United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2022

Or

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

For the transition period ended:

QSAM Biosciences, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	000-55148	20-1602779
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

9442 Capital of Texas Hwy N, Plaza 1, Suite 500
Austin, TX 78759
(Address of Principal Executive Offices)

(512) 343-4558
(Registrant's Telephone Number, including area code)

(Former name or former address, if changed since last report.)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value $0.0001

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 15(d) of the Exchange Act. Yes □ No ☒

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). 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 Exchange Act 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.
(1) Yes ☒ No □; (2) 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:

Large accelerated filer	□	Accelerated filer	□
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	□		

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 revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act □

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

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

As of August 15, 2022, the registrant had 1,686,587 common shares outstanding.

Documents incorporated by reference: None.

QSAM BIOSCIENCES, INC.

FORM 10-Q
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Report"), including this "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, regarding future events and the future results of the Company that are based on current expectations, estimates, forecasts, and projections about the industry in which the Company operates and the beliefs and assumptions of the management of the Company. Words such as "expects," "anticipates," "targets," "goals," "projects," "intends," "plans," "believes," "seeks," "estimates," "may", "could" and variations of such words, and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions that are difficult to predict. In particular, as discussed in greater detail below, our financial condition and results could be materially adversely affected by the continued impacts and disruptions caused by the novel coronavirus (COVID-19) global pandemic and governmental responses thereto. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth or anticipated in our forward-looking statements. Therefore, actual results may differ materially and adversely from those expressed in any forward-looking statements. Factors that might cause or contribute to such differences include, but are not limited to, those discussed elsewhere in this Report, including under "Risk Factors", and in other reports the Company files with the Securities and Exchange Commission ("SEC"), including the Company's Annual Report on Form 10-K for the year ended December 31, 2021, as filed with the SEC on February 24, 2022 (under the heading "Risk Factors" and in other parts of that report).

Exchange Act Reporting Requirements

Section 14(a) of the Exchange Act requires all companies with securities registered pursuant to Section 12(g) of the Exchange Act like we are to comply with the rules and regulations of the SEC regarding proxy solicitations, as outlined in Regulation 14A. Matters submitted to shareholders at a special or annual meeting thereof or pursuant to a written consent will require us to provide our shareholders with the information outlined in Schedules 14A (where proxies are solicited) or 14C (where consents in writing to the action have already been received or anticipated to be received) of Regulation 14, as applicable; and preliminary copies of this information must be submitted to the SEC at least 10 days prior to the date that definitive copies of this information are forwarded to our shareholders. We are also required to file annual reports on Form 10-K and quarterly reports on Form 10-Q with the SEC on a regular basis, and will be required to timely disclose certain material events (e.g., changes in corporate control; acquisitions or dispositions of a significant amount of assets other than in the ordinary course of business; and bankruptcy) in a Current Report on Form 8-K. All public filing made with the SEC are available via the SEC's website on EDGAR at www.sec.gov.

PART I – FINANCIAL INFORMATION

ITEM 1: FINANCIAL STATEMENTS

QSAM BIOSCIENCES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash	$ 429,353	$ 1,499,866
Prepaid expenses and other current assets	108,221	135,014
Deferred offering costs	-	35,000
TOTAL CURRENT ASSETS	537,574	1,669,880
TOTAL ASSETS	$ 537,574	$ 1,669,880
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 994,464	$ 569,321
Accrued payroll and related expenses	588,805	95,400
Accrued Series B preferred stock dividends	228,584	153,343
Convertible notes payable, net of discount	550,550	532,400
Notes payable - related parties	7,500	7,500
Debentures	-	35,000
TOTAL CURRENT LIABILITIES	2,369,903	1,392,964
TOTAL LIABILITIES	2,369,903	1,392,964
Redeemable convertible preferred stock - Series A; $0.0001 par value, 1,500 designated Series A, and 480 shares issued and outstanding (liquidation preference of $706,800 and $693,580) as of June 30, 2022 and December 31, 2021	706,800	693,580
STOCKHOLDERS' DEFICIT		
Preferred stock, Series B, $0.001 par value; 2,500 shares authorized, 1,509 shares issued and outstanding (liquidation preference of $1,737,585 and $1,662,757) as of June 30, 2022 and December 31, 2021	2	2
Preferred stock, Series E-1, $0.0001 par value; 8,500 shares authorized, 0 shares issued and outstanding as of June 30, 2022 and December 31, 2021	-	-
Common stock, $0.0001 par value, 300,000,000 shares authorized, 1,686,587 and 1,652,102 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	169	165
Unearned deferred compensation	(472,292)	(900,742)
Additional paid-in capital	30,327,583	29,765,585
Accumulated deficit	(32,394,591)	(29,281,674)
TOTAL STOCKHOLDERS' DEFICIT	(2,539,129)	(416,664)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 537,574	$ 1,669,880

See notes to the unaudited condensed consolidated financial statements.

QSAM BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	For the three months ended June 30,		For the six months ended June 30,	
	2022	2021	2022	2021
REVENUES	$ -	$ -	$ -	$ -
OPERATING EXPENSES				
Payroll and related expenses	791,721	2,552,199	1,548,120	5,015,020
Professional fees	218,006	151,858	857,411	954,686
General and administrative	49,300	51,794	168,768	46,048
Research and development expenses	204,216	147,453	459,053	221,407
Total Operating Expenses	1,263,243	2,903,304	3,033,352	6,237,161
LOSS FROM OPERATIONS	(1,263,243)	(2,903,304)	(3,033,352)	(6,237,161)
OTHER INCOME (EXPENSE)				
Financing costs including interest	(20,203)	(899)	(38,340)	(38,528)
Gain on sale of equity method investment	-	-	-	100,000
Loss on debentures and accrued expenses converted to common stock	-	-	-	(390,068)
Loss on conversion of bridge notes and accrued interest	-	-	-	(744,505)
Total Other Expense, net	(20,203)	(899)	(38,340)	(1,073,101)
Loss from operations before income taxes	(1,283,446)	(2,904,203)	(3,071,692)	(7,310,262)
INCOME TAXES	-	-	-	-
NET LOSS	(1,283,446)	(2,904,203)	(3,071,692)	(7,310,262)
PREFERRED STOCK				
Series A preferred contractual dividends	(6,018)	(162,819)	(13,220)	(170,717)
Series B preferred contractual dividends	(38,035)	-	(75,241)	-
Deemed dividend on conversion of Series A preferred stock to shares of common stock	-	-	-	(542,500)
Deemed dividend on warrant modification	-	-	(41,225)	-
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (1,327,499)	$ (3,067,022)	$ (3,201,378)	$ (8,023,479)
NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS: BASIC AND DILUTED:	$ (0.79)	$ (4.42)	$ (1.91)	$ (12.72)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING: BASIC AND DILUTED	1,677,681	693,323	1,677,681	630,645

See notes to the unaudited condensed consolidated financial statements.

QSAM BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2022 AND 2021
(UNAUDITED)

	Series B Preferred Stock		Series E-1 Preferred Stock		Common Stock		Deferred	Additional			Total Stockholders'
	Shares	Par Value	Shares	Par Value	Shares	Par Value	Stock-based Compensation	Paid-In Capital	Stock Subscription	Accumulated Deficit	Equity (Deficit)
Balance, December 31, 2020	281	-	7,650	-	486,806	$ 49	$ (148,333)	$ 11,023,738	$ (25,000)	$ (15,911,895)	$ (5,061,441)
Stock-based compensation for services	-	-	-	-	6,250	1	115,000	537,391	-	-	652,392
Conversion of debentures and accrued expenses	-	-	-	-	15,825	2	-	515,066	-	-	515,068
Conversion of bridge notes and accrued interest to common stock	-	-	-	-	165,692	17	-	4,378,471	-	-	4,378,488
Conversion of Series A preferred stock to common stock	-	-	-	-	18,750	2	-	662,498	-	(542,500)	120,000
Series A, preferred stock contractual dividends	-	-	-	-	-	-	-	(7,899)	-	-	(7,899)
Issuance of Series B, preferred stock for cash	2,196	2	-	-	-	-	-	2,195,998	25,000	-	2,221,000
Issuance of Series B, conversion of notes payable to preferred stock	23	-	-	-	-	-	-	23,000	-	-	23,000
Stock-based compensation to employees and directors	-	-	850	1	-	-	(4,141,777)	6,527,999	-	-	2,386,223
Net loss for the three months ended March 31, 2021	-	-	-	-	-	-	-	-	-	(4,406,059)	(4,406,059)
Balance, March 31, 2021	2,500	2	8,500	1	693,323	71	(4,175,110)	25,856,262	-	(20,860,454)	820,772
Stock-based compensation for services and warrant modification	-	-	-	-	-	-	33,333	7,841	-	-	41,174
Deemed dividend from warrant modification	-	-	-	-	-	-	-	155,639	-	(155,639)	-
Series A, preferred stock contractual dividends	-	-	-	-	-	-	-	(7,180)	-	-	(7,180)
Stock-based compensation to employees and directors	-	-	-	-	-	-	2,439,249	-	-	-	2,439,249
Net loss period ended June 30, 2021	-	-	-	-	-	-	-	-	-	(2,904,203)	(2,904,203)
Balance, June 30, 2021	2,500	2	8,500	1	693,323	71	(1,702,528)	26,012,562	-	(23,920,294)	389,813
Balance, December 31, 2021	1,509	$ 2	-	$ -	1,652,102	$ 165	$ (900,742)	$ 29,765,585	$ -	$ (29,281,674)	$ (416,664)
Common stock issued for services, including a director	-	-	-	-	28,750	3	-	254,748	-	-	254,751
Conversion of debentures	-	-	-	-	5,469	1	-	34,999	-	-	35,000
Incremental value from warrant modifications	-	-	-	-	-	-	-	41,225	-	(41,225)	-
Series A, preferred stock contractual dividends	-	-	-	-	-	-	-	(7,202)	-	-	(7,202)
40:1 Reverse Split Fractional Shares Adjustment	-	-	-	-	266	-	-	-	-	-	-
Series B, preferred stock contractual dividends	-	-	-	-	-	-	-	(37,206)	-	-	(37,206)
Accretion of stock-based compensation to employees and directors	-	-	-	-	-	-	213,041	107,312	-	-	320,353
Net loss period for the three months ended March 31, 2022	-	-	-	-	-	-	-	-	-	(1,788,246)	(1,788,246)
Balance, March 31, 2022	1,509	2	-	-	1,686,587	169	(687,701)	30,159,461	-	(31,111,145)	(1,639,214)
Series A, preferred stock contractual dividends	-	-	-	-	-	-	-	(6,018)	-	-	(6,018)
Series B, preferred stock contractual dividends	-	-	-	-	-	-	-	(38,035)	-	-	(38,035)
Accretion of stock-based compensation to employees and directors	-	-	-	-	-	-	215,409	212,175	-	-	427,584
Net loss period for the three months ended June 30, 2022	-	-	-	-	-	-	-	-	-	(1,283,446)	(1,283,446)
Balance, June 30, 2022	1,509	$ 2	-	$ -	1,686,587	$ 169	$ (472,292)	$ 30,327,583	$ -	$ (32,394,591)	$ (2,539,129)

See notes to the unaudited condensed consolidated financial statements.

QSAM BIOSCIENCES, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

	For the six months ended June 30,	
	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (3,071,692)	$ (7,310,262)
Adjustments to reconcile net loss to net cash used in operations:		
Common stock issued for services	254,751	693,566
Stock-based compensation to employees and directors	747,937	4,825,472
Loss on conversion of bridge notes and accrued interest	-	744,505
Loss on conversion of debentures and accrued expense to common stock	-	390,068
Paid-in-kind interest - convertible bridge notes	-	35,983
Amortization of debt discount	18,150	-
Changes in operating assets and liabilities		
Decrease (increase) in prepaid expenses and other current assets	26,793	(12,621)
(Decrease) increase in accounts payable and accrued expenses	425,143	(69,366)
Increase in accrued payroll and related expenses	493,405	-
Net cash used in operating activities	(1,105,513)	(702,655)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments on promissory notes – related parties	-	(33,492)
Deferred offering costs	35,000	-
Proceeds for the issuance of preferred stock – Series B	-	2,221,000
Net cash provided by financing activities	35,000	2,187,508
NET INCREASE (DECREASE) IN CASH	(1,070,513)	1,484,853
CASH - Beginning of period	1,499,866	8,304
CASH - End of period	$ 429,353	$ 1,493,157
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Payment of interest in cash	$ -	$ -
Payment of income taxes	$ -	$ -
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrual of contractual and deemed dividends on Series A convertible preferred stock	$ 13,220	$ 557,577
Accrual of contractual dividends on Series B convertible preferred stock	$ 75,241	$ -
Deemed dividend on warrant modifications	$ 41,225	$ -
Conversion of convertible bridge notes and accrued interest to 165,692 shares of common stock	$ -	$ 3,633,983
Conversion of debentures and accrued expenses to common stock	$ -	$ 125,000
Conversion of Series A preferred stock to common stock	$ -	$ 120,000
Conversion of notes payable with related parties to Series B preferred stock and warrants	$ -	$ 23,000

See notes to the unaudited condensed consolidated financial statements

NOTE 1 – ORGANIZATION AND DESCRIPTION OF BUSINESS

QSAM Biosciences Inc. (hereinafter the "Company", "we", "our", "us"), incorporated in Delaware on August 26, 2004, is currently engaged in the business of developing a novel radiopharmaceutical drug candidate for the treatment of bone cancer. This business line commenced in earnest in the fourth fiscal quarter of 2020 as a result of the separation and transfer pursuant to an Omnibus Separation Agreement dated November 6, 2020 (the "Separation Agreement") of the Company's prior business of managing compost and soil manufacturing facilities (the "Legacy Business") through an unconsolidated investee entity called Earth Property Holdings LLC, a Delaware limited liability company ("EPH"). Pursuant to the Separation Agreement, the Company transferred to EPH all assets and related liabilities in connection with the Legacy Business in return for a forgiveness of debt. The Company sold its entire equity interest in EPH to a third party in the first quarter of 2021 for $100,000, and currently holds no ownership in EPH.

In April 2020, the Company established QSAM Therapeutics Inc. ("QSAM") as a wholly-owned subsidiary incorporated in the state of Texas, and through QSAM, executed a Patent and Technology License Agreement and Trademark Assignment (the "License Agreement") with IGL Pharma, Inc. ("IGL"). The License Agreement provides QSAM with exclusive, worldwide and sub-licensable rights to all of IGL's patents, product data and knowhow with respect to Samaium-153 DOTMP aka CycloSam® (the "Technology"), a clinical stage novel radiopharmaceutical meant to treat different types of bone cancer and related diseases.

In connection with the transition to the biosciences sector, the Company changed its name to QSAM Biosciences Inc. on September 4, 2020, and subsequently changed its stock symbol to QSAM, to better reflect its business moving forward.

On March 9, 2022, the Company completed a 40:1 reverse stock split of its common shares. All shares and share prices set forth in this report have been adjusted retroactively to present this reverse stock split as if it had occurred at the beginning of the period presented in these condensed consolidated financial statements.

Prior to 2017, the Company owned and licensed technology that converts waste fuels and heat to power, which it sold to a licensee in August of that year. Much of these operations were conducted through a wholly-owned subsidiary of the Company called Q2Power Corp. ("Q2P"), which still exists but has no current operations. Q2P and QSAM are sometimes referred to herein as the "Subsidiaries" collectively, or with respect to just QSAM, the "Subsidiary". Formerly, the Company's name was Q2Power Technologies, Inc., and before that, Anpath Group, Inc.

The recent outbreak of the novel coronavirus (COVID-19) is impacting worldwide economic activity. COVID-19 poses the risk that we or our employees and our other partners may be prevented from conducting business activities for an indefinite period of time, including due to the spread of the disease or shutdowns that may be requested or mandated by governmental authorities. While it is not possible at this time to estimate the full impact that COVID-19 could have on our business, the continued spread of COVID-19 could disrupt our research and development of the Technology and other related activities, which could have a material adverse effect on our business, financial condition and results of operations. In addition, a severe or prolonged economic downturn could result in a variety of risks to the business. While we have not yet experienced any material disruptions in our business or other negative consequences relating to COVID-19, the extent to which the COVID-19 pandemic impacts our results will depend on future developments that are highly uncertain and cannot be predicted.

NOTE 2 – BASIS OF PRESENTATION AND GOING CONCERN

The accompanying unaudited condensed financial statements are prepared in accordance with Rule 8-01 of Regulation S-X of the Securities Exchange Commission ("SEC"). Accordingly, certain information and note disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States of America ("US GAAP") have been condensed or omitted pursuant to such rules and regulations. However, the Company believes that the disclosures included in these unaudited condensed financial statements are adequate to make the information presented not misleading. The unaudited condensed financial statements included in this document have been prepared on the same basis as the annual financial statements, and in our opinion reflect all adjustments, which include normal recurring adjustments necessary for a fair presentation in accordance with US GAAP and SEC regulations for interim financial statements. The results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that the Company will have for any subsequent period or for the calendar year ended December 31, 2022. These unaudited condensed financial statements should be read in conjunction with the audited financial statements and the notes to those statements for the year ended December 31, 2021 which was filed with the SEC on February 24, 2022.

The Company's convertible debentures of $35,000 and $480,000 of Series A 6% convertible preferred stock (the "Series A Stock") was in default as of December 31, 2021. On February 22, 2022, the holder of the debenture converted the full balance of $35,000 into 5,469 shares of common stock at $6.40 per share, and the balance on the convertible debenture is currently $0. On March 9, 2022, the Company entered into a conversion notice and reservation of rights agreement with the two Series A Stockholders whereby such holders waived all default interest, penalties and fees from the Company's failure to redeem the Series A Stock, and agreed to convert such preferred shares into common stock contingent upon the completion of the Company's underwritten equity offering and uplisting to Nasdaq; provided however, if such offering is completed at a lower price than $6.40 per share, the conversion price for the Series A Stock would be reduced to that lower price, and further provided, if warrants are issued in the offering, the Series A Stockholders would receive warrants on similar terms. In the second quarter of 2022, the Company terminated its planned offering and uplisting to Nasdaq due to general market conditions, and therefore, the Series A Stock is still technically in default.

For the six months ended June 30, 2022, the Company used net cash in its operating activities of $1,105,513 and incurred a loss from its operations of $3,071,692. As of June 30, 2022, the Company's accumulated deficit is $32,394,591, working capital deficit is $1,832,329, and cash on hand is $429,353.

The Company has supported operations through the issuance of common stock, preferred stock and debt over the last 12 months. This includes the $2.5 million Series B preferred stock offering in the first quarter of 2021, the exercise of approximately $470,000 in warrants issued in connection with the Series B offering, and also a convertible debt offering in the amount of $605,000 conducted in the fourth quarter of 2021. Management expects expenses to increase in 2022 as our drug technology is currently in clinical trials, and forecasts that current cash resources will only last into the third quarter of 2022. As a result, we will need to raise additional capital to support these operations. Management believes that it can do so through debt or equity raises in 2022; however, there is no guarantee that such plan will be successful. If we are not successful in raising additional capital, we may need to delay clinical trials, reduce overhead, or in the most extreme scenario, shut down operations.

These conditions raise substantial doubt about the Company's ability to continue as a going concern. There is no guarantee whether the Company will be able to generate revenue and/or raise capital sufficient to support its operations. The ability of the Company to continue as a going concern is dependent on management's plans which include implementation of its business model to develop and commercialize its drug candidate, seek strategic partnerships to advance clinical trials and other research endeavors which could provide additional capital to the Company, and continue to raise funds for the Company through equity or debt offerings. There is no assurance, however, that the Company will be successful in raising the needed capital and, if funding is available, that it will be available on terms acceptable to the Company. The unaudited condensed financial statements do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The unaudited condensed financial statements include the accounts of the Company and its Subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation. References herein to the Company include the Company and its Subsidiaries unless the context otherwise requires.

Cash and Cash Equivalents

The Company considers cash, short-term deposits, and other investments with original maturities of no more than ninety days when acquired to be cash and cash equivalents for the purposes of the statement of cash flows. The Company maintains cash balances at one financial institution and has experienced no losses with respect to amounts on deposit. The Company held no cash equivalents as of June 30, 2022 and December 31, 2021.

Revenue Recognition

The Company recognizes revenue in accordance with ASC Topic 606, "Revenue from Contracts with Customers ("ASC 606") and all the related amendments.

The core principle of ASC 606 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASC 606 defines a five-step process to achieve this core principle and, in doing so, it is possible more judgment and estimates may be required within the revenue recognition process than previously required under U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation.

The Company had no revenue in 2022 and 2021.

Stock Based Compensation

The Company applies the fair value method of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 718, "*Share Based Payment*", in accounting for its stock-based compensation with employees and non-employees. This standard states that compensation cost is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period. The Company values stock-based compensation at the market price for the Company's common stock and other pertinent factors at the grant date.

The Black-Scholes option pricing valuation method is used to determine fair value of stock options consistent with ASC 718, "*Share Based Payment"*. Use of this method requires that the Company make assumptions regarding stock volatility, dividend yields, expected term of the awards and risk-free interest rates.

Research and Development

Research and development costs are expensed as incurred. Research and development costs were $459,053 for the six months ended June 30, 2022, and are a result of the Company's activities to commence clinical trials of its drug Technology, as secured by the Company under a License Agreement executed in the second quarter of 2020. Research and development costs were $221,407 for the six months ended June 30, 2021, and are also a result of the License Agreement as well as expenses incurred on the Technology prior to the signing of the License Agreement (see Note 9 – Commitments and Contingencies).

Equity Method Investment

Investments in partnerships, joint ventures and less-than majority-owned subsidiaries in which we have significant influence are accounted for under the equity method. The Company's consolidated net income includes the Company's proportionate share of the net income or loss of our equity method investee. When we record our proportionate share of net income, it increases income (loss) — net in our consolidated statements of operations and our carrying value in that investment. Conversely, when we record our proportionate share of a net loss, it decreases income (loss) — net in our consolidated statements of income and our carrying value in that investment. The Company's proportionate share of the net income or loss of our equity method investees includes significant operating and nonoperating items recorded by our equity method investee. These items can have a significant impact on the amount of income (loss) — net in our consolidated statements of operations and our carrying value in those investments. The Company divested its investment in its equity method investee in March 2021.

Income Taxes

Income taxes are accounted for under the asset and liability method as stipulated by FASB ASC 740, "*Income Taxes*" ("ASC 740"). Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. 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. Under ASC 740, the effect on deferred tax assets and liabilities or a change in tax rate is recognized in income in the period that includes the enactment date. Deferred tax assets are reduced to estimated amounts to be realized by the use of a valuation allowance. A valuation allowance is applied when in management's view it is more likely than not (50%) that such deferred tax will not be utilized.

In the event that an uncertain tax position exists in which the Company could incur income taxes, the Company would evaluate whether there is a probability that the uncertain tax position taken would be sustained upon examination by the taxing authorities. Reserves for uncertain tax positions would be recorded if the Company determined it is probable that a position would not be sustained upon examination or if payment would have to be made to a taxing authority and the amount is reasonably estimated. As of June 30, 2022 and December 31, 2021, the Company does not believe it has any uncertain tax positions that would result in the Company having a liability to the taxing authorities. Interest and penalties related to any unrecognized tax benefits is recognized in the unaudited condensed consolidated financial statements as a component of income taxes.

Basic and Diluted Loss Per Share

Net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period. Diluted net loss per share is calculated by dividing the net loss attributable to common stockholders by the weighted average number of common shares outstanding during the period plus any potentially dilutive shares related to the issuance of stock options, shares from the issuance of stock warrants, shares issued from the conversion of convertible preferred stock and shares issued for the conversion of convertible debt.

As of June 30, 2022, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive (all shares adjusted to reflect a 40:1 reverse stock split effected on March 9, 2022):

Shares from common stock options	177,815
Shares from common stock warrants	37,083
Shares from the conversion of convertible notes and accrued interest	78,584
Shares from the conversion of Series A Stock inclusive of cumulative dividends	110,437
Shares from the conversion of Series B Preferred Stock inclusive of dividends	271,490

As of June 30, 2021, there were the following potentially dilutive securities that were excluded from diluted net loss per share because their effect would be anti-dilutive (all shares adjusted to reflect a 40:1 reverse stock split effected on March 9, 2022):

Shares from common stock options	11,715
Shares from common stock warrants	187,339
Shares from the conversion of debentures	5,469
Shares from the conversion of Series A Stock	75,000
Shares from the conversion of Series B Preferred Stock	390,625
Shares from the conversion of Series E-1 Preferred Stock	212,500

Significant Estimates

U.S. Generally Accepted Accounting Principles ("GAAP") requires the Company to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited financial statements, the reported amounts of revenues and expenses, cash flows and the related footnote disclosures during the period. On an on-going basis, the Company reviews and evaluates its estimates and assumptions, including, but not limited to, those that relate to the fair value of stock-based compensation fair value of convertible bridge notes, and a valuation allowance on deferred tax assets and contingencies. Actual results could differ from these estimates.

Recent Accounting Pronouncements

In August 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-06, Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU 2020-06") to simplify accounting for certain financial instruments. ASU 2020-06 eliminates the current models that require separation of beneficial conversion and cash conversion features from convertible instruments and simplifies the derivative scope exception guidance pertaining to equity classification of contracts in an entity's own equity. The new standard also introduces additional disclosures for convertible debt and freestanding instruments that are indexed to and settled in an entity's own equity. ASU 2020-06 amends the diluted earnings per share guidance, including the requirement to use the if-converted method for all convertible instruments. ASU 2020-06 is effective January 1, 2022 for public business entities that are not smaller reporting companies and for all other entities, fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. The standard should be applied on a full or modified retrospective basis, with early adoption permitted beginning on January 1, 2021. Effective January 1, 2021, the Company adopted ASU 2020-06 and noted no material impact to the consolidated financial statements.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on its unaudited financial statements.

Reclassifications

Certain reclassifications of prior year amounts have been made to conform to the 2022 presentation. These reclassifications had no effect on net loss or loss per share as previously reported and primarily related to the reclassification of stock based compensation from general and administrative expenses to payroll and related expenses.

Concentration of Risk

The Company expects cash to be the asset most likely to subject the Company to concentrations of credit risk. The Company's bank deposits may at times exceed federally insured limits. The Company's policy is to maintain its cash with high credit quality financial institutions to limit its risk of loss exposure. The Company's cash balance as of June 30, 2022, is in excess of FDIC limits in the amount of approximately $179,353.

The Company is subject to a number of risks similar to those of other companies at a clinical-stage for radiopharmaceutical drug candidates, including dependence on key individuals; the need to develop commercially viable therapeutics; competition from other companies, many of which are larger and better capitalized; and the need to obtain adequate additional financing to fund the development of its products. The Company currently depends on third-party, suppliers for key materials and services used in its research and development manufacturing process, and is subject to certain risks related to the loss of these third-party suppliers or their inability to supply the Company with adequate materials and services.

Fair Value of Financial Instruments

In accordance with Accounting Standards Codification ("ASC") 825, *Financial Instruments*, disclosures of fair value information about financial instruments are required, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Cash is carried fair value.

Other financial instruments, including accounts payable, accrued liabilities and short-term debt, are carried at cost, which approximates fair value given their short-term nature.

Deferred Offering Cost

Costs incurred prior to an equity offering are capitalized until the offering occurs. Upon the equity offering, all accumulated costs are charged against proceeds. If the Company determines that the equity offering will not occur, the accumulated costs are charged to operations.

Segment Reporting

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker in making decisions regarding resource allocation and assessing performance. To date, the Company views its operations and manages its business as one segment.

NOTE 4 – EQUITY METHOD INVESTMENT

During November 2018, the Company invested $50,000 for a 19.9% Class B limited liability membership interest in EPH and recorded this transaction as an equity method investment due to the Company's ability to exercise significant influence over EPH. The carrying value of the investment in EPH was reduced to zero after recording the proportionate share of the investee's net loss for the 2018 fiscal year. In January 2019, the Company committed an additional $21,588 through a subscription payable to maintain its 19.9% Class B limited liability interests in EPH, after additional Class A units were sold to investors, which was fully paid in April 2020. The carrying value of the investment at December 31, 2020 was zero due to continued losses incurred by EPH. In the first quarter of 2021, the Company sold this equity interest to an unrelated third party for $100,000. There were no distributions received from the equity method investment in the relevant periods of 2022 or 2021.

NOTE 5 – RELATED PARTY TRANSACTIONS

The Company currently has a License Agreement with IGL Pharma, Inc., an entity in which the Company's Executive Chairman serves as President, holds options to purchase less than a 1% non-controlling equity interest and receives a $500 per month fee. See Note 9 for further disclosures of expenses incurred in connection with this License Agreement during the six months ended June 30, 2022 and 2021.

During the year ended December 31, 2020, the Company received $45,500 of proceeds from short-term notes payable with officers and directors of the Company bearing interest at 10%. As of June 30, 2022, $7,500 of principal remains outstanding on certain of these short-term notes payable. During the six months ended June 30, 2021, $23,000 of these short-term notes payable was converted into 23 shares of the Company's Series B Preferred Stock at a conversion ratio of $1,000 per share and warrants to purchase 1,643 shares of common stock at an exercise price of $14.00 per share, which resulted in no gain or loss on conversion. These warrants expired in October 2021.

NOTE 6 – DEBENTURES, CONVERTIBLE BRIDGE NOTES, AND CONVERTIBLE PROMISSORY NOTES

Debentures

The Company has Original Issue Discount Senior Secured Convertible Debentures (the "Debentures") in the aggregate amount of $0 and $35,000 outstanding as of June 30, 2022 and December 31, 2021, respectively. All assets of the Company were previously secured under the Debentures. There is no interest on these notes. In the first quarter of 2021, the two institutional holders of the debentures converted an aggregate of $102,500 into 12,927 shares of common stock, and the Company recognized a loss on the two debenture conversions of $356,454. In the first quarter of 2022, the remaining institutional holder converted an aggregate of $35,000 into 5,469 shares of common stock, and the Debentures were retired in full. The fair value of the shares issued upon conversion was estimated to be approximately $35,000 based on the market price on the date of conversion. Therefore, no gain or loss was recorded on conversion.

Convertible Bridge Notes

In 2017, 2018 and 2019, the Company issued a total of $2,801,908 in a convertible promissory note (the "Bridge Notes") offering, which included three of the Company's directors converting $156,368 and one shareholder converting $11,784 of prior notes and cash advances, including interest thereon, into the offering. In 2020, $2.9 million of the Bridge Notes, inclusive of principal and accrued and capitalized interest, was converted into 332,804 shares of common stock at $8.80 per share. The Company recorded a loss on extinguishment of these Bridge Notes of $495,320, which is included in the loss on conversion of bridge notes and accrued interest. As of March 31, 2021, all remaining Bridge Notes inclusive of principal and accrued and capitalized interest, were settled with the holders of these notes converting their debt into a total of 165,692 shares of common stock of the Company with a fair value of $4,378,488 based on the stock price of the Company on the date of conversion. The Company recorded a loss on extinguishment of these Bridge Notes of $744,205 for the three and six months ended June 30, 2021, which is included in loss on conversion of bridge notes and accrued interest, as other income expenses in the statements of operations.

Convertible Notes Payable

In the fourth quarter of 2021, the Company issued a total of $605,000 in convertible notes payable. The convertible notes mature on December 31, 2023, and include a 6% simple interest rate per annum payable upon maturity. The notes are convertible into common stock, at the option of the holder, any time prior to maturity at a conversion price of $8.00 per share. Each of the convertible notes have an automatic conversion feature in the event that the Company completes an equity offering resulting in gross proceeds to the Company of at least $5,000,000 or lists its equity securities on NASDAQ or NYSE. The conversion of notes will be at $8.00 per share and adjusted for stock splits, stock dividends or other recapitalizations. In addition, holders of the convertible notes were issued a total of 25,208 warrants to purchase common stock at a price of $24 per share. The exercise period for the warrant holder expires on October 31, 2022 (see Note 7). In accordance with accounting standards, the warrants were valued using a Black Scholes Model and the relative fair value of the warrants was applied against the convertible notes for a debt discount of $72,600 resulting in a net convertible note payable of $532,400 at December 31, 2021. The amortization expense of the debt discount for the six months ended June 30, 2022 is $18,150. As of June 30, 2022, the outstanding principal on the convertible notes payable is $605,000 and the remaining unamortized discount is $54,450 resulting in a net convertible note payable of $550,550. As of June 30, 2022, the Company has recorded $23,669 of accrued interest related to the convertible promissory notes which is recorded in accounts payable and accrued expenses on the condensed consolidated balance sheets.

NOTE 7 – COMMON STOCK, PREFERRED STOCK AND WARRANTS

Common Stock

In the three month period ended June 30 2022 and June 30, 2021, the Company did not issue any shares of common stock.

During the six months ended June 30, 2022, the Company issued the following shares of common stock:

Stock based compensation for services	18,750
Stock based compensation for services performed by one prior Director	10,000
Conversions of debentures	5,469
Total common stock issued during the six months ended June 30, 2022	34,219

During the six months ended June 30, 2021, the Company issued the following shares of common stock:

Stock based compensation for services	6,250
Conversions of debentures and accrued expenses	15,825
Conversion of Bridge Notes	165,692
Conversion of Series A Stock	18,750
Total common stock issued during the six months ended June 30, 2021	206,517

During the six-month period ended June 30, 2022, $35,000 of debentures were converted into 5,469 shares of common stock at a price of $6.40 per share. Additionally, the Company issued 18,750 shares of common stock for services, and 10,000 shares of common stock for services provided by one director who resigned from the Board in the same period.

Effective March 9, 2022, the Company also effected a 40:1 reverse stock split and all share, price per share and per share numbers herein have been adjusted to reflect the reverse stock split retrospectively.

During the six-month period ended June 30, 2021, $125,007 of debentures and accrued expenses plus Bridge Notes with principal and accrued interest of $1,447,315 for an aggregate of $1,572,315 of obligations were converted into 15,825 shares and 165,692 shares, respectively, of common stock at a price of $8.80 per share. Further, $120,000 of Series A Stock was converted into 18,750 shares of common stock at a price of $6.40 per share.

For the three-month periods ended June 30, 2022 and 2021, the Company recognized $0 and $41,174, respectively, of stock-based compensation expense for shares of common stock and warrants issued as consideration under several service agreements. For the six-month periods ended June 30, 2022 and 2021, the Company recognized $254,751 and $288,674 of stock-based compensation expense for shares of common stock issued as consideration under several service agreements.

Series A Redeemable Convertible Preferred Stock ("Series A Stock")

The Company has 480 shares of Series A Stock issued and outstanding as of June 30, 2022, which currently are convertible at $6.40 per share of the Company's common stock (the "Conversion Price"), which was adjusted to match the conversion price of the Company's Series B Preferred Stock. The Series A Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Preferred Stock has no voting rights until converted to common stock and has a liquidation preference equal to the aggregate purchase price of $480,000 plus accrued dividends. As of June 30, 2022 and December 31, 2021, the Company accrued preferred stock dividends of $226,800 and $213,580, respectively.

The Series A Stock has price protection provisions in the case that the Company issues any shares of stock not pursuant to an "Exempt Issuance" at a price below the Conversion Price. Exempt Issuances include: (i) shares of Common Stock or common stock equivalents issued pursuant to the original merger of the company or any funding contemplated by that transaction; (ii) any common stock or convertible securities outstanding as of the date of closing; (iii) common stock or common stock equivalents issued in connection with strategic acquisitions; (iv) shares of common stock or equivalents issued to employees, directors or consultants pursuant to a plan, subject to limitations in amount and price; and (v) other similar transactions. The Certificate of Designation contains restrictive covenants not to incur certain debt, repurchase shares of common stock, pay dividends or enter into certain transactions with affiliates without consent of holders of 67% of the Series A Stock.

Management has determined that the Series A Stock is more akin to a debt security than equity primarily because it contains a mandatory 2-year redemption at the option of the holder, which only occurs if the Series A Stock is not converted to common stock. Therefore, management has presented the Series A Stock outside of permanent equity as mezzanine equity, which does not factor into the totals of either liabilities or equity.

The Series A Stock carries a 6% per annum dividend calculated on the stated value of the stock and is cumulative and payable quarterly beginning July 1, 2016. These dividends are accrued at each reporting period. They add to the redemption value of the stock; however, as the Company shows an accumulated deficit, the charge has been recognized in additional paid-in capital.

As of December 31, 2021, the Series A Stock was in technical default for failure of the Company to redeem. On March 9, 2022, the Company entered into a conversion notice and reservation of rights agreement with the two Series A Stockholders whereby such holders waived all default interest, penalties and fees from the Company's failure to redeem the Series A Stock, and agreed to convert such preferred shares into common stock contingent upon the completion of the Company's underwritten equity offering and uplisting to Nasdaq; provided however, if such offering is completed at a lower price than $6.40 per share, the conversion price for the Series A Stock would be reduced to that lower price, and further provided, if warrants are issued in the offering, the Series A Stockholder would receive warrants on similar terms. In the second quarter of 2022, the Company terminated the offering and uplisting to Nasdaq due to general market conditions, and therefore, the Series A Stock is still technically in default; however, the conversion agreement is valid until March 9, 2023, and management plans to pursue the Nasdaq uplisting in the future.

Series B Convertible Preferred Stock ("Series B Preferred Stock")

In December 2020, the Company filed an amendment to its Articles of Incorporation to authorize the issuance of up to 2,500 shares of Series B Preferred Stock, par value $0.001 per share, pursuant to a Certificate of Designation. The Series B Preferred Stock provides the holders a 10% annual paid-in-kind dividend, a liquidation preference equal to the purchase price of the shares ($1,000 per share) followed by the right to participate with the common stockholders in the instance of a liquidation or other exit event, and provides the holders the right to vote along with the common holders based on the common conversion amount of their holdings. The shares of Series B Preferred Stock are convertible into common stock at a price of $6.40 per share, subject to anti-dilution protections in the case of certain issuances of securities below that conversion price. The shares of Series B Preferred Stock are not redeemable.

In January 2021, the Company closed a private offering of its Series B Preferred Stock for $1,000 per share, raising a total of $2,500,000, inclusive of $156,000 in prior debt conversion and $23,000 of notes payable with directors converted to shares of Series B Preferred Stock and warrants. As of June 30, 2022 and 2021, 1,509 and 2,500 shares of Series B Preferred Stock were issued and outstanding, respectively. Between July 27 and August 24, 2021, 15 holders of an aggregate of 991 shares of Series B Preferred Stock converted their preferred shares into 163,134 shares of common stock, which included $53,061 of accrued dividends. As of June 20, 2022, the Company has recorded $228,584 of accrued dividends which are presented on the condensed consolidated balance sheets.

Series E-1 Preferred Stock

On December 3, 2020, the Company filed an amendment to its Articles of Incorporation to authorize the issuance of up to 8,500 shares of Series E-1 Preferred Stock (the "Series E-1 Stock") pursuant to a Certificate of Designation. The shares of Series E-1 Stock are incentive-based, vesting and forfeitable securities that provide the holders the right in the aggregate to receive an "earnout" equal to 20% of the total consideration received by the Company in the instance of a sale or sub-license of its core licensed radiopharmaceutical Technology, or sale or merger of the Company, which is paid on a priority, senior basis. In addition, the holders of the Series E-1 Stock can convert their vested preferred stock at anytime or after an event resulting in an earnout payment, such as an acquisition of the Company, into an aggregate of 212,500 common shares. The holders of the Series E-1 Stock have the right to vote along with the common stockholders based on the common conversion amount of their holdings, and have the right to nominate two members of the Board of Directors.

On December 30, 2020, 7,650 shares of Series E-1 Stock were issued to five individuals, including the Company's Executive Chairman, CEO and General Counsel which vest starting in July 2021 through January 2023 and are forfeitable by the holders prior to vesting. In February 2021, the remaining 850 shares of Series E-1 Stock were issued to one newly-appointed director, vesting half in February 2022 and the balance in February 2023.

The Company computed the total grant date fair value of the Series E-1 Stock to be approximately $6,528,000 using an option pricing model and the following assumptions: (1) with respect to the shares granted in 2020: expected term of four years, dividend yield of -0-%, volatility of 96.12%, and a risk-free rate of .27%; and (2) with respect to the shares granted in 2021: expected term of four years, dividend yield of 0%, volatility of 96.12%, and a risk-free rate of 0.27%. The value of these shares will be recognized as stock-based compensation expense over the vesting period through February 2023.

On December 6, 2021, the Company entered into an Exchange Agreement and Plan of Reorganization (the "Exchange Agreement") with all E-1 Stockholders pursuant to which all shares of Series E-1 Stock were exchanged into an aggregate of 720,986 shares of common stock of the Company. The fair value of the Series E-1 Stock was determined to be approximately $8.65 million at the time of exchange, and approved for fairness by the independent chairman of the Compensation Committee. The common stock issued in the exchange was based on a value of $12.00 per share using a 30-day weighted average closing price calculation, and were issued proportionately to each holder based on their individual holdings of Series E-1 Stock. All shares of common stock issued to the shareholders are subject to the same vesting schedules as were originally provided in each shareholder's Series E-1 Stock issuance agreement, meaning that such shares of common stock are forfeitable if certain conditions of employment are not met by certain holders. As of June 30, 2022, approximately 681,628 common shares are fully vested and approximately 39,358 common shares are unvested. No shares of Series E-1 Stock remained outstanding as of December 31, 2021.

During the six months ending June 30, 2022, the Company recognized stock-based compensation to employees and directors totaling $428,450 related to the Series E-1 Stock, which is included in payroll and related expenses on the consolidated statements of operations. As of June 30, 2022, $472,292 of unrecognized compensation remains which will be recognized over a vesting period through 2023 and has been presented as deferred compensation on the condensed consolidated balance sheets.

Warrants

The Company did not issue any warrants in the three or six months ended June 30, 2022. During the six months ended June 30, 2022, the Company entered into two modifications relating to 11,875 common stock warrants issued to the lead investor in the Series B Preferred Stock offering, first to extend the term from January 15, 2022 to January 15, 2023, and second to reduce the exercise price from $18.00 to $10.00. The Company incurred an incremental expense of $41,225 in the first quarter of 2022 for the modifications.

The following is a summary of all outstanding common stock warrants as of June 30, 2022:

	Number of Warrants	Exercise price per share	Average remaining term in years
Warrants issued in connection with issuance of Series B Preferred Stock to lead investor	11,875	$ 10.00	0.54 years
Warrants issued in connection with convertible notes	25,208	$ 24.00	0.34 years

NOTE 8 – STOCK OPTIONS

In 2016 to compensate officers, directors and other key service providers with equity grants, the Board approved the 2016 Omnibus Equity Incentive Plan ("2016 Plan"), which initially allowed for 4,000 shares of common stock, stock options, stock rights (restricted stock units), or stock appreciation rights to be granted by the Board in its discretion. This authorized amount was increased multiple times by Board resolution, most recently to 200,000 shares on January 13, 2022. There are currently no shares available under the 2016 Plan for future issuance; however, the Board may increase the authorized shares under the 2016 Plan each year.

The Company issued 150,000 stock options to purchase common stock to officers and directors of the Company during the six months ended June 30, 2022. These options have a 10 year term. The options have the following vesting schedules:

Vesting Description	Number of Options
50% 12 months after issuance and the balance 24 months after issuance	87,500
100% 10 months after issuance	25,000
34% 12 months after issuance, 33% 24 months after issuance, and the remaining 36 months after issuance	28,150
Performance conditions set by Board of Directors	9,350

A summary of stock option activity and related information is as follows:

	Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of December 31, 2021	27,815	$ 30.46	7.90	$ -
Granted	150,000	$ 9.25	10.00	$ -
Outstanding as of March 31, 2022	177,815	$ 12.57	9.56	$ -
Granted	-	$ -	-	$ -
Outstanding as of June 30, 2022	177,815	$ 12.57	9.31	$ -
Exercisable as of June 30, 2022	21,015	$ 37.00	7.41	$ -

The aggregate intrinsic value of options exercised is the difference between the fair market value of the Company's closing price of our common stock at each reporting date, less the exercise price multiplied by the number of options granted which was nil at June 30, 2022.

As of June 30, 2022, the unrecognized stock-based compensation of approximately $661,637 is expected to be expensed over the next 12 to 36 months based on the option vesting requirements. The weighted average fair value of options granted was $7.82 per share for the six months ended June 30, 2022. For the six-month period ended June 30, 2022, the stock-based compensation expense was $319,487 which is included in compensation and related expenses.

We estimate the fair value of stock-based awards on the date of grant using the Black-Scholes option pricing model using the fair market value of our common stock on the date of grant and a number of other assumptions. These assumptions include estimates regarding the expected term of the awards, estimates of the stock volatility over a duration that approximates the expected term of the awards, estimates of the risk-free rate, and estimates of expected dividend rates.

The assumptions that were used in Black-Scholes option pricing model for the six months ended June 30, 2022 were as follows:

Expected term (years)	5.50
Expected volatility	130.6% - 166.7%
Risk-free interest rate	1.65% - 1.86%
Expected dividend yield	0.0%

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Employment Agreements

The employment agreements as amended for the Company's Executive Chairman and CEO each contain termination provisions whereby if they are terminated without cause or following a material change, as defined therein, they will receive salary through the date of termination plus an additional 24 months, bonus that would be earned during the full year when the termination became effective (or a lump sum of 50% of the full target bonus), all stock options shall vest and healthcare benefits will continue for 24 months. The Company's General Counsel's employment agreement, as amended, contains an 18-month severance payment in the instance of a termination without cause or following a material change, as defined therein. Additionally, the management team are currently taking partial salary of their approved salary per their employment agreements and the difference is being accrued starting as of December 1, 2021. As of June 30, 2022, the accrued salary for the management team was $588,805.

The employment agreements, as amended, for the Company's Executive Chairman and CEO each contain a transaction bonus in the instance any of the Company's assets are sold or sublicensed or if the Company or its subsidiaries is acquired, equal to 1.75% of the consideration received by the Company. The employment agreement, as amended, for the Company's General Counsel contains a similar transaction bonus equal to 0.5% of consideration received by the Company.

License Agreement

The License Agreement for the Technology, as amended, between the Company's wholly-owned subsidiary QSAM and IGL is for 20 years or until the expiration of the multiple patents covered under the license and requires multiple milestone-based payments including: up to $410,000 as CycloSam® advances through Phase 3 of clinical trials, and $2 million upon commercialization. IGL has also received 12,500 shares of the Company's common stock as additional compensation. Upon commercialization, IGL will receive an on-going royalty equal to 4.5% of Net Sales, as defined in the License Agreement, and 5% of any consideration we receive pursuant to a sublicense, sale of the asset, or sale of the QSAM subsidiary. The Company will also pay for ongoing patent filing and maintenance fees, and has certain requirements to defend the patents against infringement claims.

In connection with the License Agreement, QSAM signed a two-year Consulting and Confidentiality Agreement (the "Consulting Agreement") with IGL, which provides IGL with payments of $8,500 per month starting 60 days after signing through April 2022. The Consulting Agreement is to provide QSAM with additional consulting and advisory services from the Technology's founders to assist in the clinical development of CycloSam. As of June 30, 2022, the Company has paid $9,355 in expense reimbursements required under the agreement. As of June 30, 2021, the Company paid $60,000 under the License Agreement representing the full upfront license fee, as well $60,000 in expense reimbursements required under that agreement. The drug development costs to service providers including the fixed $8,500 monthly consulting fee, which has been reflected as research and development expense on the condensed consolidated statement of operations was $95,988 and $147,453 for the six months ended June 30, 2022 and 2021, respectively.

ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND PLAN OF OPERATIONS

FORWARD LOOKING STATEMENTS

This document contains certain forward-looking statements that are subject to various risks and uncertainties. Forward-looking statements are generally identifiable by use of forward-looking terminology such as "may," "will," "should," "potential," "intend," "expect," "outlook," "seek," "anticipate," "estimate," "approximately," "believe," "could," "project," "predict," or other similar words or expressions. Forward-looking statements are based on certain assumptions, discuss future expectations, describe future plans and strategies, contain financial and operating projections or state other forward-looking information. Our ability to predict results or the actual effect of future events, actions, plans or strategies is inherently uncertain. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth or anticipated in our forward-looking statements. Factors that could have a material adverse effect on our forward- looking statements and upon our business, results of operations, financial condition, funds derived from operations, cash available for dividends, cash flows, liquidity and prospects include, but are not limited to, the factors referenced in this document, including those set forth below, and more fully set forth in the risk factors described in our annual report on Form 10-K for the year ended December 31, 2021 or in this report:

- our lack of an operating history;
- the net losses that we expect to incur as we develop our business;
- obtaining FDA or other regulatory approvals or clearances for our technology;
- implementing and achieving successful outcomes for clinical trials of our products;
- convincing physicians, hospitals and patients of the benefits of our technology and to convert from current technology;
- the ability of users of our products (when and as developed) to obtain third-party reimbursement;
- any failure to comply with rigorous FDA and other government regulations; and
- securing, maintaining and defending patent or other intellectual property protections for our technology.

When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this document. Readers are cautioned not to place undue reliance on any of these forward-looking statements, which reflect our views as of the date of this document. The matters summarized below and elsewhere in this document could cause our actual results and performance to differ materially from those set forth or anticipated in forward-looking statements. Accordingly, we cannot guarantee future results or performance. Furthermore, except as required by law, we are under no duty to, and we do not intend to, update any of our forward-looking statements after the date of this document, whether as a result of new information, future events or otherwise.

A. Plan of Operation

We are developing next-generation nuclear medicines for the treatment of cancer and related diseases. Our initial technology is Samarium-153 DOTMP, a/k/a CycloSam® ("CycloSam®" or the "Technology"), a clinical-stage bone targeting therapeutic radiopharmaceutical. CycloSam® features a patented, low specific activity form of Samarium-153, a beta-emitting radioisotope with a short 46-hour half-life, and the chelating agent DOTMP, which selectively targets sites of high bone mineral turnover and reduces off-site migration of the tumor-killing radiation. We believe improvements in formulation and manufacturing from a prior FDA-approved drug (Quadramet®) utilizing the same radioisotope has resulted in our drug candidate demonstrating significantly less impurities, lower costs and more frequent availability. Samarium-153 and DOTMP form a highly stable complex, which we believe, when used in multi-dose regimens either as a monotherapy or in combination with other more widely used treatments such as external beam radiation, may demonstrate meaningful disease modifying results in primary and metastatic bone cancer. Ultimately, we may seek to further develop and commercialize CycloSam® for one or more market indications or license the Technology to a larger pharmaceutical partner.

In August 2021, the Food & Drug Administration (FDA) cleared our Investigational New Drug (IND) application to commence Phase 1 clinical trials for CycloSam® as a treatment for cancer that has metastasized to the bone from the lung, breast, prostate and other areas. We initiated this trial at our first site (Houston, TX) in November 2021, and dosed our first patient in this open-label, dose escalating study in April 2022. This phase of our clinical trials is expected to last nine to 12 months.

Also in August 2021, the FDA granted Orphan Drug Designation for the use of CycloSam® to treat a primary bone cancer called osteosarcoma, a devastating disease that mostly affects children and young adults. Although patients with osteosarcoma or Ewing's sarcoma are eligible to participate in our initial Phase 1 trials, we anticipate filing an amended protocol to our current commercial IND application in 2022 or 2023, subject to funding, to commence clinical trials specifically for these primary, pediatric bone cancers. In March 2020, CycloSam® was also utilized in a Single Patient Investigational New Drug for Emergency Use at the Cleveland Clinic. We believe the study we conducted at the Cleveland Clinic showed promising safety results in connection with a bone marrow ablation procedure, including patient tolerability at high dosages. To date, CycloSam® has completed animal studies in both small and large animals, including treating bone cancer in patient dogs at a university veterinary clinic, and human Phase 1 trials have commenced.

Clinical trials, the drug approval process, and the marketing of drugs are intensively regulated in the United States and in all major foreign countries. In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act ("FDCA"), and related regulations. Drugs are also subject to other federal, state, and local statutes and regulations. Failure to comply with the applicable U.S. regulatory requirements at any time during the product development process, approval process or after approval may subject an applicant to administrative or judicial sanctions. These sanctions could include the imposition by the FDA Institutional Review Board ("IRB") of a clinical hold on trials, the FDA's refusal to approve pending applications or supplements, withdrawal of an approval, warning letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, civil penalties or criminal prosecution. Any agency or judicial enforcement action could have a material adverse effect on us.

What is CycloSam®

CycloSam® is a targeted, bone seeking radiopharmaceutical that combines the beta-emitting radioisotope Samarium-153 (153Sm) with a chelating agent, DOTMP (1, 4, 7, 10-tetraazacyclododecane-1, 4, 7, 10-tetramethylenephosphonic acid). Samarium-153 is acquired from a nuclear reactor from a third party and the chelating agent is supplied in the form of kits. Chelating agents are organic compounds capable of linking together metal ions to form complex ring-like structures. This combination forms a stable complex which delivers a radioactive dose to sites of rapid bone mineral turnover such as those that form around bone cancers and tumors. CycloSam® has a physical half-life of 46 hours (radiation decreases by half in 46 hours) and emits both medium-energy beta particles that produce the therapeutic effect, and gamma photons that make it possible to take images of the skeleton and locate and characterize the size and nature of tumors. The use of radioisotopes to both diagnose and treat disease is called "theragnostics" and is a rapidly growing area of medical discovery.

License Agreement

Through our wholly-owned subsidiary, QSAM Therapeutics, we entered into an exclusive worldwide patent and technology license agreement (the "License Agreement") with IGL Pharma, Inc. ("IGL") on April 20, 2020 with respect to the innovative work of Jim Simone, PhD and R. Keith Frank, PhD, at IsoTherapeutics on Samarium-153 DOTMP. IGL is an affiliated company with IsoTherapeutics, and the President of IGL also serves as our Executive Chairman.

Our License Agreement with IGL is for 20 years or until the expiration of the multiple patents covered under the license, and requires multiple milestone-based payments up to $410,000 as CycloSam® advances through multiple stages of clinical trials, and $2 million upon commercialization. IGL also received 12,500 shares of common stock of the Company. Upon commercialization, IGL will receive an on-going royalty equal to 4.5% of Net Sales, as defined in the License Agreement, and will receive 5% of any consideration we receive pursuant to a sublicense, sale of the asset, or sale of the QSAM subsidiary. We will also pay for ongoing patent filing and maintenance fees, and we have certain requirements to defend the patents against infringement claims. The parties have agreed to mutual indemnification.

Either party may terminate the License Agreement 30 days after notice in the event of an uncured breach, or immediately in the case of bankruptcy or insolvency of the other party. We may terminate for any reason upon 30 days' notice. In the case IGL terminates due to an uncured breach, IGL will repay to us 25% of our direct clinical costs to assume ownership of data and other information gained in that process.

In connection with the License Agreement, QSAM Therapeutics signed a two-year Consulting and Confidentiality Agreement (the "Consulting Agreement") with IGL, which provides IGL with payments of $8,500 per month starting 60 days after signing. The Consulting Agreement is to provide us with additional consulting and advisory services from the Technology's founders to assist in the clinical development of CycloSam®. Required monthly payments under the Consulting Agreement expired in April 2022, however, we will continue to utilize the services of IGL in the future. Our Executive Chairman serves as President of IGL, receives a $500 per month fee, and holds options to acquire less than a 1% equity stake in IGL.

Equity Financing and Debt Conversions

To advance the development of the Technology, in November 2020 we commenced a $2.5 million Series B Preferred Stock offering (the "Series B Offering"). We completed the Series B Offering in January 2021, raising $2.5 million inclusive of $156,000 in debt conversion, and issuing a total of 2,500 shares of Series B Preferred Stock.

In connection with this Series B Offering closing, our Board approved a modification to the offering terms in January 2021, and we issued in that month a total of 156,750 common stock warrants. These warrants were originally exercisable prior to July 8, 2021 at an exercise price of $14.00 per share, and later modified by our Board to expire on October 15, 2021 and be exercisable at $10.00 per share. As of October 15, 2021, seven holders of the Series B warrants exercised those warrants and received a total of 46,786 common shares for total consideration to the Company of $467,858. Also in 2021, our lead investor in the Series B Offering earned a warrant for 11,875 shares exercisable at $18.00 per share, which warrant was to expire January 15, 2022, but modified in January 2022 to expire January 15, 2023 and be exercisable at $10.00 per share.

In the fourth quarter of 2021, we entered into convertible note purchase agreements with eight accredited investors, pursuant to which we issued an aggregate of $605,000 of convertible notes (the "Notes"). The Notes mature on December 31, 2023 and are convertible into shares of common stock of the Company in the event of future equity financing of $5 million or greater, NASDAQ uplisting, or at the discretion of the noteholders, at a conversion price of $8.00 per share. The obligations under the Notes are unsecured. The Company has agreed to pay simple interest at the rate of 6% per annum on the outstanding amount of the Notes until fully repaid or converted. In connection with the Notes offering, the Company issued 25,208 warrants to the noteholders, with each warrant convertible into one share of common stock at an exercise price of $24.00 per share beginning from the date of the warrant until October 31, 2022. The outstanding balance of the Notes as of June 30, 2022 was $605,000, exclusive of accrued interest.

In December 2021, the Company filed a registration statement on Form S-1 with the SEC to raise up to $20 million through a common stock offering underwritten by Think Equity LLC, an investment bank based in New York. Concurrently, the Company submitted an application with the NASDAQ Stock Market LLC to list its common shares on that national exchange. Due to market conditions, in May 2022, the Company terminated this offering; however, management plans to pursue a NASDAQ uplisting in the future.

As of June 30, 2022, the Company had $429,353 in cash, and $605,000 in debt from convertible notes and not including trade payables. In July 2021, our loan from the Payroll Protection Program loan was forgiven. The Series A Stock, which is still outstanding and subject to a redemption clause, is in default; however, the Company has a conversion agreement with these two holders that is valid through March 2023.

We have limited operations and are not currently generating any revenues from our business operations. Our independent registered public accounting firm has issued a going concern opinion for the year ended December 31, 2021. This means that our auditors believe there is substantial doubt that we can continue as an on-going business for the next 12 months. The unaudited condensed financial statements do not include any adjustments that might result from the outcome of these uncertainties. The ability of the Company to continue as a going concern is dependent on management's plans. The Company has supported operations through the issuance of common stock, preferred stock and debt over the last 12 months. This includes the Series B Preferred Stock offering in the first quarter of 2021, the exercise of warrants issued in connection with the Series B offering, and also the convertible debt offering conducted in the fourth quarter of 2021. Management expects expenses to increase in 2022 as our drug technology enters into clinical trials, and as a result, we will need to raise additional capital to support these operations. There is no assurance, however, that the Company will be successful in raising the needed capital and, if funding is available, that it will be available on terms acceptable to the Company. Management believes that is has cash to support operations into the third quarter of 2022, and that it can continue to support operations through additional debt or equity raises in 2022; however, there is no guarantee that such plan will be successful. We currently have accounts payable and accrued expenses that are significantly greater than our cash on hand, and to extend our ability to operate under these conditions, management has deferred a large part of their salaries and we are working with vendors to delay payments until we are able to raise additional capital. Management understands that such efforts cannot be sustained indefinitely. If we are not successful in raising additional capital, we may need to delay clinical trials, reduce overhead, or in the most extreme scenario, shut down operations.

B. **Management's Discussion and Analysis of Financial Condition and Results of Operations**

COVID-19

In March 2020, the World Health Organization declared COVID-19 a global pandemic and recommended containment and mitigation measures worldwide. We are monitoring this closely, and although operations have not been materially affected by the COVID-19 outbreak to date, the ultimate duration and severity of the outbreak and its impact on the economic environment and our business is uncertain. Accordingly, while we do not anticipate an impact on our operations, we cannot estimate the duration of the pandemic and potential impact on our business. In addition, a severe or prolonged economic downturn could result in a variety of risks to our business, including a possible delay in our ability to raise money or commence or complete clinical trials. At this time, the Company is unable to estimate the impact of this event on its operations.

Results of Operations for the three month period ended June 30, 2022 and 2021

For the three months ended June 30, 2022 and 2021, we recorded no revenue.

For the three months ended June 30, 2022, we recorded a net loss of $1,283,446, a decrease of $1,620,757 from our net loss of $2,904,203 for the same period in 2021.

Our operating expenses were $1,263,243 for the three months ended June 30, 2022 as compared to $2,903,304 for the three months ended June 30, 2021. The $1,640,061 decrease in operating expenses was largely due to a decrease in compensation and related expenses of $1,760,478 in the three months ended June 30, 2022, which is comprised of $2,439,249 of expenses from the vesting of Series E-1 Stock in the 2021 period as compared to $215,409 of expenses from Series E-1 Stock vesting in the 2022 period, plus stock option compensation of $212,175 and deferred management compensation of $242,213 from an agreement with management to take reduced salaries in the 2022 period. In the second quarter of 2022, we also had an increase in professional fees of $66,159 related to our terminated public offering, and an increase in research and development expense of $56,763 related to our clinical trials, over the previous year period.

Results of Operations for the six month period ended June 30, 2022 and 2021

For the six months ended June 30, 2022 and 2021, we recorded no revenue.

For the six months ended June 30, 2022, we recorded a net loss of $3,071,692, a decrease of $4,238,570 from our net loss of $7,310,262 for the same period in 2021.

Our operating expenses were $3,033,352 for the six months ended June 30, 2022 as compared to $6,237,161 for the six months ended June 30, 2021. The $3,203,809 decrease in operating expenses was primarily due to a decrease in compensation and related expenses of $3,466,900, offset by an increase in research and development of $237,646 in the 2022 period. The decrease in compensation and related expenses was primarily due to stock compensation expense of $4,825,472 for Series E-1 Stock in the first six months of 2021 as compared to stock compensation expense of $428,450 for Series E-1 Stock, stock option compensation from options issued of $319,488, and deferred management compensation from an agreement with management to take reduced salaries of $457,917 in the first six months of 2022. The increase in research and development during the 2022 period was primarily due to our clinical trial and ramp-up of clinical trial activities associated with the dosing of our first patient.

Net Loss Attributable to Common Stockholders

Net loss attributable to common stockholders for the three months ended June 30, 2022 was $1,327,499 as compared to $3,067,022 for the three months ended June 30, 2021. The net loss attributed to common stockholders for the three months ended June 30, 2022 and 2021 includes Series A and Series B preferred contractual dividends and deemed dividends. The net loss attributable to common stockholders, basic and diluted, for the three months ended June 30, 2022 was a loss of $0.79 per share as compared to a loss of $4.42 per share for the 2021 period.

Net loss attributable to common stockholders for the six months ended June 30, 2022 was $3,201,378 as compared to $8,023,479 for the six months ended June 30, 2021. The net loss attributed to common stockholders for the six months ended June 30, 2022 and 2021 includes Series A Series B preferred contractual dividends and deemed dividends. The net loss attributable to common stockholders, basic and diluted, for the six months ended June 30, 2022 was a loss of $1.91 per share as compared to a loss of $12.72 per share for the 2021 period.

Financial Condition, Liquidity and Capital Resources

Net cash used in operating activities was $1,105,513 for the six months ended June 30, 2022, which reflected our net loss during the period of $3,071,692, non-cash adjustments of $1,020,838, and a net increase in operating assets and a net decrease in liabilities of $980,341. The non-cash adjustments are stock-based compensation and amortization of debt issuance costs. Net cash used by operating activities was $702,655 for the six months ended June 30, 2021, which reflected our net loss during the period of $7,310,262, non-cash adjustments of $6,689,594, and a net increase in operating liabilities of $81,987. The majority of non-cash adjustments in the 2021 period consists of a $5,519,038 of stock based compensation, the loss on conversion into common stock of the Bridge Notes and accrued interest of $744,505, and the loss on conversion of debentures and promissory notes with unrelated parties of $390,068.

There was no cash provided by or used in investing activities during the six months ended June 30, 2022 and 2021.

Net cash provided by financing activities was $35,000 during the six months ended June 30, 2022. Net cash provided by financing activities during the six months ended June 30, 2021 consisted of $2,187,508.

As of June 30, 2022, we had cash of $429,353 held at a large U.S. bank.

Series B Financing. In January 2021, the Company closed a Series B Preferred Stock private placement (the "Series B Offering") and issued a total of 2,500 shares at a price of $1,000 per share, raising an aggregate amount of $2.5 million, inclusive of $156,000 in debt conversion. The Series B Offering, which commenced in 2020, was led by Checkmate Capital Group, LLC, a California based investment firm focused on biotechnology and other technology investments. The Company completed the offering primarily to advance its new business of drug development including funding the Company's clinical trials for its drug candidate CycloSam®, as well as for general working capital and overhead. Between July 27 and August 24, 2021, 15 holders of an aggregate of 991 shares of Series B Preferred Stock converted their preferred shares into 163,134 shares of common stock, which included $53,061 of accrued dividends. All remaining holders of the Series B Preferred Stock have agreed to convert their preferred shares into a total of approximately 271,490 shares of common stock (based on interest accrued through June 30, 2022) immediately prior to the closing of an underwritten offering and Nasdaq uplisting, provided such transaction occurs before March 31, 2023, subject to the condition that if such offering is conducted at a lower price than their current conversion price, they shall be able to convert their Series B Preferred Stock at that lower price.

Warrant Conversion. In connection with the Series B Offering, we issued in 2021 a total of 156,750 common stock warrants, which were originally exercisable prior to July 8, 2021 at an exercise price of $14 per share, and later modified by our Board to expire on October 15, 2021 and be exercisable at $10 per share. As of October 15, 2021, seven holders of the Series B warrants exercised those warrants and received a total of 46,786 common shares for total consideration to the Company of $467,858. Also in 2021, our lead investor in the Series B Offering earned a warrant for 11,875 shares exercisable at $18 per share, which warrant was to expire January 15, 2022, but modified in 2022 to expire January 15, 2023 and at a reduced exercise price of $10.00 per share.

Convertible Note Financing. In the fourth quarter of 2021, we entered into convertible note purchase agreements with eight accredited investors, pursuant to which we issued an aggregate of $605,000 of convertible notes (the "Notes"). The Notes mature on December 31, 2023 and are convertible into shares of common stock of the Company in the event of future equity financing of $5 million or greater, NASDAQ uplisting, or at the discretion of the noteholders, at a conversion price of $8 per share. The obligations under the Notes are unsecured. The Company has agreed to pay simple interest at the rate of 6% per annum on the outstanding amount of the Notes until fully repaid or converted. In connection with the Notes offering, the Company issued 25,208 warrants to the noteholders, with each warrant convertible into one share of common stock at an exercise price of $24 per share beginning from the date of the warrant until October 31, 2022. The outstanding balance of the Notes as of June 30, 2022 was $605,000, exclusive of accrued interest.

Prior Bridge Note Financing. The Company issued a total of $2,851,908 in Convertible Promissory Notes (the "Bridge Notes") during 2017, 2018 and 2019. Proceeds from the Bridge Notes were used to for the Company's Legacy Business. As of December 31, 2020, a total of $1,965,030 plus $964,525 in accrued interest on the Bridge Notes were converted into approximately 332,500 shares of common stock. As of March 31, 2021, the remaining $1,447,312 of principal and interest was converted into 165,692 shares of common stock, and no Bridge Notes currently remain outstanding as of June 30, 2022.

Prior Series A Stock Financing. The Company raised $600,000 in our Series A 6% Convertible Preferred Stock (the "Series A Stock") from two separate accredited investors in November 2015 and January 2016, respectively. The Series A Stock bears a 6% dividend per annum, calculable and payable per quarter in cash or additional shares of common stock as determined in the Certificate of Designation. The Series A Stock was originally convertible at $260 per share at the discretion of the holders and contains price protection provisions in the instance that we issue shares at a lower price, subject to certain exemptions. The price has been reset several times since the issuance of the Series A Stock. Most currently, as a result of the closing of the Series B Preferred Stock offering in January 2021, the conversion price was reset to $6.40 per share. Series A Stockholders also received other rights and protections including piggy-back registration rights, rights of first refusal to invest in subsequent offerings, security over our assets (secondary to our debt holders), and certain negative covenant guaranties that we will not incur non-ordinary debt, enter into variable pricing security sales, redeem or repurchase stock or make distributions, and other similar warranties. The Series A Stock was redeemable on July 1, 2019 per a March 2019 modification and is currently in technical default. The Series A Stock has no voting rights until converted to common stock. The Series A Stockholders also received warrants in connection with their investment, all of which had expired in January 2021.

On March 9, 2022, the Company entered into a conversion notice and reservation of rights agreement with the two Series A Stockholders whereby such holders waived all default interest, penalties and fees from the Company's failure to redeem the Series A Stock, and agreed to convert such preferred shares into common stock contingent upon the completion of the Company's underwritten equity offering and uplisting to Nasdaq; provided however, if such offering is completed at a lower price than $6.40 per share, the conversion price for the Series A Stock would be reduced to that lower price, and further provided, if warrants are issued in the offering, the Series A Stockholder would receive warrants on similar terms. In the second quarter of 2022, the Company terminated the offering and uplisting to Nasdaq due to general market conditions, and therefore, the Series A Stock is still technically in default; however, the conversion agreement is valid until March 9, 2023, and management believes that the Series A Stockholders will honor this agreement through its termination date.

All promissory notes and shares in these offerings were sold pursuant to an exemption from the registration requirements of the Securities Exchange Commission under Regulation D to accredited or sophisticated investors who completed questionnaires confirming their status. Unless otherwise described in this Quarterly Report, reference to "restricted" common stock means that the shares have not been registered and are restricted from resale pursuant to Rule 144 of the Securities Act of 1933, as amended.

Cash and Working Capital

We have incurred negative cash flows from operations since inception. As of June 30, 2022, we had an accumulated deficit of $32,394,591 and working capital deficit of $1,832,329.

Critical Accounting Policies and Estimates

Refer to "Management's Discussion and Analysis of Financial Conditions and Results of Operations" (Part II, Item 7) of our Annual Report for a discussion of our critical accounting policies and estimates.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required for smaller reporting companies.

ITEM 4: CONTROLS AND PROCEDURES

In connection with the preparation of this Quarterly Report, management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and the Chief Financial Officer, to allow timely decisions regarding required disclosures. Management concluded that, as of June 30, 2022, the Company's disclosure controls and procedure were effective based on the criteria in *Internal Control – Integrated Framework* issued by the COSO, version 2013.

Management's Quarterly Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process, under the supervision of the Chief Executive Officer and the Chief Financial Officer, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles in the United States (GAAP). Internal control over financial reporting includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the Company's assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the Board of Directors; and
- 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.

Management conducted an assessment of the effectiveness of our internal control over financial reporting as of June 30, 2022, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 ("COSO"). Based on this evaluation, our management concluded that, as of June 30, 2022, these disclosure controls and procedures were effective at a reasonable level of assurance.

This quarterly report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. We were not required to have, nor have we, engaged our independent registered public accounting firm to perform an audit of internal control over financial reporting pursuant to the rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1: LEGAL PROCEEDINGS

We are not a party to any pending legal proceeding and, to the knowledge of our management, no federal, state or local governmental agency is presently contemplating any proceeding against us. No director, executive officer, affiliate of ours, or owner of record or beneficially of more than five percent of our common stock is a party adverse to the Company or has a material interest adverse to us in any proceeding.

ITEM 1A: RISK FACTORS

We face risks and uncertainties related to our business, many of which are beyond our control. In particular, risks associated with our business include:

- Drug development is a long and inherently uncertain process with a high risk of failure at every stage of development.
- The future of our business and operations depends on the success of our development and commercialization programs.
- If we do not obtain regulatory approval for our product candidates or if the terms of any approval impose significant restrictions or limitations on use, our business, results of operations and financial condition will be adversely affected.
- Our business is highly dependent on our lead product candidate, CycloSam®, and a failure to obtain regulatory approval or successfully commercialize our product could adversely affect our financial condition and results of operations.
- We must design and conduct successful clinical trials for our product candidates to obtain regulatory approval. We rely on third parties to conduct our clinical trials, which reduces our control over their timing, conduct and expense and may expose us to conflicts of interest. Clinical trial results may be unfavorable or inconclusive, and often take longer and cost more than expected.
- A pandemic, epidemic or outbreak of an infectious disease, such as COVID-19, or coronavirus, may materially and adversely affect our business and our financial results.
- Even if our product candidates obtain regulatory approval, our ability to generate revenue will depend upon public perception of radiopharmaceuticals and will be diminished if our products are not accepted in the marketplace, or if we select pricing strategies for our products that are less competitive than those of our competitors, or fail to obtain acceptable prices or an adequate level of reimbursement for products from third-party payers or government agencies.

- We are subject to extensive and ongoing regulation, which can be costly and time consuming, may interfere with regulatory approval for our product candidates, and can subject us to unanticipated limitations, restrictions, delays and fines.
- Our products may face regulatory, legal or commercial challenges even after regulatory approval.
- We are increasingly dependent on information technology, and potential cyberattacks, security problems, or other disruption and expanding social media vehicles present new risks.
- We have a limited operating history and are operating at a loss, and there is no guaranty that we will become profitable.
- Because our history is limited and we are subject to intense competition, any investment in us would be inherently risky.
- There is substantial doubt as to our ability to continue as a going concern.
- We have limited funds and we will require additional financing.
- Our success will be dependent on our management, and the continued service of key employees.
- We are dependent upon third parties for a variety of functions. These arrangements may not provide us with the benefits we expect.
- Manufacturing resources could limit or adversely affect our ability to commercialize products.
- Failure of any manufacturer of our various product candidates to comply with applicable regulatory requirements could subject us to penalties and have a material adverse effect on supplies of our product candidates.
- If the use of hazardous and biological materials by us or third parties, such as CROs or CMOs, in a manner that causes injury or violates applicable law, we may be liable for damages.
- Unexpected disruptions could seriously harm our future revenue and financial condition and increase our expenditures.
- The validity, enforceability and commercial value of our patents and other intellectual property rights are highly uncertain.
- We depend on intellectual property licensed from third parties and unpatented technology, trade secrets and confidential information. If we lose any of these rights, including by failing to achieve milestone requirements or to satisfy other conditions, our business, results of operations and financial condition could be harmed.
- If we infringe third-party patent or other intellectual property rights, we may need to alter or terminate a product development program.
- We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.
- Liquidity risks associated with our common stock.
- The price of our common stock may fluctuate significantly, which could lead to losses for stockholders.

- The application of the "penny stock" rules could adversely affect the market price of our common stock and increase your transaction costs to sell those shares.
- We do not intend to pay dividends.
- The stock ownership of our management and a few other shareholders represents a significant concentration of stock ownership and control over the Company.
- The Company has Preferred Stock with additional priority rights.
- We are a smaller reporting company, and we cannot be certain if the reduced reporting requirements applicable to smaller reporting companies will make our common stock less attractive to investors.
- If we fail to comply with the rules and regulations under the Sarbanes-Oxley Act, our operating results, our ability to operate our business and investors' views of us may be harmed.
- We have historically identified certain material weaknesses in our internal control over financial reporting and if our remediation of such material weaknesses is not effective, or if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.
- Our financial statements may be materially affected if our estimates prove to be inaccurate as a result of our limited experience in making critical accounting estimates.

These summary risk factors are qualified in their entirety by the Risk Factors provided in the Company's Form 10-K for the year ended December 31, 2021.

ITEM 2: UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sales of Equity Securities

During the quarter ended June 30, 2022, and through the date of this filing, the Company did not make any sales of unregistered securities.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4: MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5: OTHER INFORMATION

(a) There was no information required to be disclosed in a report on Form 8-K during the period that the Company failed to report.

(b) None, not applicable.

ITEM 6: EXHIBITS

Exhibit Number	Description
31.1	302 Certification of Douglas Baum, Chief Executive Officer
31.2	302 Certification of Adam King, Chief Financial Officer
32	906 Certification
101	The following financial information from QSAM's Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Stockholders Deficit, (iv) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document

104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

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.

QSAM BIOSCIENCES INC.

Date: August 15, 2022

By: /s/ Douglas Baum
Chief Executive Officer

Date: August 15, 2022

By: /s/ Adam King
Chief Financial Officer

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
RULE 13a-14(a)/15d-14(a) CERTIFICATIONS

I, Douglas Baum, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QSAM Biosciences, Inc. for the period ending June 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: *August 15, 2022*

By: */s/ Douglas Baum*
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
RULE 13a-14(a)/15d-14(a) CERTIFICATIONS

I, Adam King, certify that:

1. I have reviewed this quarterly report on Form 10-Q of QSAM Biosciences, Inc. for the period ending June 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: *August 15, 2022*

By: */s/ Adam King*
Chief Financial Officer

Exhibit 32

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND
PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF THE
SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for QSAM Biosciences, Inc., (the "Company") for the period ended June 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Douglas Baum, Chief Executive Officer and Adam King, Chief Financial Officer, of the Company certify pursuant to 18 U.S.C. section 1350 of the Sarbanes-Oxley Act of 2002 that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: *August 15, 2022*

By: */s/ Douglas Baum*
Chief Executive Officer

By: */s/ Adam King*
Chief Financial Officer

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.