 for the year ended December 31, 2020 compared to professional fees of \$75,677 incurred during fiscal 2019. The decrease in professional fees in the year ended December 31, 2020 compared to the year ended December 31, 2019 was due to certain specialized contract and tax advice costs incurred in the year ended December 31, 2019. Other expenses were \$109,222 in the year ended December 31, 2020, which included a loss of \$57,203 as a result of the change in value of derivative liabilities and interest expense of \$52,019, of which \$3,400 relates to financing costs with respect to the issuance of warrants in the year ended December 31, 2020 in connection with convertible note financings, accretion of convertible notes of \$35,380 and interest charges on convertible notes of \$13,240. Other expenses were \$30,340 in the year ended December 31, 2019, which included a gain of \$12,234 as a result of the change in value of derivative liabilities and interest expense of \$42,574, of which \$36,410 relates to financing costs with respect to the issuance of warrants in the year ended December 31, 2019 in connection with convertible note financings, accretion of convertible notes of \$945 and interest charges on convertible notes of \$5,219.

### Net Loss

We had a net loss of \$662,963 in the year ended December 31, 2020 compared to a net loss of \$1,546,772 in the year ended December 31, 2019.



## Statement of Cash Flows

The following table summarizes our cash flows for the period presented:

	For the Year ended December 31,	
	2020	2019
Net cash provided (used by) operating activities	\$ (220,393)	\$ (546,837)
Net cash provided from (used by) investing activities	-	-
Net cash provided from financing activities	211,000	470,000
Increase (decrease) in cash and cash equivalents	<u>\$ (9,393)</u>	<u>\$ (76,837)</u>

During the year ended December 31, 2020 we used cash of \$9,393 as compared to the year ended December 31, 2019, where we used cash of \$76,837.

### *Cash Used in Operating Activities*

Cash used in operating activities for the year ended December 31, 2020 was \$220,393 as compared to \$546,837 used in the year ended December 31, 2019.

Cash used in operating activities for the year ended December 31, 2020 was primarily the result of our net loss, offset by non-cash items including compensation in the form of stock options for research and development of \$159,839, stock options granted for management and advisory services of \$213,530, warrants granted for financing costs of \$3,400 and changes to our operating assets and liabilities, including a decrease in prepaid expenses of \$56,265 and a decrease to our accounts payable, offset by an increase to accounts payable-related parties. We also recorded \$35,380 as non-cash accretion of the debt discount related to certain convertible notes compared to \$945 in the year ended December 31, 2019, and an increase in derivative liabilities of \$12,234 in the year ended December 31, 2019 compared to a decrease of \$57,203 in the year ended December 31, 2020.

Cash used in operating activities for the year ended December 31, 2019 was primarily the result of our net loss, offset by non-cash items including compensation in the form of stock options for research and development of \$219,095, stock awards for advisory and consulting services of \$126,875, stock options granted for management and advisory services of \$409,495, common stock issued for services of \$74,500, warrants granted as financing costs of \$36,410 and changes to our operating assets and liabilities including an increase to prepaid expenses and increases to accounts payable and accounts payable-related parties.

### *Cash Provided by Investing Activities*

There was no cash provided by investing activities for the years ended December 31, 2020 and 2019.

### *Cash Provided by Financing Activities*

During the year ended December 31, 2020, financing activities provided cash of \$211,000, which was comprised of proceeds from convertible notes of \$10,000, related party advances of \$101,000 and proceeds from private offerings of common stock of \$100,000.

During the year ended December 31, 2019, financing activities provided cash of \$470,000, including proceeds from private offerings of common stock of \$65,000, proceeds from convertible notes of \$70,000, short term advances from third parties of \$100,000, a demand loan of \$50,000 from a company controlled by our officers and directors and advances from our officers and directors of \$185,000.

## **Liquidity and Capital Resources**

As of December 31, 2020, we had cash of \$57,632. We are in the early stage of development and have experienced net losses to date and have not generated revenue from operations which raises substantial doubt about our ability to continue as a going concern. There are a number of conditions that we must satisfy before we will be able to commercialize potential products and generate revenue, including identifying and establishing strategic partners and technologies for the successful development of product candidates, which includes clinical trials, FDA approval, demonstration of effectiveness sufficient to generate commercial orders by customers and licensing or acquiring intellectual property, as well as effective marketing and sales capabilities for our product. We do not currently have sufficient resources to accomplish any of these conditions necessary for us to generate revenue and expect to incur increasing operating expenses. We will require substantial additional funds for operations, the service of debt and to fund our business objectives. We will have to continue to rely on equity and debt financing. There can be no assurance that financing, whether debt or equity, will always be available to us in the amount required at any particular time or for any particular period or, if available, that it can be obtained on terms favorable to us. Additionally, the continued effect of COVID-19 and uncertain market conditions limit the Company's ability to access capital. We will continue exploring sources of additional debt and equity financings as well as available grants. There is substantial doubt that we can continue as an on-going business unless we obtain additional capital to pay our expenditures.

### ***Covid-19 Pandemic***

The COVID-19 pandemic has had an adverse impact on the research and development of our product candidates. Research facilities at Dartmouth were subject to closures as well as laboratories at Ariel in Israel. This resulted in our discontinuing our research at these Universities and was part of our decision to adjust our research to be collaborative and to seek aligning with third parties to advance our expanded goals. We do not currently know the full extent of potential delays of research in the future as a result of the continuing pandemic restrictions.

COVID-19 has also caused significant disruptions to the global financial markets, which severely impacts our ability to raise additional capital. We terminated our employees in an effort to conserve resources in April 2020 as we evaluated our business development efforts. The ultimate impact on us and our research relationships is currently uncertain.

The full impact of the COVID-19 outbreak continues to evolve and is subject to change. Management is actively monitoring the situation but given the daily evolution of the COVID-19 outbreak, the Company is not able to fully estimate the effects of the COVID-19 outbreak on its planned operations or financial condition in the next 12 months. However, while significant uncertainty remains, the Company believes it is likely that the COVID-19 outbreak will have a negative impact on its ability to raise additional financing and will result in delays as it continues to impact the Company's workforce and its collaborative development efforts.

### ***Going Concern***

Our financial statements have been prepared assuming that we will continue as a going concern and, accordingly, does not include adjustments relating to the recoverability and realization of assets and classification of liabilities that might be necessary should we be unable to continue in operation. Our report from our independent registered public accounting firm for the fiscal year ended December 31, 2020 includes an explanatory paragraph stating the Company has recurring losses and limited operations which raise substantial doubt about its ability to continue as a going concern. If the Company is unable to obtain adequate capital due to the continued spread of COVID-19, the Company may be required to reduce the scope, delay, or eliminate some or all of its planned operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern.

## **Off Balance Sheet Arrangements**

We currently have no off-balance sheet arrangements.

## **Critical Accounting Policies**

The preparation of our financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments which are based on historical experience and on various other factors that are believed to be reasonable under the circumstances. The results of their evaluation form the basis for making judgments about the carrying values of assets and liabilities. Actual results may differ from these estimates under different assumptions and circumstances. Our significant accounting policies are more fully discussed in the Notes to our Financial Statements.

*Research and Development Costs:* The Company charges research and development costs to expense when incurred in accordance with ASC 730, "Research and Development". Research and development costs were \$258,620 for the year ended December 31, 2020. Research and development costs were \$651,476 for the year ended December 31, 2019.

*Stock-Based Compensation and Other Share-Based Payments:* The expense attributable to the Company's directors is recognized over the period in which the amounts are earned and vested, and the expense attributable to the Company's non-employees is recognized when vested, as described in Note 11, *Stock Plan*.

*Warrants:* The Company accounts for common stock warrants in accordance with applicable accounting guidance provided in ASC 815 "*Derivatives and Hedging*", as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. For warrants classified as equity instruments we apply the Black Scholes model. Presently all warrants issued and outstanding are accounted for using the equity method.

## **Recent Accounting Pronouncements**

Recent accounting pronouncements issued by the Financial Accounting Standards Board ("FASB"), (including its EITF, the AICPA and the SEC), did not or are not believed by management to have a material effect on the Company's present or future financial statements.

## **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 8. Financial statements and Supplemental Data**

**Qrons Inc.**

**Index to Financial Statements**

	<b>Page</b>
<a href="#"><u>Report of Independent Registered Public Accounting Firm</u></a>	F-1
<a href="#"><u>Balance Sheets as of December 31, 2020 and 2019</u></a>	F-2
<a href="#"><u>Statements of Operations for the years ended December 31, 2020 and 2019</u></a>	F-3
<a href="#"><u>Statement of Changes in Stockholders' Equity (Deficit) for the years ended December 31, 2020 and 2019</u></a>	F-4
<a href="#"><u>Statements of Cash Flows for the years ended December 31, 2020 and 2019</u></a>	F-5
<a href="#"><u>Notes to Financial Statements</u></a>	F-6

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders  
Qrons, Inc.

### Opinion on the Financial Statements

We have audited the accompanying balance sheets of Qrons, Inc. (the Company) as of December 31, 2020 and 2019, and the related statements of operations, stockholders' deficit, and cash flows for the years then ended, and the related notes (collectively referred to as the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

### Consideration of the Company's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. The Company has suffered recurring losses and has limited operations which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are described in Note 3. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Heaton & Company, PLLC

We have served as the Company's auditor since 2016.

Heaton & Company, PLLC  
Farmington, Utah  
March 31, 2021

**QRONS INC.**

**BALANCE SHEETS**

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 57,632	\$ 67,025
Prepaid expenses	-	56,265
Total current assets	<u>57,632</u>	<u>123,290</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 57,632</u></u>	<u><u>\$ 123,290</u></u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 49,059	\$ 140,967
Accounts payable and accrued liabilities – related party	43,768	34,907
Demand loans, related party	50,000	50,000
Advances from related party	286,000	185,000
Unsecured short-term advances	100,000	100,000
Convertible note – related party, net of debt discount	25,000	25,000
Convertible note, net of debt discount	43,636	6,171
Derivative liabilities	154,485	89,367
Total current liabilities	<u>751,948</u>	<u>631,412</u>
Total liabilities	<u>751,948</u>	<u>631,412</u>
Stockholders' equity (deficit)		
Series A Preferred stock: \$0.001 par value; 10,000 shares authorized; 2,000 shares issued and outstanding	2	2
Common stock, \$0.0001 par value: 100,000,000 shares authorized; 13,289,789 and 13,089,789 shares issued and outstanding at December 31, 2020 and December 31, 2019, respectively	1,329	1,309
Additional paid-in capital	7,037,796	6,561,047
Accumulated deficit	(7,733,443)	(7,070,480)
Total stockholder's equity (deficit)	<u>(694,316)</u>	<u>(508,122)</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u><u>\$ 57,632</u></u>	<u><u>\$ 123,290</u></u>

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

**QRONS INC.**

**STATEMENTS OF OPERATIONS**

	For the Years Ended December 31,	
	2020	2019
Net sales	\$ -	\$ -
<b>Operating expenses:</b>		
Research and development expenses	258,620	651,476
Professional fees	47,560	75,677
General and administrative expenses	247,561	789,279
Total operating expenses	<u>553,741</u>	<u>1,516,432</u>
Income (loss) from operations	<u>(553,741)</u>	<u>(1,516,432)</u>
Other income (expense)		
Interest expense	(52,019)	(42,574)
Change in derivative liabilities	(57,203)	12,234
Total other income (expense)	<u>(109,222)</u>	<u>(30,340)</u>
Net (loss)	<u>\$ (662,963)</u>	<u>\$ (1,546,772)</u>
Net (loss) per common shares (basic and diluted)	<u>\$ (0.05)</u>	<u>\$ (0.12)</u>
Weighted average shares outstanding (Basic and diluted)	<u>13,163,286</u>	<u>12,998,973</u>

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

**QRONS INC.**  
**STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

	Series A Preferred		Common Stock		Additional Paid-in	Accumulated	Total
	Shares	Amount	Shares	Amount	Capital	Deficit	Stockholders' Equity (Deficit)
<b>Balance, December 31, 2018</b>	<u>2,000</u>	<u>2</u>	<u>12,872,309</u>	<u>1,287</u>	<u>5,629,694</u>	<u>(5,523,708)</u>	<u>107,275</u>
Shares issued for stock awards for business advisory services	-	-	92,500	9	126,866	-	126,875
Shares issued for services provided	-	-	50,000	5	74,495	-	74,500
Stock options granted to non-employees as research and development costs	-	-	-	-	219,095	-	219,095
Issuance of common stock for private placement	-	-	65,000	7	64,993	-	65,000
Warrants granted as financing costs	-	-	-	-	36,410	-	36,410
Stock options granted to officers	-	-	-	-	409,495	-	409,495
Warrants exercised associated with private placement	-	-	9,980	1	(1)	-	-
Net loss for the year	-	-	-	-	-	(1,546,772)	(1,546,772)
<b>Balance, December 31, 2019</b>	<u>2,000</u>	<u>\$ 2</u>	<u>13,089,789</u>	<u>1,309</u>	<u>6,561,047</u>	<u>(7,070,480)</u>	<u>(508,122)</u>
Issuance of common stock for private placement	-	-	200,000	20	99,980	-	100,000
Stock options granted to officers	-	-	-	-	213,530	-	213,530
Stock options granted to non-employees as research and development costs	-	-	-	-	159,839	-	159,839
Warrants exercised associated with private placement	-	-	-	-	3,400	-	3,400
Net loss for the year	-	-	-	-	-	(662,963)	(662,963)
<b>Balance, December 31, 2020</b>	<u>2,000</u>	<u>\$ 2</u>	<u>13,289,789</u>	<u>1,329</u>	<u>7,037,796</u>	<u>(7,733,443)</u>	<u>(694,316)</u>

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



**QRONS INC.**  
**STATEMENTS OF CASH FLOWS**

	For the Years ended December 31,	
	2020	2019
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (662,963)	\$ (1,546,772)
<b>Adjustments to reconcile net loss to net cash (used by) operating activities:</b>		
Stock options issued for research and development expense	159,839	219,095
Stock awards issued for advisory and consulting services	-	126,875
Stock issued for services	-	74,500
Stock options granted for officer compensation	213,530	409,495
Warrants granted as financing costs	3,400	36,410
Accretion of debt discount	35,380	945
Change in derivative liabilities	57,203	(12,234)
<b>Changes in operating assets and liabilities:</b>		
Prepaid expenses	56,265	(4,280)
Accounts payable and accrued liabilities	(91,908)	117,643
Accounts payable and accrued liabilities, related party	8,861	31,486
Net cash (used by) operating activities	<u>(220,393)</u>	<u>(546,837)</u>
<b>Cash Flows From Investing Activities</b>		
Net cash provided from (used by) investing activities	<u>-</u>	<u>-</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from convertible notes	10,000	70,000
Proceeds from private placement	100,000	65,000
Proceeds from short term advance, third party	-	100,000
Proceeds from demand loan, related party	-	50,000
Proceeds from related party advances	101,000	185,000
Net cash provided from financing activities	<u>211,000</u>	<u>470,000</u>
Increase (decrease) in cash and cash equivalents	(9,393)	(76,837)
Cash at beginning of year	67,025	143,862
Cash at end of year	<u>\$ 57,632</u>	<u>\$ 67,025</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Interest paid	\$ -	\$ -
Income taxes paid	\$ -	\$ -
<b>SUPPLEMENTAL NON-CASH FINANCING ACTIVITIES</b>		
Derivative liability associated with debt discount	\$ -	\$ 64,774

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

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 1 – Description of Business and Basis of Presentation**

*Organization and nature of business:*

Qrons Inc. ("Qrons" or the "Company") was incorporated under the laws of the State of Wyoming on August 22, 2016 under the name BioLabMart Inc.

On July 6, 2017, the board of directors and a majority of the Company's shareholders approved an amendment to the Company's Articles of Incorporation to change the name of the Company from "BioLabMart Inc." to "Qrons Inc." On August 8, 2017, the Company filed Amended Articles of Incorporation with the State of Wyoming to effectuate such name change. The Company's common stock was approved by the Financial Industry Regulatory Authority ("FINRA") for quotation on the OTC pink sheets under the symbol "BLMB" as of July 3, 2017. FINRA announced the Company's name change to Qrons Inc. on August 9, 2017. The new name and symbol change to "QRON" for the OTC Market was effective August 10, 2017. The Company's common stock was upgraded from the Pink Market and commenced trading on the OTCQB Venture Market on August 12, 2019.

The Company is an innovative biotechnology company dedicated to developing biotech products, treatments and technologies that create a platform to combat neuronal diseases an enormous social and economic burden on society. The Company seeks to engage in strategic arrangements with companies and institutions that are developing breakthrough technologies in the fields of artificial intelligence ("AI"), machine learning ("ML"), molecular biology, stem cells and tissue engineering, for deployment in the fight against neuronal diseases. The Company's search is currently focused on researchers based in Israel, a country which is world-renowned for biotech innovations.

On March 15, 2019, the Company relocated its principal executive office from Miami, Florida to 50 Battery Place, #7T, New York, New York 10280.

**Note 2 – Summary of Significant Accounting Policies**

*Financial Statement Presentation:* The audited financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

*Fiscal year end:* The Company has selected December 31 as its fiscal year end.

*Use of Estimates:* The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported therein. Due to the inherent uncertainty involved in making estimates, actual results reported in future periods may be based upon amounts that differ from these estimates.

*Cash Equivalents:* The Company considers all highly liquid investments with maturities of 90 days or less from the date of purchase to be cash equivalents.

*Research and Development Costs:* The Company charges research and development costs to expense when incurred in accordance with FASB ASC 730, *Research and Development*. Research and development costs were \$258,620 for the year ended December 31, 2020. Research and development costs were \$651,476 for the year ended December 31, 2019.

*Advertising and Marketing Costs:* Advertising and marketing costs are expensed as incurred. The Company incurred \$0 and \$256,106 in advertising and marketing costs during the years ended December 31, 2020 and 2019, respectively.

*Related parties:* For the purposes of these financial statements, parties are considered to be related if one party has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 2 – Summary of Significant Accounting Policies (continued)**

*Stock-Based Compensation and Other Share-Based Payments:* The Company records stock-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*, using the fair value method on grant date. All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The expense attributable to the Company's directors is recognized over the period the amounts are earned and vested, and the expense attributable to the Company's non-employees is recognized when vested, as described in Note 11, Stock Plan.

*Fair Value of Financial Instruments*

ASC 820, *Fair Value Measurements*, defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. ASC 820 describes three levels of inputs that may be used to measure fair value:

*Level 1* – Quoted prices in active markets for identical assets or liabilities.

*Level 2* – Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

*Level 3* – Unobservable inputs that are supported by little or no market activity and that are financial instruments whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant judgment or estimation.

If the inputs used to measure the financial assets and liabilities fall within more than one level described above, the categorization is based on the lowest level of input that is significant to the fair value measurement of the instrument.

The following table provides a summary of the fair value of the Company's derivative liabilities as of December 31, 2020 and December 31, 2019:

	Fair value measurements on a recurring basis		
	Level 1	Level 2	Level 3
As of December 31, 2020:			
Liabilities			
Derivative liabilities	\$ -	\$ -	\$ 154,485
As of December 31, 2019:			
Liabilities			
Derivative liabilities	\$ -	\$ -	\$ 89,367

*Warrants:* The Company accounts for common stock warrants in accordance with applicable accounting guidance provided in ASC 815 *Derivatives and Hedging*, as either derivative liabilities or as equity instruments depending on the specific terms of the warrant agreement. For warrants classified as equity instruments the Company applies the Black Scholes model and expenses the fair value as financing costs.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 2 – Summary of Significant Accounting Policies**

*Income taxes:* The Company has adopted ASC 740, *Income Taxes*, which requires the use of the asset and liability method of accounting for income taxes. Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

*Basic and Diluted Loss Per Share:* In accordance with ASC 260, *Earnings Per Share*, the basic loss per common share is computed by dividing net loss available to common stockholders by the weighted average number of common stock outstanding. Diluted loss per common share is computed similar to basic loss per common share except that the denominator is increased to include the number of additional shares of common stock that would have been outstanding if the potential common stock had been issued and if the additional shares of common stock were dilutive.

Potential common stock consists of the incremental common stock issuable upon the exercise of common stock warrants (using the if-converted method), convertible notes, classes of shares with conversion features, and stock awards and stock options. The computation of basic loss per share for the years ended December 31, 2020 and 2019 excludes potentially dilutive securities of underlying share purchase warrants, convertible notes, stock options and preferred shares, because their inclusion would be antidilutive. As a result, the computations of net loss per share for each period presented is the same for both basic and fully diluted.

The table below reflects the potentially dilutive securities at each reporting period which have been excluded from the computation of diluted net loss per share:

	December 31, 2020	December 31, 2019
Research warrants at 3% of issued and outstanding shares	398,694	392,694
Convertible notes	445,400	261,107
Series A preferred shares	700	700
Stock options vested	3,243,333	2,331,669
Stock options not yet vested	33,333	183,331
Stock purchase warrants	180,000	70,000
<b>Total</b>	<b>4,301,460</b>	<b>3,239,501</b>

*New Accounting Pronouncements:* Certain new accounting pronouncements that have been issued are not expected to have a material effect on the Company's financial statements.

**Note 3 – Going Concern**

The Company has experienced net losses to date, and it has not generated revenue from operations. While the Company raised proceeds of \$211,000 during the year ended December 31, 2020 and \$470,000 during the year ended December 31, 2019 by way of private placement offerings to accredited investors, loans and advances from its officers and directors and third party short term loans, it does not believe its resources will be sufficient to meet its operating and capital needs beyond the second quarter of 2021. The Company expects it will require additional capital to fully implement the scope of its proposed business operations, which raises substantial doubt about its ability to continue as a going concern. The Company will have to continue to rely on equity and debt financing, and continued support from its officers and directors. There can be no assurance that financing, whether debt or equity, will be available to the Company in the amount required at any particular time or for any particular period or, if available, that it can be obtained on favorable terms. In addition, if the Company is unable to obtain adequate financing due to the continued effect of COVID-19 on the capital markets, the Company may be required to reduce the scope, delay, or eliminate some or all of its planned operations.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amount and classification of liabilities that might cause results from this uncertainty.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 3 – Going Concern (continued)**

**Covid-19 Pandemic**

The COVID-19 pandemic has had an adverse impact on the research and development of our product candidates. Research facilities at Dartmouth were subject to closures as well as laboratories at Ariel in Israel. This resulted in our discontinuing our research at these Universities and was part of our decision to adjust our research to be collaborative and to seek aligning with third parties to advance our expanded goals. We do not currently know the full extent of potential delays of research in the future as a result of the continuing pandemic restrictions.

COVID-19 has also caused significant disruptions to the global financial markets, which severely impacts our ability to raise additional capital. We terminated our employees in April 2020 in an effort to conserve resources as we evaluate our business development efforts. The ultimate impact on us and our research relationships is currently uncertain. We may be required to further reduce operations or cease operations if we are unable to finance our operations.

Management is actively monitoring the situation but given the daily evolution of the COVID-19 outbreak, the Company is not able to fully estimate the effects of the COVID-19 outbreak on its planned operations or financial condition in the next 12 months. However, while significant uncertainty remains, the Company believes it is likely that the COVID-19 outbreak will have a negative impact on its ability to raise additional financing and will result in delays as it continues to impact the Company's workforce and its collaborative development efforts.

**Note 4 – Convertible Note – Related Party and Derivative Liabilities**

On September 1, 2016, the Company entered into a convertible debenture agreement with CubeSquare, LLC ("CubeSquare"), of which its Chief Executive Officer is the managing partner and its President is a 25% owner of CubeSquare. The Company received proceeds of \$10,000 during fiscal 2016 ("Note 1"). The note bears interest at 8% per annum and was due on September 1, 2017. Interest accrues from September 1, 2016 and is payable on maturity. Interest is payable, at the lender's option, in cash or common stock. Any portion of the loan and unpaid interest is convertible at any time at the option of CubeSquare into shares of common stock of the Company at a conversion price of the greater of (i) \$0.0625 per share if the Company's shares are not trading on a public market and; (ii) in the event the Company's shares are listed for trading on a public market, the conversion price shall be equal to a 50% discount to the average of the five lowest trading prices during the previous twenty trading days prior to the date of the notice of conversion from the lender.

On September 29, 2017, the Company and CubeSquare amended Note 1 to extend the maturity date from September 1, 2017 to September 1, 2018; on September 9, 2018, the Company further amended Note 1 to extend the maturity date to September 1, 2019; on November 6, 2019, the Company further amended Note 1 to extend the maturity date to September 1, 2020; and on October 30, 2020, the Company further amended Note 1 to extend the maturity date to September 1, 2021, under the same terms and conditions.

On September 27, 2017, the Company entered into a second convertible debenture agreement with CubeSquare under which the Company received proceeds of \$15,000 (Note 2). Note 2 bears interest at 8% per annum and was due on September 27, 2018. Interest accrues from September 27, 2017 and is payable on maturity. Any portion of the principal and unpaid interest under the note is convertible at any time at the option of CubeSquare into shares of common stock of the Company at a conversion price equal to a 50% discount to the average of the five lowest trading prices during the previous twenty trading days prior to the date of the notice of conversion from CubeSquare. On September 9, 2018, Note 2 was amended to extend the maturity date to September 27, 2019. On November 6, 2019, Note 2 was amended to extend the maturity date to September 27, 2020 and on October 30, 2020 Note 2 was amended to extend the maturity date to September 27, 2021.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 4 – Convertible Note – Related Party and Derivative Liabilities (continued)**

The Company analyzed the amendment to Note 1 and Note 2 under ASC 815-10-15-83 and concluded that these two convertible Notes meet the definition of a derivative. The Company estimated the fair value of the derivative at each report date using the Black-Scholes valuation model to value the derivative liability related to the variable conversion rate.

The carrying value of these convertible notes is as follows:

	December 31, 2020	December 31, 2019
Face value of certain convertible notes	\$ 25,000	\$ 25,000
Less: unamortized discount	-	-
Carrying value	<u>\$ 25,000</u>	<u>\$ 25,000</u>

We recorded interest expenses of \$2,017 and \$2,011 for the years ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the unpaid interest balance under Accounts payable and accrued liabilities – related party was \$7,449 and \$5,432, respectively.

As a result of the application of ASC 815, the fair value of the derivative liability associated with the conversion feature is summarized as follows:

Balance at December 31, 2018	<u>\$ 36,827</u>
Change in fair value	355
Balance at December 31, 2019	<u>37,182</u>
Change in fair value	24,500
Balance at December 31, 2020	<u><u>\$ 61,682</u></u>

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2020 and 2019 and the commitment date:

	Commitment Date	December 31, 2020	December 31, 2019
Expected dividends	0	0	0
Expected volatility	101% ~ 103%	316% ~ 333%	167% ~ 180%
Expected term	0.92 ~ 1 year	0.74 year	0.26 year
Risk free interest rate	1.33%	0.09%	1.60%

**Note 5 – Convertible Note and Derivative Liabilities**

In December 2019 we issued and sold in a private offering 8% convertible notes in the aggregate principal amount of \$70,000. Such notes are due on December 31, 2021 and are convertible into shares of our common stock at a conversion price (the "Conversion Price") for each share of common stock equal to the lesser of: (a) \$.50, (b) the lowest price at which the Company has converted any convertible security of the Company (to the holder or to any third party) within 30 trading days prior to the date of delivery of the applicable Notice of Conversion; and (c) so long as lower than (a) or (b), such price per share of common stock as the Company and the holder may agree from time to time. In connection with the 8% convertible note issuance, we issued warrants to purchase an aggregate of 70,000 shares of common stock at an exercise price of \$1.00.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 5 – Convertible Note and Derivative Liabilities (continued)**

On February 19, 2020 we issued and sold in a private offering 8% convertible notes in the principal amount of \$10,000, due on February 19, 2022. Such notes are convertible into shares of common stock at a conversion price per share equal to the lesser of: (a) \$0.50; (b) the lowest price at which the Company has converted any convertible security of the Company within 30 trading days prior to the date of delivery of the applicable notice of conversion; and (c) such other as the Company and the holder may agree. In connection with the 8% convertible note issuance, we issued warrants to purchase an aggregate of 10,000 shares of common stock at an exercise price of \$1.00.

We recorded interest expenses of \$7,211 and \$161 for the years ended December 31, 2020 and 2019, respectively, with respect to the aforementioned notes. As of December 31, 2020 and 2019, the unpaid interest balance under Accounts payable and accrued liabilities was \$7,372 and \$161, respectively.

The convertible notes qualify for derivative accounting and bifurcation under ASC 815. The derivative liability of the \$80,000 convertible notes was calculated using the Black-Scholes pricing model to be \$72,689.

The carrying value of these convertible notes is as follows:

	December 31, 2020	December 31, 2019
Face value of certain convertible notes	\$ 80,000	\$ 70,000
Less: unamortized discount	(36,364)	(63,829)
Carrying value	<u>\$ 43,636</u>	<u>\$ 6,171</u>

Amortization of the discount during the years ended December 31, 2020 and 2019 totaled \$35,380 and \$946, respectively, which amounts have been recorded as interest expense.

As a result of the application of ASC 815 as of December 31, 2020 and 2019, the fair value of the derivative liability associated with the conversion feature is summarized as follows:

Balance at December 31, 2018	\$ -
Derivative addition associated with convertible notes	64,774
Change in fair value	(12,589)
Balance at December 31, 2019	52,185
Derivative addition associated with convertible notes	7,915
Change in fair value	32,703
Balance at December 31, 2020	<u>\$ 92,803</u>

The fair value at the commitment and re-measurement dates for the Company's derivative liabilities were based upon the following management assumptions as of December 31, 2020 and December 31, 2019 and the commitment date:

	Commitment Date	December 31, 2020	December 31, 2019
Expected dividends	0	0	0
Expected volatility	154% ~173%	280% ~296%	156%
Expected term	2.10 years	1.05 ~ 1.25 years	2 years
Risk free interest rate	1.42 ~ 1.65%	0.10%	1.58%

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 6 – Unsecured Short-Term Advance from Third Party**

On June 20, 2019, the Company received \$100,000 from a third party in the form of an unsecured, demand, non-interest bearing, short term advance to meet its operating needs. The advance remains outstanding at December 31, 2020 and 2019.

**Note 7 – Related Party Transactions**

(1) Demand Loan from related party

On May 1, 2019, the Company issued a promissory note (the "Note") to CubeSquare in the principal amount of \$50,000. The Note bears interest at the rate of 8% per annum and is due and payable by the Company upon demand from CubeSquare. We recorded interest expenses of \$4,011 and \$2,663 for the year ended December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, the unpaid interest balance under Accounts payable and accrued liabilities – related party was \$6,674 and \$2,663, respectively.

(2) Advances from Related Parties

During the year ended December 31, 2019, the Company received \$135,000 from Jonah Meer, its Chief Executive Officer, in the form of an unsecured, demand, non-interest bearing, short term advance to help meet its operating needs. During the year ended December 31, 2020, the Company received an additional \$70,000 from Jonah Meer.

On August 20, 2019, the Company received \$50,000 from Ido Merfeld, its President, in the form of an unsecured, demand, non-interest bearing, short term advance to help meet its operating needs. During the year ended December 31, 2020, the Company received an additional \$21,000 from Ido Merfeld.

During the year ended December 31, 2020, the Company received \$10,000 from CubeSquare in the form of an unsecured, demand, non-interest bearing, short term advance to help meet its operating needs. The Company's Chief Executive Officer is the managing partner and the Company's President is a 25% owner of CubeSquare.

(3) Others

During the year ended December 31, 2019, Jonah Meer, the Company's Chief Executive Officer, made payments to various vendors in the accumulated amount of \$25,642. During the year ended December 31, 2020, Jonah Meer, the Company's Chief Executive Officer, made payments to various vendors in the aggregate amount of \$10,164 and was repaid \$7,331. The balance payable to Mr. Meer of \$28,475 is reflected in accounts payable, related party.

During the year ended December 31, 2019, Ido Merfeld, the Company's President, made payments to various vendors in the aggregate amount of \$1,169. The balance payable to Mr. Merfeld of \$1,169 is reflected in accounts payable, related party as of December 31, 2020 and 2019.

(4) Officer compensation

On June 25, 2019, the Company entered into a term sheet ("Term Sheet") with John N. Bonfiglio, PhD ("Bonfiglio") pursuant to which Dr. Bonfiglio served as the Company's chief operating officer, effective July 1, 2019. As compensation Dr. Bonfiglio was granted (i) 50,000 shares of common stock of the Company, 37,500 of which shares vested upon issuance on July 1, 2019 and 12,500 of which shares will vest on the earlier of (i) January 1, 2020 and (ii) the date the Company raises equity capital of \$500,000. The Term Sheet also provides for the grant of a three-year stock option to purchase 100,000 shares of common stock at an exercise price of \$2.00 per share, 50,000 of which shares will vest upon grant and 25,000 shares will vest on each of July 1, 2020 and July 1, 2021, provided Dr. Bonfiglio is in the employ of the Company on such dates.

The Term Sheet was terminated effective October 31, 2019. Mr. Bonfiglio was terminated as Chief Operating Officer effective November 30, 2019 and all unvested options and awards were concurrently terminated.

**Note 8 – License and Research Funding Agreement / Royalty Agreement**

*Ariel Scientific Innovation Ltd.*

On November 30, 2019, the Company entered into a royalty and license fee sharing agreement (the "Royalty Agreement") with Ariel Scientific Innovations Ltd., a wholly owned subsidiary of Ariel University, in Ariel, Israel ("Ariel"), which, among other things, superseded and terminated the original license and research funding agreement, dated December 14, 2016, as amended, between the Company and Ariel (the "License Agreement"). Upon the occurrence of an Exit Event, as such term is described in the Royalty Agreement, including an underwritten public offering of the Company's shares with proceeds of at least \$25 million, a consolidation, merger or reorganization of the Company, and a sale of all or substantially all of the shares and/or the assets of the





**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 8 – License and Research Funding Agreement / Royalty Agreement (continued)**

*Ariel Scientific Innovation Ltd. (cont'd)*

Company, Ariel has the right to require the Company to issue up to 3% of the then issued and outstanding shares of its common stock. The issuance of any such shares in the future will result in dilution to the interests of other stockholders. In consideration for the parties' agreement to terminate the License Agreement and for future general scientific collaboration between the parties, the Company agreed to pay Ariel a royalty of 1.25% of net sales (as defined in the Royalty Agreement) of products sold by the Company, or its affiliates and licensees for fifteen years from the first commercial sale in a particular country.

Services agreements which the Company had with Ariel related to laboratory access, molecular biology and neurobiology research, and other services terminated during the year ended December 31, 2020. During 2020, Ariel refunded to the Company certain previously advanced and unused funds.

During the years ended December 31, 2020 and 2019 we expensed a total of \$7,708 and \$72,949, respectively, in relation to the aforementioned agreements.

**Note 9 – Intellectual Property License Agreement and Sponsored Research Agreement**

*Dartmouth College*

On October 2, 2019, the Company entered into the Intellectual Property License Agreement pursuant to which Dartmouth granted the Company an exclusive world-wide license under the patent application entitled "Mechanically Interlocked Molecules-based Materials for 3D Printing" in the field of human and animal health and certain additional patent rights to use and commercialize licensed products and services. The license grant includes the right of the Company to sublicense to third parties subject to the terms of the Agreement.

The Agreement provided for : (i) a \$25,000 license issue fee; (ii) an annual license maintenance fee of \$25,000, until the first commercial sale of a licensed product or service; (iii) an earned royalty of 2% of net sales of licensed products and services by the Company or a sublicensee; (iv) 15% of consideration received by the Company under a sublicense; and (v) beginning in the first calendar year after the first commercial sale, an annual minimum royalty payment of \$500,000, \$1,000,000 in the second calendar year, and \$2,000,000 in the third calendar year and each year thereafter. The Company will also reimburse Dartmouth for all patent preparation, filing, maintenance and defense costs.

Under the Agreement, the Company must diligently proceed with the development, manufacture and sale of licensed products and licensed services, including funding at least \$1,000,000 of research in each calendar year beginning in 2019 and ending with the first commercial sale of a licensed product; filing an IND/BLA (or equivalent) with the FDA or a comparable European regulatory agency before the four-year anniversary and make the first commercial sale of a licensed product before the twelve-year anniversary of the effective date of the Agreement and achieve annual net sales of at least \$50,000,000 by 2033. If the Company fails to perform any of these obligations, Dartmouth has the option to terminate the Agreement or change the exclusive license to a nonexclusive license.

Failure to timely make any payment due under the Agreement will result in interest charges to the Company of the lower of 10% per year or the maximum amount of interest allowable by applicable law.

The Agreement may be terminated by Dartmouth if the Company is in material breach of the Agreement which is not cured after 30 days of notice thereof or if the Company becomes insolvent. Dartmouth may terminate the Agreement if the Company challenges a Dartmouth patent or does not terminate a sublicensee that challenges a Dartmouth patent, except in response to a valid court or governmental order. The Company may terminate the Agreement at any time upon six months written notice to Dartmouth.

If the Company or any sublicensee or affiliate institutes or participates in a licensed patent challenge, the then current earned royalty rate for licensed products covered by Dartmouth patents will automatically be increased to three times the then current earned royalty rate.

The Company recorded the initial \$25,000 license fee under prepaid expenses, which amount has been expensed ratably over the initial one-year term of the Agreement. In October 2020, the Company received an invoice for the \$25,000 annual maintenance fee and has expensed \$12,500 in the year ended December 31, 2020 with respect to such annual fee.

On July 12, 2018, the Company entered into a one-year sponsored research agreement (the "Sponsored Research Agreement") with the Trustees of Dartmouth College ("Dartmouth") pursuant to which the Company will support and fund the cost of research conducted by Dartmouth of mutual interest to the parties in accordance with the Agreement. Intellectual property invented or developed solely by a party will be owned by such party and intellectual property jointly invented or developed shall be jointly

owned. On November 4, 2019, the parties entered into an amendment to the Sponsored Research Agreement which extended the term of the Agreement through July 14, 2020. The Sponsored Research Agreement terminated by its terms in July 2020.

During the year ended December 31, 2020 and 2019, the Company recorded gains of \$26,809 and expenses of \$80,006, respectively, related to the Sponsored Research Agreement. Such gains recorded in fiscal 2020 reversed prior period accruals, which amounts were recorded as offsets to research and development expenses.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 10 – Commitments**

**(1) Science Advisory Board Member Consulting Agreements (the " Consulting Agreements")**

As part of its ongoing program of research and development, the Company has retained distinguished scientists and other qualified individuals to advise the Company with respect to its technology and business strategy and to assist it in the research, development and analysis of the Company's technology and products. In furtherance thereof, the Company has retained certain Advisors as members of its Scientific Advisory Board and Business Advisory Board as described below, and the Company and Advisors have entered into Consulting Agreements with the following terms and conditions:

-Scientific Advisory Board and Consulting Services - Advisor shall provide general consulting services to Company (the "Services") as a member of its Scientific Advisory Board ("SAB"). As a member of the SAB, Advisor agrees to provide the Services as follows: (a) attending meetings of the Company's SAB; (b) performing the duties of a SAB member at such meetings, as established from time to time by the mutual agreement of the Company and the SAB members, including without limitation meeting with Company employees, consultants and other SAB members, reviewing goals of the Company and assisting in developing strategies for achieving such goals, and providing advice, support, theories, techniques and improvements in the Company's scientific research and product development activities; and (c) providing consulting services to Company at its request, including a reasonable amount of informal consultation over the telephone or otherwise as requested by Company. Advisor's consultation with Company will involve services as scientific, technical and business advisor to the Company and its management with respect to neuronal injuries and neuro degenerative diseases.

-SAB Consulting Compensation - the Company shall grant to Advisor the option to purchase certain number of shares of the common stock of the Company as per the stock option award grant. The options are subject to terms and provisions of the Company's 2016 Stock Option and Stock Award Plan.

**(2) Business Advisory Board Agreements**

On January 23, 2018, the Company entered into a one-year advisory board member consulting agreement with Pavel Hilman, the controlling shareholder of Conventus Holdings SA, a BVI corporation ("Conventus"), under which Mr. Hilman will serve on the Company's Advisory Board as a business advisor. The Advisory Board Agreement will automatically renew for up to two additional one-year periods, unless earlier terminated by either party upon 30 days' prior written notice to the other party. In consideration for serving on the Advisory Board, the Company awarded 10,000 shares of its common stock to Mr. Hilman under its 2016 Stock Option and Stock Award Plan. On January 28, 2019, the Company issued 30,000 shares of common stock to Mr. Hilman for his continuing service on the Company's Advisory Board.

On September 18, 2019, the Company entered into a one-year advisory board member consulting agreement with Derrick Chambers under which Mr. Chambers will serve on the Company's Advisory Board as a business advisor. The Advisory Board Agreement will automatically renew for up to two additional one-year periods, unless earlier terminated by either party upon 30 days' prior written notice to the other party. In consideration for serving on the Advisory Board, the Company awarded 25,000 shares of its common stock to Mr. Chambers under its 2016 Stock Option and Stock Award Plan, which shares were fully vested and recorded as advisory services on issuance. Mr. Chambers ceased to be an advisor during the year ended December 31, 2020.

On February 10, 2020, the Company entered into a one-year advisory board member consulting agreement with Michael Maizel under which Mr. Maizel will serve on the Company's Advisory Board as a business advisor. The Advisory Board Agreement will automatically renew for up to two additional one-year periods, unless earlier terminated by either party upon 30 days' prior written notice to the other party. In consideration for serving on the Advisory Board, the Company granted an option to purchase 50,000 shares of common stock under the 2016 Stock Option and Award Plan subject to certain vesting terms. Due to continuing Covid-19 pandemic concerns, on August 17, 2020, the Company notified Mr. Maizel of the termination of this agreement.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 10 – Commitments (continued)**

(3) Investor Relations Agreement

On August 8, 2019, the Company entered into a six-month services agreement with PCG Advisory, Inc. ("PCG") under which agreement PCG will provide investor relations and capital market advisory services to the Company. In consideration therefor, the Company paid PCG a monthly cash fee of \$5,000 (\$2,500 of which will be deferred until the Company raises at least \$300,000 in a financing) and issued 50,000 shares of its common stock on August 8, 2019. After the initial six-month term, the agreement will automatically renew on a month-to-month basis unless either party notifies the other of its desire to terminate the agreement. The Company notified PCG in March 2020 of its desire to terminate the agreement.

**Note 11 – Stock Plan**

*2016 Stock Option and Stock Award*

On December 14, 2016, the Board adopted the Company's 2016 Stock Option and Stock Award Plan (the "Plan"). The Plan provides for the award of stock options (incentive and non-qualified), stock awards and stock appreciation rights to officers, directors, employees and consultants who provide services to the Company. The terms of awards under the Plan are made by the Board. The Company has reserved 10 million shares for issuance under the Plan.

Stock Awards:

On January 28, 2019, the Company issued 30,000 shares of common stock under the Plan to Pavel Hilman for his continuing service on the Company's Board of Advisors. These shares were fully vested and recorded as advisory services on issuance.

In connection with a Term Sheet, on July 1, 2019, Dr. Bonfiglio was granted (i) 50,000 shares of common stock of the Company, 37,500 of which shares vested upon issuance on July 1, 2019 and 12,500 of which shares will vest on the earlier of (i) January 1, 2020 and (ii) the date the Company raises equity capital of \$500,000, provided Dr. Bonfiglio is in the employ of the Company on such date. Mr. Bonfiglio was terminated, effective November 30, 2019. All unvested stock awards were terminated on such date.

On September 18, 2019, the Company awarded 25,000 shares of common stock to Derrick Chambers, a member of its advisory board, under the Plan, which shares were fully vested and recorded as advisory services on issuance.

	Year ended December 31,	
	2020	2019
Number of shares vested in period	-	92,500
Weighted average fair market value per share	\$ -	\$ 1.37
Stock based compensation recognized	\$ -	\$ 126,875

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 11 – Stock Plan (continued)**

Stock Options:

(a) Stock Options granted to Science Advisors and Business Advisors

On November 15, 2017, under the Plan, the Board awarded two of its Science Advisors the following three-year stock options: (i) an immediately exercisable option to purchase 6,667 shares of common stock at an exercise price of \$2.00 per share, (ii) an option to purchase 6,667 shares of common stock exercisable on November 15, 2018 at an exercise price of \$2.00 per share and (iii) an option to purchase 6,666 shares of common stock exercisable on November 15, 2019 at an exercise price of \$2.00 per share, provided that such Advisors are providing services to the Company at the time of exercise. During the year ended December 31, 2020, 13,334 shares subject to such options expired unexercised.

On November 15, 2017, under the Plan, the Board awarded a Science Advisor, the following three-year stock options: (i) an option to purchase 15,000 shares of common stock, exercisable on November 15, 2018 at an exercise price of \$0.40 per share and (ii) an option to purchase 15,000 shares of common stock exercisable on November 15, 2019 at an exercise price of \$0.40 per share, provided the Advisor is still providing services to the Company at the time of exercise. During the year ended December 31, 2020, 13,334 shares subject to such options expired unexercised.

On April 16, 2018, under the Plan, the Board awarded a Science Advisor, the following three-year stock options: (i) an option to purchase 10,000 shares of common stock, exercisable on April 16, 2018 at an exercise price of \$2.00 per share (ii) an option to purchase 10,000 shares of common stock exercisable on April 16, 2019 at an exercise price of \$2.00 per share, and (iii) an option to purchase 10,000 shares of common stock exercisable on April 16, 2020 at an exercise price of \$2.00 per share, provided the Advisor is still providing services to the Company at the time of exercise.

On August 15, 2018, under the Plan, the Board awarded a Science Advisor, the following three-year stock options: (i) an option to purchase 6,667 shares of common stock, exercisable on August 15, 2018 at an exercise price of \$2.00 per share (ii) an option to purchase 6,667 shares of common stock exercisable on August 15, 2019 at an exercise price of \$2.00 per share, and (iii) an option to purchase 6,666 shares of common stock exercisable on August 15, 2020 at an exercise price of \$2.00 per share, provided the Advisor is still providing services to the Company at the time of exercise.

On July 1, 2019, under the Plan, the Board awarded a Science Advisor, the following three-year stock options: (i) an option to purchase 33,334 shares of common stock, exercisable on July 1, 2019 at an exercise price of \$2.00 per share (ii) an option to purchase 33,333 shares of common stock exercisable on July 1, 2020 at an exercise price of \$2.00 per share, and (iii) an option to purchase 33,333 shares of common stock exercisable on July 1, 2021 at an exercise price of \$2.00 per share, provided the advisor is still providing services to the Company at the time of exercise.

On February 10, 2020 under the Plan, the Company granted three-year options to purchase an aggregate of 50,000 shares of its common stock at an exercise price of \$2.00 per share, to Michael Maizels for serving as a Business Advisor. 25,000 of such shares subject to the option were immediately exercisable and expire on February 10, 2023, and 25,000 shares vest on February 10, 2021 and expire on February 10, 2024. On July 15, 2020, 25,000 unvested options were forfeited.

(b) Stock Options granted to Employees:

On December 10, 2018, the Board awarded an employee the following three-year stock options under the Plan: (i) an option to purchase 33,334 shares of common stock, exercisable on December 10, 2018 at an exercise price of \$2.00 per share (ii) an option to purchase 33,333 shares of common stock exercisable on December 10, 2019 at an exercise price of \$2.00 per share, and (iii) an option to purchase 33,333 shares of common stock exercisable on December 10, 2020 at an exercise price of \$2.00 per share, provided the employee is still providing services to the Company. On March 23, 2020, the Company accelerated the vesting provision such that options previously vesting on December 10, 2020 shall vest immediately with an expiration date of March 23, 2023.

On December 10, 2019, the Board awarded an employee, the following three-year stock options under the Plan: (i) an option to purchase 33,334 shares of common stock, exercisable on December 10, 2019 at an exercise price of \$2.00 per share (ii) an option to purchase 33,333 shares of common stock exercisable on December 10, 2020 at an exercise price of \$2.00 per share, and (iii) an option to purchase 33,333 shares of common stock exercisable on December 10, 2021 at an exercise price of \$2.00 per share, provided the employee is still providing services to the Company. On March 23, 2020, the Company accelerated the vesting provision such that options previously vesting on December 10, 2020 and December 10, 2021 shall vest immediately with an expiration date of March 23, 2023.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 11 – Stock Plan (continued)**

Stock Options:

(b) Stock Options granted to Employees (cont'd):

On December 10, 2020, under the Plan, the Board awarded an employee, the following three-year stock options for the purchase of 100,000 shares of the common stock of the Company. The options have an exercise price of \$2.00 and are immediately exercisable.

The following table is the recognized compensation in respect of the above stock option compensation ((a) and (b)) which amount has been allocated as below:

	Twelve Months ended December 31,	
	2020	2019
Research and development expenses	\$ 159,839	\$ 219,095

As of December 31, 2020 and 2019, total unrecognized compensation remaining to be recognized in future periods totaled \$6,200 and \$105,683, respectively.

(c) Stock Options granted to Officers:

On June 25, 2019, the Company appointed John N. Bonfiglio, PhD as its chief operating officer, effective July 1, 2019. As compensation, Dr. Bonfiglio was granted a three-year stock option to purchase 100,000 shares of common stock at an exercise price of \$2.00 per share, 50,000 of which shares vested upon grant and 25,000 shares vest on each of July 1, 2020 and July 1, 2021, provided Dr. Bonfiglio is in the employ of the Company on such dates. Mr. Bonfiglio was terminated as chief operating officer as of November 30, 2019. Accordingly, all unvested stock options terminated on such date.

On December 10, 2019, the Board granted five-year options to purchase 325,000 shares of common stock to each of its two officers. The options have an exercise price of \$2.00 per share and are immediately exercisable.

On December 10, 2020, the Board granted five-year options to purchase 325,000 shares of common stock to each of its two officers. The options have an exercise price of \$2.00 per share and are immediately exercisable.

The following table is the recognized compensation in respect of the above stock option compensation, which amounts have been allocated as general and administrative expenses:

	Year ended December 31,	
	2020	2019
General and administrative expenses	\$ 213,530	\$ 409,495

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 11 – Stock Plan (continued)**

Stock Options:

(c) Stock Options granted to Officers (cont'd):

As of December 31, 2020 and 2019, there was no unrecognized compensation remaining to be recognized in future periods.

The fair value of each option award referenced above is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions at the measurement date(s):

	Measurement date
Dividend yield	0%
	114.69 ~
Expected volatility	186.80%
Risk-free interest rate	0.39% ~ 2.68%
Expected life (years)	3 ~ 5
Stock Price	\$0.38 ~ 2.80
Exercise Price	\$0.40 ~ 2.00

A summary of the activity for the Company's stock options at December 31, 2020 and 2019, is as follows:

	December 31, 2020			December 31, 2019		
	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)
Outstanding, beginning of period	2,515,000	\$ 1.98	3.78	1,615,000	\$ 1.97	4.38
Granted	800,000	\$ 2	-	950,000	\$ 2	-
Exercised	-	\$ -	-	-	\$ -	-
Canceled/forfeited	(38,334)	\$ 2	-	(50,000)	\$ 2	-
Outstanding, end of period	3,276,666	\$ 2	3.28	2,515,000	\$ 1.987	3.78
Options exercisable, end of period	3,243,333	\$ 2	3.28	2,331,669	\$ 1.98	3.78
Options expected to vest, end of period	33,333	\$ 2	2	183,331	\$ 1.98	1.98
Weighted average fair value of options granted		\$ 1.31			\$ 1.62	



**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 12 – Capital Stock**

Authorized:

The Company has authorized 100,000,000 shares of common stock, par value \$0.0001, and 10,000 shares of preferred stock which is designated as Series A Preferred Stock, par value \$0.001.

Series A Preferred Stock:

The Series A Preferred Stock is redeemable at the option of the Company at any time, in whole or in part, upon 10 trading days prior notice, at a price of \$1.00 per share plus 4% per annum from the date of issuance (the "Stated Value"). The holders of the Series A Preferred Stock are entitled to a liquidation preference equal to the Stated Value, prior to the holders of other preferred stock or common stock. The holders of the Series A Preferred Stock have the right to convert such stock into common stock at a conversion rate equal to the Stated Value as of the conversion date divided by the average closing price of the common stock for the five previous trading days. The Company is required to reserve sufficient number of shares for the conversion of the Series A Preferred Stock. The holders of Class A Preferred Stock shall vote together as a single class with the holders of the Company's common stock and the holders of any other class or series of shares entitled to vote with the common stock, with the holders of Class A Preferred Stock being entitled to 66 2/3% of the total votes on all such matters, regardless of the actual number of shares of Class A Preferred Stock then outstanding.

There was a total of 2,000 shares of Series A Preferred Stock issued and outstanding as of December 31, 2020 and 2019.

Common Stock

In August 2020, the Company sold an aggregate of 200,000 shares of its common stock with a five-year warrant to purchase an aggregate of 100,000 shares of common stock at an exercise price of \$1.00 per share (the "Warrant Shares") to investors in a private offering for aggregate gross proceeds of \$100,000. The proceeds will be used for general corporate purposes. The Warrant Shares have "piggyback" registration rights and the warrant has a provision for cashless exercise. In addition, the warrant may not be exercised if it would result in beneficial ownership by the holder and his affiliates of more than 9.99% of the Company's outstanding shares of common stock.

During the year ended December 31, 2019, the Company sold an aggregate of 65,000 shares of common stock to investors and received aggregate proceeds of \$65,000 pursuant to subscription agreements in private offerings.

On January 28, 2019, the Company issued 30,000 shares of common stock for advisory services (Note 10 (2)). The shares had a fair market value on the date of issuance of \$37,500 or \$1.25 per share.

On July 1, 2019, the Company issued 37,500 shares of common stock to its then Chief Operating Officer for advisory services (Note 7(4)). The shares had a fair market value on the date of issuance of \$49,125 or \$1.31 per share.

On August 8, 2019, the Company issued 50,000 shares of common stock for services (Note 10 (3)). The shares had a fair market value on the date of issuance of \$74,500 or \$1.49 per share.

During the year ended December 31, 2019, the Company received a warrant exercise notice for a warrant to purchase 52,000 shares of common stock from a subscriber and issued 9,980 shares of common stock on a cashless exercise basis as per the cashless exercise formula contained in the warrant.

There was a total of 13,289,789 and 13,089,789 shares of common stock issued and outstanding as of December 31, 2020 and 2019, respectively.

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 12 – Capital Stock (continued)**

*Common Stock Purchase Warrants*

As of December 31, 2020 and 2019, the following common stock purchase warrants were outstanding:

	Warrants	Weighted Average Exercise Price
Outstanding – December 31, 2018	52,000 (1)	\$ 0.40
Granted	70,000 (3)	1.00
Canceled/forfeited	-	-
Exercised	(52,000) (2)	0.40
Outstanding – December 31, 2019	70,000	1.00
Granted	110,000 (4)(5)	1.00
Canceled/forfeited	-	-
Exercised	-	-
Outstanding – December 31, 2020	<u>180,000</u>	<u>\$ 1.00</u>

(1) Each two shares of common stock purchased in a private placement offering included one warrant to purchase an additional share of common stock at an exercise price of \$0.40.

(2) During the year ended December 31, 2019, investors exercised warrants to purchase an aggregate of 52,000 shares of common stock and received 9,980 shares for exercises on a cashless basis.

(3) During the year ended December 31, 2019, the Company granted convertible notes holders accumulated 70,000 stock purchase warrants at an exercise price of \$1.00. The fair value of the aforementioned warrants was \$36,410 and recorded as financing cost.

(4) During the year ended December 31, 2020, the Company granted a convertible note holder 10,000 stock purchase warrants at an exercise price of \$1.00. The fair value of the aforementioned warrants was \$3,400 and recorded as financing cost.

(5) Each two shares of common stock purchased in a private offering included one warrant to purchase an additional share of common stock at an exercise price of \$1.00.

The fair value of the outstanding common stock purchase warrants was calculated using the Black-Scholes option-pricing model with the following assumptions at the measurement date(s):

	Measurement date
Dividend yield	0%
Expected volatility	97.90~172.75%
Risk-free interest rate	0.16~1.72%
Expected life (years)	2.71~5.00
Stock Price	\$0.25 ~ \$0.99
Exercise Price	<u>\$0.40 ~ \$1.00</u>

**QRONS INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2020 and 2019**

**Note 13 – Income Taxes**

The income tax expense (benefit) at a federal rate of 21% and a state tax rate of 0% consisted of the following for the years ended December 31, 2020 and December 31, 2019:

	December 31, 2020	December 31, 2019
Total current	\$ -	\$ -
Total deferred	-	-
	<u>\$ -</u>	<u>\$ -</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The following is a reconciliation of the expected statutory federal income tax and state income tax provisions to the actual income tax benefit for the years ended December 31, 2020 and 2019:

	December 31, 2020	December 31, 2019
Expected benefit at federal statutory rate	\$ 139,200	324,800
Non-deductible expenses	(90,400)	(179,300)
Change in valuation allowance	(48,800)	(145,500)
	<u>\$ -</u>	<u>\$ -</u>

The Company had deferred income tax assets as of December 31, 2020 and 2019 as follows:

	December 31, 2020	December 31, 2019
Loss carryforwards	\$ 1,601,380	\$ 1,462,180
Less – stock based compensation	(1,193,900)	(1,115,500)
Less – derivative liabilities	(11,880)	120
Less - valuation allowance	(395,600)	(346,800)
Total net deferred tax assets	<u>\$ -</u>	<u>\$ -</u>

Tax years from inception to the year ended December 31, 2019 have been filed and are open for examination by the taxing authorities. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expenses. No such interest or penalties were recognized during the periods presented above. The Company had no accruals for interest and penalties at December 31, 2020 and 2019. The Company's utilization of any net operating loss carry-forward may be unlikely as a result of its intended activities.

**Note 14 – Subsequent Events**

Subsequent to December 31, 2020, a total of 75,000 options were forfeited unexercised.

The Company has evaluated events for the period from December 31, 2020 through the date of the issuance of these financial statements and determined that there are no additional events requiring disclosure.

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

None.

### **Item 9A. Controls and Procedures**

#### ***Evaluation of Disclosure Controls and Procedures***

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, as of December 31, 2020, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Securities Exchange Act of 1934, as amended. Based on this evaluation, our principal executive officer and principal financial officer have concluded that, based on the material weaknesses discussed below, our disclosure controls and procedures were not effective as of such date to ensure that information required to be disclosed by us in reports filed or submitted under the Securities Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that our disclosure controls are not effectively designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is accumulated and communicated to management, including our principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### **Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Management's Annual Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, internal control over financial reporting is a process designed by, or under the supervision of, the Company's principal executive, principal operating and principal financial officers, or persons performing similar functions, and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

The Company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records, that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management, including our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting at December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—Integrated Framework (2013). Based on that assessment under those criteria, management has determined that, as of December 31, 2020, our internal control over financial reporting was not effective.

Our internal controls are not effective for the following reasons: (i) there is an inadequate segregation of duties consistent with control objectives as management is comprised of only two persons, one of which is the Company's principal executive officer and principal financial officer and, (ii) the Company does not have an audit committee with a financial expert, and thus the Company lacks the board oversight role within the financial reporting process.

In order to mitigate the foregoing material weakness, we have engaged an outside accounting consultant with significant experience in the preparation of financial statements in conformity with GAAP to assist us in the preparation of our financial statements to ensure that these financial statements are prepared in conformity with GAAP. We will continue to monitor the effectiveness of this action and make any changes that our management deems appropriate.

We would need to hire additional staff to provide greater segregation of duties. Currently, it is not feasible to hire additional staff to obtain optimal segregation of duties. Management will continue to reassess this matter to determine whether improvement in segregation of duty is feasible. In addition, we would need to expand our board to include independent members.

Going forward, we intend to evaluate our processes and procedures and, where practicable and resources permit, implement changes in order to have more effective controls over financial reporting.

This Annual Report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the exemption provided to issuers that are not "large accelerated filers" nor "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**Item 9B. Other Information.**

None.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the names, ages and positions of our current board members and executive officers:

Name	Age	Position(s)
Jonah Meer	65	Chief Executive Officer, Chief Financial Officer, Secretary and Director
Ido Merfeld	56	President and Director

Our directors are elected for a term of one year and serve until such director's successor is duly elected and qualified. Each executive officer serves at the pleasure of the Board.

The Company has no nominating, audit or compensation committees. The entire Board participates in the nomination and audit oversight processes and considers executive and director compensation. Given the size of the Company and its stage of development, the entire Board is involved in such decision-making processes. Thus, there is a potential conflict of interest in that our directors and officers have the authority to determine issues concerning management compensation, nominations, and audit issues that may affect management decisions. We are not aware of any other conflicts of interest with any of our executive officers or directors.

#### **Jonah Meer, Chief Executive Officer, Chief Financial Officer, Secretary and a Director**

Mr. Meer has served as our Chief Executive Officer, Chief Financial Officer, Secretary and a Director since the formation of the Company on September 22, 2016. Mr. Meer is an attorney, accountant and entrepreneur. His career started in 1979 and has been spent both in the financial services industry and in the investment world. He has held many executive and fiduciary roles with numerous private and public companies and entities, including as Chief Operating Officer of a U.S. broker dealer. Separately he has served on numerous public and private company boards of directors. Since 1998 he has been CEO of jTrade Global LLC (formerly known as jBroker Global Inc.), a software marketing company. In 2005 he was appointed by the Equity Committee to serve as a Bankruptcy Trustee in the Southern District of New York to wind down a complex liquidating trust, which was finally terminated in 2015. Mr. Meer has founded private investment companies investing in special situations and alternative investments, , including most recently CubeSquare LLC, a Florida limited liability company ("CubeSquare") which invests in special situations and alternative investments involving public and pre-public companies. CubeSquare does not have a controlling interest in any public company and is not registered as an investment advisor. Mr. Meer received his Master of Law degree from New York University, in addition to holding juris doctor and accounting degrees. As a co-founder and Chief Executive Officer, Mr. Meer is involved with the Company's day to day operations which led to his appointment to the Board.

#### **Ido Merfeld, President and a Director**

Mr. Merfeld has served as our President and a Director since the formation of the Company on September 22, 2016. In October 1991, Mr. Merfeld co-founded Ivory Software Systems based in Tel Aviv Israel, a start-up company specializing in servicing the financial services industry both in Israel and abroad ("Ivory"). Ivory developed and maintains software, infrastructure and products that allow large financial institutions to trade in the global securities markets on a real time basis. In the last 10 years, he has also been involved in the establishment of several start-up companies including the establishment of a new Art Exchange in Luxemburg and a financial education internet company in the UK. In 2014 Mr. Merfeld, resigned as CEO of Ivory to become its Chairman. He now spends time enrolled in the molecular biology department at Ariel University. He previously received his B.A. in Computer Science, Statistics & Economics from Bar-Ilan University in Israel. As a co-founder and President, Mr. Merfeld is involved with the Company's day to day operations which led to his appointment to the Board.

#### **Board of Advisors**

The Company has a Board of Advisors which currently consists of the following six members.

## **Scientific Advisors**

*Professor Danny Baranes* is Head of the Department of Molecular Biology at Ariel University, and the Principal Investigator for research in connection with the License Agreement. Professor Baranes did his post-doctoral fellowship in neuroscience in the lab of the Nobel laureate Dr. Eric Kandel at Columbia University. Professor Baranes continued on to McGill University, and returned to Israel in 2000 where he has held several positions at Ben Gurion University before joining Ariel University in 2009. He has received numerous international awards, published dozens of articles in leading international scientific journals as well having given numerous lectures and presentations. Professor Baranes received his PhD. in Biochemistry from Hebrew University.

*Dr. Albert Pinhasov* is Vice-President and Dean for Research and Development at Ariel University. He is a molecular biologist specializing in the neurobiology of social behavior. In addition, Dr. Pinhasov was a Postdoctoral Fellow on the Drug Discovery CNS Research Team at Johnson and Johnson Pharmaceutical. He received his PhD in Molecular Biology and Clinical Biochemistry from Tel Aviv University in Israel.

*Dr. Motti Ratmansky* is the head of the Pain Rehabilitation Clinic at the Lowenstein Rehabilitation Hospital in Israel. He was the former head of the Israeli National Instruction Unit for combat medics and medical field units, supervising and training combat medics. Dr. Ratmansky received his Medical Degree from the Technion Medical School in Israel.

*Professor Chenfeng Ke* is Assistant Professor of Chemistry at Dartmouth. Professor Ke received a PhD in Supramolecular Chemistry from Nankai University in 2009 and a BSc in Chemistry from Nankai University in 2004. He was a Newton Fellow (The Royal Society, UK) at the University of Bristol, from 2009 to 2011 and a Postdoctoral Fellow at Northwestern University from 2011 to 2015.

*Dr. Igor Korman* is a molecular biologist who holds a medical degree, and a PhD and Doctor of Science degrees in Clinical Pharmacology. Since 2016, Dr. Korman has headed The Institute for Translational Research at Ariel where he has assembled a team of scientists and started a number of projects in the field of anticancer drug discovery, 3D tissue fabrication for drug development and personalized diagnostics and data analysis for drug repurposing etc. In 2007, Dr Korman was part of the research team of Cleveland Biolabs, Inc. (NASDAQ: CBLI), a biotech drug development company, and a research leader in the department of Cell Stress Biology at Roswell Park Comprehensive Cancer Center. He began his academic career in 1998 when he joined the research lab in the Department of Molecular Biology in the University of Illinois at Chicago as a visiting scientist.

## **Business Advisor**

*Pavel Hilman* is Chairman of HIG Capital AG, a Swiss holding company, Mr. Hilman has extensive experience in the financial industry and private venture investments in the areas of bio-tech, agri-tech, med-tech, nano-tech and IT. Mr. Hilman currently serves on various executive and advisory Boards and supervisory committees of private and public corporations in the United Kingdom, USA, Switzerland, Israel, Luxemburg, Poland, Russian Federation and the Ukraine.

## **Involvement in legal proceedings**

There are no legal proceedings that have occurred within the past ten years concerning our directors, or control persons which involved a criminal conviction, a criminal proceeding, an administrative or civil proceeding limiting one's participation in the securities or banking industries, or a finding of securities or commodities law violations.

## **Family relationships**

There are no family relationships among any of our officers or directors.

## Committees of the Board of Directors

The Company does not have an audit committee. We are not a "listed company" under SEC rules and are therefore not required to have an audit committee comprised of independent directors.

We do not currently have a "financial expert" within the meaning of the rules and regulations of the SEC.

The Company has no nominating or compensation committees at this time. The entire Board participates in the nomination and audit oversight processes and considers executive and director compensation. Given the size of the Company and its stage of development, the entire Board is involved in such decision-making processes. Thus, there is a potential conflict of interest in that our directors and officers have the authority to determine issues concerning management compensation, nominations, and audit issues that may affect management decisions. We are not aware of any other conflicts of interest with any of our executive officers or directors.

## Code of Ethics

The Company has not as yet adopted a code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions as required by the Sarbanes-Oxley Act of 2002 due to our small size and limited resources and because management's attention has been focused on matters pertaining to raising capital and the operation of the business.

## Delinquent Section 16(a) Reports

Section 16(a) of the Securities Exchange Act of 1934 requires our executive officers and directors, and persons who beneficially own more than 10% percent of our equity securities ("Reporting Persons") to file reports of ownership and changes in ownership with the SEC. Based solely on our review of copies of such reports and representations from the Reporting Persons, we believe that during the fiscal year ended December 31, 2020, the Reporting Persons timely filed all such reports.

## Changes in Nominating Process

There are no material changes to the procedures by which security holders may recommend nominees to our Board.

## Item 11. Executive Compensation.

### Summary Compensation Table

The following table provides certain information regarding compensation awarded to, earned by or paid to our Chief Executive Officer and the other executive officer with compensation exceeding \$100,000 during fiscal 2020 (each a "Named Executive Officer").

Name and Principal Position	Fiscal Year Ended 12/31	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other (\$)	Total (\$)
Jonah Meer, Chief Executive Officer, Chief Financial Officer, Secretary and Director	2020	-	-	-	106,765 <sup>(1)</sup>	-	106,765 <sup>(1)</sup>
	2019	-	-	-	182,660 <sup>(2)</sup>		182,660 <sup>(2)</sup>
Ido Merfeld, President and Director	2020	-	-	-	106,765 <sup>(1)</sup>	-	106,765 <sup>(1)</sup>
	2019	-	-	-	182,660 <sup>(2)</sup>	-	182,660 <sup>(2)</sup>

(1) Represents a five-year option to purchase 325,000 shares of common stock at an exercise price of \$2.00 per share, exercisable on December 20, 2020 and the grant date fair value computed in accordance with ASC Topic 718 as described in Note 11 to the financial statements included in this Annual Report on Form 10-K for the year ended December 31, 2020.

(2) Represents a five-year option to purchase 325,000 shares of common stock at an exercise price of \$2.00 per share, exercisable on December 17, 2018 and the grant date fair value computed in accordance with ASC Topic 718 as described in Note 11 to the financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2019.



## 2016 Stock Option and Stock Award Plan

On December 14, 2016, the Board adopted the Company's 2016 Stock Option and Stock Award Plan (the "Plan"). The Plan provides for the award of stock options (incentive and non-qualified), stock awards and stock appreciation rights to officers, directors, employees and consultants who provide services to the Company. The terms of awards under the Plan are made by the Administrator of the Plan appointed by the Company's Board of Directors, or in the absence of an Administrator, by the Board. The Company has reserved 10 million shares for issuance under the Plan.

### Outstanding Equity Awards

The table below reflects all outstanding equity awards made to each Named Executive Officer that were outstanding at December 31, 2020.

#### OUTSTANDING EQUITY AWARDS AT DECEMBER 31, 2020

Name	Grant Date	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date
Jonah Meer	12/4/17	300,000	0	2.00	12/4/22
	12/10/18	325,000	0	2.00	12/10/23
	12/19/19	325,000	0	2.00	12/19/24
	12/20/20	325,000	0	2.00	12/20/25
Ido Merfeld	12/4/17	300,000	0	2.00	12/4/22
	12/10/18	325,000	0	2.00	12/10/23
	12/19/19	325,000	0	2.00	12/19/24
	12/20/20	325,000	0	2.00	12/10/25

### Compensation of Directors

During the year ended December 31, 2020, no compensation has been paid to our directors in consideration for their services rendered in their capacities as directors.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of March 26, 2021, the number of shares of common stock beneficially owned by (i) each person, entity or group (as that term is used in Section 13(d)(3) of the Securities Exchange Act of 1934) known to the Company to be the beneficial owner of more than 5% of the outstanding common stock; (ii) each of our Named Executive Officers and (iii) all officers and directors as a group. Information relating to beneficial ownership of common stock by our principal stockholders and management is based upon information furnished by each person using "beneficial ownership" concepts under the rules of the SEC. Under these rules, a person is deemed to be a beneficial owner of a security if that person directly or indirectly has or shares voting power, which includes the power to vote or direct the voting of the security, or investment power, which includes the power to dispose or direct the disposition of the security. The person is also deemed to be a beneficial owner of any security of which that person has a right to acquire beneficial ownership within 60 days. Under the SEC rules, more than one person may be deemed to be a beneficial owner of the same securities, and a person may be deemed to be a beneficial owner of securities as to which he or she may not have any pecuniary interest. Except as noted below, each person has sole voting and investment power with respect to the shares beneficially owned and each stockholder's address is c/o Qrons Inc., 50 Battery Place, #7T, New York, New York 10280.

The percentages below are calculated based on 13,289,789 issued and outstanding shares of common stock outstanding as of March 26, 2020.

Name and Address of Beneficial Owner	Amount and Percentage of Beneficial Ownership	
	Shares	%
<b>Directors and Executive Officers:</b>		
Jonah Meer Chief Executive Officer, Chief Financial Officer, Secretary and Director	6,335,000 <sup>(2)</sup>	43.5% <sup>(1)</sup>
Ido Merfeld President and Director	6,335,000 <sup>(2)</sup>	43.5% <sup>(1)</sup>
All officers and directors as a group (2 persons):	12,670,000 <sup>(3)</sup>	80.0%

(1) Messrs. Meer and Merfeld are the holders of the Company's issued and outstanding Series A preferred stock. For so long as the Class A preferred stock is issued and outstanding, the holders of Class A Preferred Stock shall vote together as a single class with the holders of the Company's common stock and the holders of any other class or series of shares entitled to vote with the common stock, with the holders of Class A Preferred Stock being entitled to 66 2/3% of the total votes on all such matters.

(2) Includes currently exercisable options to purchase an aggregate of 1,275,000 shares of common stock.

(3) Includes currently exercisable options to purchase an aggregate of 2,550,000 shares of common stock.

### Change-in-Control Agreements

The Company does not have any change-in-control agreements with any of its executive officers.

## Item 13. Certain Relationships and Related Transactions and Director Independence.

### Certain Relationships and Related Transactions

On September 1, 2016, the Company entered into a convertible debenture agreement with CubeSquare (the "\$10,000 Debenture"). Jonah Meer, our Chief Executive Officer is the managing member of CubeSquare. Ido Merfeld, our President, is a 25% owner of CubeSquare. Under the debenture agreement, CubeSquare loaned \$10,000 to the Company. Cube Square had agreed to loan the Company an additional \$15,000 on the same terms and conditions if requested by the Company. The loan bears interest at 8% per annum (which will increase to 12% if an event of default as described in the debenture agreement occurs) and was due on September 1, 2017, or immediately upon an event of default. Interest is payable, at CubeSquare's option, in cash or common stock. Any portion of the loan and unpaid interest are convertible at any time at the option of CubeSquare into shares of common stock of the Company at a conversion price per share of the greater of (i) \$0.0625, if the Company's shares are not trading on a public market, and (ii) if the Company's shares are listed for trading on a public market, an amount equal to a 50% discount to the average of the five lowest trading prices during the previous twenty trading days. So long as the loan is outstanding, the Company may not merge, reorganize, restructure, reverse split its stock, consolidate or sell all or substantially all of its assets without giving seven days prior written notice to CubeSquare, in which case, CubeSquare can put the note to the Company at 125% of the then outstanding principal and interest. The debenture agreement also provides for anti-dilution protection (with certain exceptions) if the Company engages in other transactions at a lower price per share. The Company has the right to redeem the loan for 6 months, in whole or in part, at 125% of the principal amount being redeemed and accrued interest thereon. The Company must reserve 150% of the number of shares issuable upon conversion of the loan. The Company may not engage in short sales. Except upon 61 days prior written notice to the Company, CubeSquare may not convert the loan if as a result of such conversion, CubeSquare and its affiliates would own in excess of 9.9% of the total issued and outstanding shares of the Company.

On September 27, 2017, the Company entered into an 8% convertible debenture in the amount of \$15,000 with CubeSquare (the "\$15,000 Debenture"), with the same terms as the \$10,000 Debenture described above, due September 27, 2018. The maturity date of the \$15,000 Debenture was extended to September 27, 2019 pursuant to a First Amendment to 8% Convertible Debenture, dated September 9, 2018, was further extended to September 27, 2020 pursuant to a Second Amendment to 8% Convertible Debenture, dated September 27, 2019, and was further extended pursuant to a Third Amendment to 8% Convertible Debenture, dated October 30, 2020 to September 27, 2021.

The maturity date of the \$10,000 Debenture was extended to September 1, 2018 pursuant to a First Amendment to 8% Convertible Debenture, dated September 28, 2017, was further extended to September 1, 2019 pursuant to a Second Amendment to 8% Convertible Debenture, dated September 9, 2018, was further extended to September 1, 2020 pursuant to a Third Amendment to 8% Convertible Debenture dated September 1, 2019 and was further extended pursuant to a Fourth Amendment to 8% Convertible Debenture, dated October 30, 2020 to September 1, 2021.

On December 10, 2018, we granted an immediately exercisable five-year option to purchase 325,000 shares of common stock at an exercise price of \$2.00 per share to each of Jonah Meer and Ido Merfeld.

On May 1, 2019, we issued a promissory note to CubeSquare in the principal amount of \$50,000. The Note bears interest at the rate of 8% per annum and is due and payable by the Company upon demand from CubeSquare. The Note will become immediately due and payable, upon the occurrence of an event of default, which includes (i) failure to pay any obligation under the Note within two business days of demand therefor (ii) the Company filing a petition or answer or consent seeking relief under any federal or state bankruptcy law or other similar law, or its consent to such proceedings and the appointment of a receiver or liquidator or similar entity of a substantial part of the Company's assets, or the Company making a general assignment for the benefit of creditors. Interest on the Note upon an event of default will be 13% per annum. The Note may be prepaid, at the option of the Company, in whole or in part, at any time, without premium or penalty.

On August 8, 2019 and August 20, 2019, Jonah Meer and Ido Merfeld each made a \$50,000 advance to the Company, respectively.

On December 19, 2019, we granted an immediately exercisable five-year option to purchase 325,000 shares of common stock at an exercise price of \$2.00 per share to each of Jonah Meer and Ido Merfeld.

Between October 20, 2019 and December 9, 2019, Jonah Meer made an aggregate of \$85,000 unsecured, non-interest bearing advances to the Company.

On December 10, 2020, we granted an immediately exercisable five-year option to purchase 325,000 shares of common stock at an exercise price of \$2.00 per share to each of Jonah Meer and Ido Merfeld.

Jonah Meer currently provides the Company with space for its principal executive office at 50 Battery Place, #7T, New York, New York 10280 at no cost.

#### **Insider Transactions Policies and Procedures**

The Company does not currently have an insider transaction policy.

#### **Director Independence**

Our Board of Directors does not include any independent directors.

#### **Item 14. Principal Accounting Fees and Services.**

##### **Audit Fees**

Audit fees consist of fees for professional services rendered for the audit of the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K and the review of financial statements included in the Company's Quarterly Reports on Form 10-Q. The aggregate fees billed for professional services rendered by our principal accountant, Heaton & Company, PLLC (doing business as Pinnacle Accountancy Group of Utah), for audit and review services for the years ended December 31, 2020 and 2019 were \$16,278 and \$14,250, respectively.

We incurred no non-audit related fees, tax fees or other fees for professional services rendered by our principal accountant for the years ended December 31, 2020 and 2019.

##### **Administration of the Engagement; Pre-Approval of Audit and Permissible Non-Audit Services**

We have not yet established an audit committee. Until then, there are no formal pre-approval policies and procedures. Nonetheless, the auditors engaged for these services are required to provide and uphold estimates for the cost of services to be rendered. The percentage of hours expended on Heaton & Company, PLLC's respective engagement to audit our financial statements for the most recent fiscal year that were attributed to work performed by persons other than the principal accountant's full-time, permanent employees was 0%.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

Exhibit Number	Exhibit
3.1	<a href="#"><u>Articles of Incorporation of the Company (1)</u></a>
3.2	<a href="#"><u>Certificate of Designation of Series A Preferred Stock (1)</u></a>
3.3	<a href="#"><u>Bylaws of the Company (1)</u></a>
3.4	<a href="#"><u>Amendment to Articles of Incorporation (2)</u></a>
4.1	<a href="#"><u>2016 Stock Option and Stock Award Plan (1)</u></a>
4.2	<a href="#"><u>Description of Securities (18)</u></a>
10.1	<a href="#"><u>\$10,000 8% Convertible Debenture Agreement, dated September 1, 2016, between the Company and CubeSquare LLC (1)</u></a>
10.2	<a href="#"><u>License and Research Funding Agreement, dated December 14, 2016, between the Company and Ariel University R&amp;D Co., Ltd. (1)</u></a>
10.3	<a href="#"><u>Form of Subscription Agreement for the Company's Regulation D private offering which closed January 27, 2017 (1)</u></a>
10.4	<a href="#"><u>Form of Common Stock Purchase Warrant for the Company's Regulation D private offering which closed January 27, 2017 (1)</u></a>
10.5	<a href="#"><u>Option Agreement between Trustees of Dartmouth College and the Company (3) **</u></a>
10.6	<a href="#"><u>Addendum #1 to License and Research Funding Agreement, effective December 13, 2017, between the Company and Ariel Scientific Innovations Ltd. (4)</u></a>
10.7	<a href="#"><u>Services Agreement, dated December 14, 2017, between Ariel Scientific Innovations Ltd., Ariel, Israel and the Company (4)</u></a>
10.8	<a href="#"><u>Subscription Agreement, dated January 23, 2017, between the Company and Coventus Holdings SA (4) (5)</u></a>
10.9	<a href="#"><u>Advisory Board Consulting Agreement, dated January 23, 2017, between the Company and Pavel Hilman (5)</u></a>
10.10	<a href="#"><u>First Amendment to \$10,000 8% Convertible Debenture, dated September 28, 2017, between the Company and CubeSquare LLC (6)</u></a>
10.11	<a href="#"><u>\$15,000 8% Convertible Debenture, dated September 27, 2017, between the Company and CubeSquare LLC (6)</u></a>
10.12	<a href="#"><u>Form of Advisory Board Member Consulting Agreement (6)</u></a>
10.13	<a href="#"><u>First Amendment to Services Agreement, dated April 12, 2018, between the Company and Ariel Scientific Innovations Ltd. (7)</u></a>
10.14	<a href="#"><u>Sponsored Research Agreement, made as of July 12, 2018, between the Company and Trustees of Dartmouth College (8)</u></a>
10.15	<a href="#"><u>Second Amendment to Services Agreement, dated December 12, 2018, between the Company and Ariel Scientific Innovations Ltd. (9)</u></a>
10.16	<a href="#"><u>First Amendment to \$15,000 8% Convertible Debenture, dated September 9, 2018 (10)</u></a>
10.17	<a href="#"><u>Second Amendment to the \$10,000 8% Convertible Debenture, dated September 9, 2018 (10)</u></a>
10.18	<a href="#"><u>Services Agreement, dated March 6, 2018, between the Company and Ariel Scientific Innovations Ltd. (11)</u></a>
10.19	<a href="#"><u>First Amendment to Services Agreement, dated April 11, 2019 between the Company and Ariel Scientific Innovations Ltd. (11)</u></a>
10.20	<a href="#"><u>\$50,000 8% Demand Promissory Note, dated May 1, 2019 issued to CubeSquare, LLC (12)</u></a>
10.21	<a href="#"><u>Term Sheet, effective July 1, 2019, between the Company and John Bonfiglio (13)</u></a>
10.22	<a href="#"><u>Services Agreement, dated August 8, 2019, between the Company and PCG Advisory, Inc. (14)</u></a>
10.23	<a href="#"><u>Intellectual Property License Agreement, entered into on October 2, 2019, between the Company and Trustees of Dartmouth College (15)</u></a>
10.24	<a href="#"><u>First Amendment to Sponsored Research Agreement, dated November 4, 2019, between the Company and Trustees of Dartmouth College (16)</u></a>
10.25	<a href="#"><u>Royalty and License Fee Sharing Agreement, dated November 30, 2019, between the Company and Ariel Scientific Innovations Ltd. (17)</u></a>
10.26	<a href="#"><u>Third Amendment to Services Agreement, dated December 8, 2019, between the Company and Ariel Scientific Innovations Ltd. (18)</u></a>
10.27	<a href="#"><u>Form of Securities Purchase Agreement for 8% Convertible Promissory Notes (18)</u></a>
10.28	<a href="#"><u>Form of 8% Convertible Promissory Note (18)</u></a>
31*	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certifications of Chief Executive Officer and Chief Financial Officer</u></a>
32*	<a href="#"><u>Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer</u></a>
101*	<a href="#"><u>Interactive Data Files</u></a>

\* Filed herewith

\*\*Portions of Exhibit 10.5 have been omitted pursuant to a confidential treatment request granted by the SEC.

- (1) Incorporated by reference to the corresponding exhibit to the Company's Registration Statement on Form S-1 filed with the SEC on March 13, 2017
- (2) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 11, 2017
- (3) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on October 20, 2017
- (4) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 15, 2017
- (5) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on February 12, 2017
- (6) Incorporated by reference to the corresponding exhibit to the Company's Annual Report on Form 10-K filed with the SEC on March 2, 2018
- (7) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on April 16, 2018
- (8) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on July 18, 2018
- (9) Incorporated by reference to Exhibit 10.14 to the Company's Current Report on Form 8-K filed with the SEC on December 14, 2018
- (10) Incorporated by reference to the corresponding exhibit to the Company's Annual Report on Form 10-K filed with the SEC on March 25, 2019
- (11) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on April 16, 2019
- (12) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on May 3, 2019
- (13) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on June 27, 2019
- (14) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on August 12, 2019
- (15) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on October 8, 2019
- (16) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on November 6, 2019
- (17) Incorporated by reference to the corresponding exhibit to the Company's Current Report on Form 8-K filed with the SEC on December 3, 2019
- (18) Incorporated by reference to the corresponding exhibit to the Company's Annual Report on Form 10-K filed with the SEC on March 30, 2020.

#### **Item 16. Form 10-K Summary**

None.

#### **SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Qrons Inc.

Date: March 31, 2021

By: /s/ Jonah Meer

Jonah Meer  
Chief Executive Officer, Chief Financial  
Officer and Secretary  
(Principal Executive Officer and Principal  
Financial and Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
------------------	--------------	-------------

/s/Jonah Meer

Jonah Meer

Chief Executive Officer, Chief Financial  
Officer, Secretary and a Director  
(Principal Executive Officer and Principal  
Financial and Accounting Officer)

March 31, 2021

/s/Ido Merfeld

Ido Merfeld

President and a Director

March 31, 2021