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

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): April 1, 2021

Eloxx Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	001-31326	84-1368850
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

950 Winter Street Waltham, MA	02451
(Address of principal executive offices)	(Zip Code)

(Registrant's telephone number, including area code): (781) 577-5300

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	ELOX	The Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

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

Explanatory Note

On April 1, 2021, Eloxx Pharmaceuticals, Inc. (the "Company") filed a Current Report on Form 8-K (the "Original Form 8-K"), reporting that, on April 1, 2021, the Company had acquired all of the issued and outstanding equity interests of Zikani Therapeutics, Inc. ("Zikani"), a Delaware corporation, pursuant to an Agreement and Plan of Merger, dated April 1, 2021.

This Current Report on Form 8-K/A amends Item 9.01 of the Original Form 8-K to include the financial statements and unaudited pro forma financial information required by Items 9.01(a) and (b) of Form 8-K, respectively, which were not included in the Original Form 8-K pursuant to Item 9.01(a)(3) and (b)(2) of Form 8-K.

Item 9.01. Financial Statements and Exhibits.

(a) *Financial Statements of Businesses Acquired*

Zikani's audited financial statements as of and for the years ended December 31, 2020 and 2019 and the related notes, as well as Zikani's unaudited condensed financial statements as of and for the three months ended March 31, 2021 and the related notes are filed as Exhibit 99.1 and Exhibit 99.2, respectively, to this Current Report on Form 8-K/A and incorporated herein by reference.

(b) *Pro Forma Financial Information*

The unaudited pro forma condensed consolidated financial statements of the Company as of and for the three months ended March 31, 2021 and the related notes are attached as Exhibit 99.3 to this Current Report on Form 8-K/A and incorporated herein by reference.

(c) *Exhibits:*

Exhibit No.	Description
23.1	Consent of Moody, Famiglietti & Andronico, LLP, Independent Registered Public Accounting Firm
99.1	Zikani Therapeutics, Inc. audited financial statements as of and for the years ended December 31, 2020 and 2019
99.2	Zikani Therapeutics, Inc. unaudited condensed financial statements as of and for the three months ended March 31, 2021
99.3	Unaudited pro forma condensed consolidated financial statements of Eloxx Pharmaceuticals, Inc.
104	Inline XBRL for the cover page of this Current Report on Form 8-K

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

	ELOXX PHARMACEUTICALS, INC.	
Date: June 16, 2021	By:	/s/ Daniel E. Geffken
	Name:	Interim Chief Financial Officer
	Title:	*(Principal Financial Officer)*

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-228430 on Form S-3 and Registration Statement Nos. 333-254201, 333-236952, 333-224860, 333-222499, and 333-201891 on Form S-8 of our report dated June 16, 2021, relating to the financial statements of Zikani Therapeutics, Inc. for the years ended December 31, 2020 and 2019, appearing in this current report on Form 8-K/A of Eloxx Pharmaceuticals, Inc.

/s/ Moody, Famiglietti & Andronico, LLP

Tewksbury, Massachusetts

June 16, 2021

Exhibit 99.1

ZIKANI THERAPEUTICS, INC.

FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

Independent Auditors’ Report

To the Board of Directors
Zikani Therapeutics, Inc.
Watertown, Massachusetts

We have audited the accompanying financial statements of Zikani Therapeutics, Inc. (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in convertible preferred stock and stockholders’ deficit and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Zikani Therapeutics, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter

As discussed in Note 13 to the financial statements, on April 1, 2021, the Company was acquired by Eloxx Therapeutics, Inc. Our opinion is not modified with respect to that matter.

/s/ Moody, Famiglietti & Andronico, LLP
Tewksbury, Massachusetts
June 16, 2021

December 31		**2020**		2019
Assets				
Current Assets:				
Cash and Cash Equivalents	**$**	**4,434,383**	$	4,257,445
Prepaid Expenses and Other Current Assets		**217,191**		256,809
Grant Receivable		-		1,453,851
Total Current Assets		**4,651,574**		5,968,105
Restricted Cash		**190,535**		190,535
Property and Equipment, Net of Accumulated Depreciation		**488,282**		839,352
Total Assets	**$**	**5,330,391**	$	6,997,992
Liabilities, Preferred Stock and Stockholders' Deficit				
Current Liabilities:				
Accounts Payable	**$**	**543,436**	$	1,064,445
Accrued Expenses		**670,295**		3,524,786
Current Portion of Deferred Rent		-		100,464
Convertible Promissory Notes		-		20,000,000
Total Current Liabilities		**1,213,731**		24,689,695
Deferred Rent, Net of Current Portion		**52,066**		-
Total Liabilities		**1,265,797**		24,689,695
Convertible Preferred Stock				
Series A Convertible Preferred Stock: $0.001 Par Value; 50,604,600 and 50,121,540 Shares Authorized; 30,182,760 and 27,800,000 Shares Issued and Outstanding as of December 31, 2020 and 2019, respectively; Liquidation Preference of $45,274,140 and $41,700,000, at December 31, 2020 and 2019, respectively		**29,815,581**		27,432,821
Series A-1 Convertible Preferred Stock: $0.001 Par Value; 115,384,614 Shares Authorized, Issued and Outstanding at December 31, 2020; Liquidation Preference of $7,950,411 at December 31, 2020		**7,197,277**		-
Total Convertible Preferred Stock		**37,012,858**		27,432,821
Stockholders' Deficit:				
Common Stock: $0.001 Par Value; 200,000,000 and 62,315,664 Shares Authorized as of December 31, 2020 and 2019, respectively; 9,483,626 and 5,908,362 Shares Issued and Outstanding as of December 31, 2020 and 2019, respectively		**9,484**		5,908
Additional Paid-in Capital		**21,999,838**		1,466,484
Accumulated Deficit		**(54,957,586)**		(46,596,916)
Total Stockholders' Deficit		**(32,948,264)**		(45,124,524)
Total Liabilities, Preferred Stock and Stockholders' Deficit	**$**	**5,330,391**	$	6,997,992

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

For the Years Ended December 31	**2020**	2019
Grant Revenue	**$ 476,840**	$ 1,423,300
Operating Expenses:		
Research and Development	**6,317,604**	8,625,071
General and Administrative	**2,173,777**	2,920,578
Total Operating Expenses	**8,491,381**	11,545,649
Loss from Operations	**(8,014,541)**	(10,122,349)
Other Income (Expense):		
Interest Expense	**(344,647)**	(1,604,853)
Interest Income	**9,371**	185,862
Loss on Sale of Property and Equipment	**(10,853)**	(6,797)
Total Other Expense, Net	**(346,129)**	(1,425,788)
Net Loss	**$ (8,360,670)**	$ (11,548,137)

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

	Convertible Preferred Stock								
	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	$0.001 Par Value			
Balance as of December 31, 2018	27,800,000	$ 27,432,821	-	$ -	5,900,572	$ 5,900	$ 1,340,478	$ (35,048,779)	$ (33,702,401)
Exercise of Stock Options	-	-	-	-	7,790	8	226	-	234
Stock-based Compensation	-	-	-	-	-	-	125,780	-	125,780
Net Loss	-	-	-	-	-	-	-	(11,548,137)	(11,548,137)
Balance as of December 31, 2019	27,800,000	27,432,821	-	-	5,908,362	5,908	1,466,484	(46,596,916)	(45,124,524)
Conversion of Series A Convertible Preferred Stock to Common Stock	(11,300,000)	(11,300,000)	-	-	2,260,000	2,260	11,297,740	-	11,300,000
Conversion of Series B Convertible Notes to Series A Convertible Preferred Stock	13,682,760	13,682,760	-	-	-	-	-	-	-
Conversion of Series B Convertible Notes to Common Stock	-	-			1,824,368	1,824	9,120,019	-	9,121,843
Issuance of Series A-1 Convertible Preferred Stock, Net Issuance Costs of $302,723	-	-	115,384,614	7,197,277	-	-	-	-	-
Cancellation of Nonvested Restricted Stock	-	-	-	-	(571,500)	(571)	571	-	-
Exercise of Stock Options	-	-	-	-	62,396	63	1,809	-	1,872
Stock-based Compensation							113,215	-	113,215
Net Loss								(8,360,670)	(8,360,670)
Balance as of December 31, 2020	30,182,760	$ 29,815,581	115,384,614	$ 7,197,277	9,483,626	$ 9,484	$ 21,999,838	$ (54,957,586)	$ (32,948,264)

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

For the Years Ended December 31	2020	2019
Cash Flows from Operating Activities:		
Net Loss	**$ (8,360,670)**	$ (11,548,137)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities:		
Depreciation	**444,075**	508,803
Stock-based Compensation	**113,215**	125,780
Loss on Sale of Property and Equipment	**10,853**	6,797
Changes in operating assets and liabilities:		
Decrease (Increase) in Grant Receivable	**1,453,851**	(765,470)
Decrease (Increase) in Prepaid Expenses and Other Current Assets	**39,618**	(92,406)
Decrease in Deposits	**-**	26,412
(Decrease) Increase in Accounts Payable	**(521,009)**	522,686
(Decrease) Increase in Accrued Expenses	**(49,888)**	1,672,481
Decrease in Deferred Rent	**(48,398)**	(93,983)
Net Cash Used in Operating Activities	**(6,918,353)**	(9,637,037)
Cash Flows from Investing Activities:		
Acquisition of Property and Equipment	**(137,035)**	(90,768)
Proceeds from Sale of Property and Equipment	**33,177**	68,276
Payment of Capital Lease Obligation	**-**	(1,435)
Net Cash Used in Investing Activities	**(103,858)**	(23,927)
Cash Flows from Financing Activities:		
Proceeds from Issuance of Series A-1 Convertible Preferred Stock, Net of Issuance Costs of $302,723	**7,197,277**	-
Proceeds from Exercise of Stock Options	**1,872**	234
Net Cash Provided by Financing Activities	**7,199,149**	234
Net Decrease in Cash and Cash Equivalents and Restricted Cash	**176,938**	(9,660,730)
Cash and Cash Equivalents and Restricted Cash, January 1	**4,447,980**	14,108,710
Cash and Cash Equivalents and Restricted Cash, December 31	**$ 4,624,918**	$ 4,447,980
Supplemental Disclosure of Cash Flow Information:		
Cash Paid for Interest Expense	**$ -**	$ 457
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Loss on sale of property and equipment	**$ 10,853**	$ 6,797
Conversion of Series B Promissory Notes plus accrued interest into Series A Convertible Preferred Stock and Common Stock	**$ 22,804,603**	**$ -**

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

1. Organization and Significant Accounting Policies

Zikani Therapeutics, Inc. (the Company) was originally incorporated as a Delaware limited liability company on January 14, 2014 and converted to a Delaware corporation on February 9, 2015 under the name Macrolide Pharmaceuticals, Inc. The Company changed its name to Zikani Therapeutics, Inc. on April 23, 2019. The Company is developing a process for the total synthesis of macrolides, a major class of antibiotics.

Basis of Accounting. The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). Any reference in these notes to applicable guidance is meant to refer to GAAP as found in the Accounting Standards Codification (ASC) and Accounting Standards Update (ASU) of the Financial Accounting Standards Board (FASB).

Liquidity. The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company is subject to a number of risks and uncertainties common to early-stage companies including the ability to obtain adequate financing, competition from larger and more established companies, the successful development and marketing of its products, protection of proprietary technology, dependence on key personnel, and the uncertainty of future profitability. The Company has experienced recurring losses and negative cash flows from operations since inception and has an accumulated deficit of $54,957,588 as of December 31, 2020. On April 1, 2021, the Company was acquired by Eloxx Therapeutics, Inc. (See Note 13).

Grant Revenue. The Company generates revenue from a government grant of which it is a subrecipient. Revenues from this grant are based upon expenditures incurred that are specifically allowable under the terms of the grant, plus an additional rate that provides funding for overhead expenses. Revenue is recognized in the period during which the related specified expenditures are incurred, provided that the conditions under which the grants were provided have been met.

Grant Receivable. Grant receivable includes revenue that has been recognized for specific expenditures incurred for which reimbursement has not yet been received.

Fair Value Measurements. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Cash and Cash Equivalents. The Company maintains its cash in bank deposit accounts, which, at times, may exceed federally insured limits. The Company has a cash management program, which provides for the investment of excess cash balances primarily in money market mutual funds. The Company considers such highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

*Restricted Cas*h. Restricted cash represents amounts serving as collateral for an outstanding irrevocable letter of credit in connection with a facility lease agreement.

Concentrations of Credit Risk. Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash, cash equivalents and restricted cash. The Company maintains its cash, cash equivalents and restricted cash with high-credit quality financial institutions. The Company believes it is not exposed to any significant losses due to credit risk on cash and cash equivalents.

Property and Equipment. Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets, as follows:

Laboratory Equipment	5 Years
Leasehold Improvements	Lesser of Useful Life or Life of Lease
Computer Equipment	3 Years
Furniture and Fixtures	5 Years

Convertible Debt. The Company records a discount to convertible notes for the intrinsic value of conversion options embedded in debt instruments based upon the differences between the fair value of the underlying preferred stock at the commitment date of the note transaction and the effective conversion price embedded in the note. Debt discounts under these arrangements are amortized to noncash interest expense using the effective interest rate method over the term of the related debt to their date of maturity.

If a security or instrument becomes convertible only upon the occurrence of a future event outside the control of the Company, or, is convertible from inception, but contains conversion terms that change upon the occurrence of a future event, then any contingent beneficial conversion feature is measured and recognized when the triggering event occurs and contingency has been resolved.

Deferred Rent. The Company records rent expense related to its office facility based on a constant periodic rate over the term of the lease agreement. The excess of the cumulative rent expense incurred over the cumulative amounts due under the lease agreement is deferred and recognized over the term of the lease.

Preferred Stock. The Company has classified convertible preferred stock, par value $0.001 per share, (the "Preferred Stock") as temporary equity in the accompanying consolidated balance sheets due to certain changes in control events that are outside of the Company's control, including sale or transfer of control of the Company, as holders of the Preferred Stock could cause redemption of the shares in these situations. The Company does not accrete the carrying values of the Preferred Stock to the redemption values since a liquidation event was not considered probable as of December 31, 2020 and 2019. Subsequent adjustments of the carrying values to the ultimate redemption values will be made only if it becomes probable that such a liquidation event will occur.

Research and Development Costs. The Company expenses all research and development costs as incurred.

Stock-Based Compensation. The Company recognizes stock-based compensation on awards granted under a stock compensation plan. Stock-based compensation expense is recorded for awards issued to employees and nonemployees using the fair value method with a corresponding increase in additional paid-in capital. Stock-based compensation awards granted to employees are measured at the grant date fair value with compensation expense recognized on a straight-line basis over the requisite service period of the award. Stock-based compensation awards granted to nonemployees are measured at fair value on the earlier of the date the performance commitment is reached or performance is completed. Nonemployee awards are periodically remeasured during the vesting period as the awards are earned.

Income Taxes. The Company uses an asset and liability approach to financial accounting and reporting for income taxes. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future.

Deferred income tax assets, including those resulting from loss and credit carryforwards, and liabilities are measured using enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary, to reduce deferred income tax assets to the amounts expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred income tax assets and liabilities.

The Company assesses the recording of uncertain tax positions by evaluating the minimum recognition threshold and measurement requirements a tax position must meet before being recognized as a benefit in the financial statements. The Company's policy is to recognize interest and penalties accrued on any uncertain tax positions as a component of income tax expense, if any, in its statements of operations.

Use of Estimates. Management has used estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities in its preparation of the financial statements in accordance with GAAP. Actual results experienced by the Company may differ from those estimates.

COVID-19. In March 2020, the COVID-19 virus caused a worldwide pandemic. Although the short- and long-term effects of this pandemic is unknown, management expects that the Company business operations can be directly or indirectly impacted by this situation. Currently there are no significant impacts on our operations, but we acknowledge there are risks and uncertainties with respect to:

- Availability of supplies and equipment for our laboratories
- Availability of staff
- Fundraising and access to the capital market

Management closely monitors the situation and, to its best ability, is focusing on mitigating measures and contingency plans to limit and prevent any potential impact on our business operations as much as possible. However, the full impact of the COVID-19 outbreak continues to evolve as of the date of issuance of these financial statements. As such, it is uncertain as to the full magnitude that the pandemic will have on the Company’s financial condition, liquidity, and future results of operations.

Subsequent Events. Management has evaluated subsequent events spanning the period from December 31, 2020 through June 16, 2021, the date the financial statements were available to be issued.

2. Fair Value Measurements

Assets measured at fair value on a recurring basis at December 31 were as follows:

		Fair Value Measurements at Reporting Date Using		
	2020	Level 1	Level 2	Level 3
Money Market Mutual Funds	$ 4,246,080	$ 4,246,080	$ -	$ -

		Fair Value Measurements at Reporting Date Using		
	2019	Level 1	Level 2	Level 3
Money Market Mutual Funds	$ 4,034,319	$ 4,034,319	$ -	$ -

Fair value measurements for cash equivalents are based on quoted market prices in active markets. There have been no changes to the fair value methodologies used for the years ended December 31, 2020 and 2019.

3. Commitments

License Agreement. On February 10, 2015, the Company entered into an agreement with the President and Fellows of Harvard College (Harvard) to license certain patent rights owned by Harvard. Consideration for the granting of the license included the issuance of an aggregate of 1,401,800 shares of the Company's common stock through the year ended December 31, 2016. Harvard is entitled to receive clinical and regulatory milestone payments totaling up to $3.6 million in the aggregate per licensed product approved in the United States, European Union, and Japan. The Company is also obligated to make additional royalty payments to Harvard upon the occurrence of certain sales milestones per licensed product up to a mid-single digit royalty percentage. The royalty percentage depends on the product and whether such licensed product is covered by a valid claim within the certain patent rights that the Company licenses from Harvard. Further, the Company may sublicense the patent rights and any income, with the Company obligated to remit to Harvard fees ranging from 20% to 30% of such sublicense income up to the achievement of certain milestone events. There were no royalties recorded in 2020.

In addition to the license agreement, the Company also reimburses Harvard for certain costs related to the maintenance and further development of patents developed through the founding stockholder's research. For the years ended December 31, 2020 and 2019, the Company incurred patent expenses due to Harvard in the amount of $141,127 and $209,238 respectively. As of December 31, 2020 and 2019, the Company had outstanding payable balances due to Harvard in the amount of $104,692 and $251,364, respectively, which are included in accounts payable and accrued expenses in the accompanying balance sheets.

4. Property and Equipment

Property and equipment as of December 31 consist of the following:

	2020	2019
Laboratory Equipment	$ 2,170,498	$ 2,190,388
Leasehold Improvements	591,852	591,852
Computer Equipment	123,498	123,498
Furniture and Fixtures	102,451	102,451
	2,988,299	3,008,189
Less: Accumulated Depreciation	(2,500,017)	(2,168,837)
	$ 488,282	$ 839,352

Depreciation expense for the years ended December 31, 2020 and 2019 amounted to $444,075 and $508,803, respectively.

5. Convertible Promissory Notes

In March and December 2018, the Company entered into convertible promissory notes with in the amount of $20,000,000 (2018 Notes). The 2018 Notes bore interest at 8.0% per annum and had a maturity date of April 30, 2020.

The outstanding principal and accrued interest was $22,459,956 as of December 31, 2019. For the years ended December 31, 2020 and 2019, interest expense on the 2018 Notes amounted to $344,647 and $1,604,396 respectively, which is included in other income (expense) on the statements of operations.

On April 1, 2020, the 2018 Notes and accrued interest thereon of $22,804,603 were converted into 13,682,760 shares of Series A preferred and 1,824,368 shares of Common Stock.

6. Capital Leases

The Company leased certain equipment under noncancelable capital lease agreements, which expired during 2019. As of December 31, 2020 and 2019, both the cost basis and accumulated depreciation on the related capital lease assets amounted to $429,656. Amortization of assets held under capital leases is included with depreciation expense.

7. Convertible Preferred Stock

As of December 31, 2020, the Company has authorized 165,989,214 shares of $0.001 par value Convertible Preferred Stock, of which 50,604,600 and 115,384,614 shares were authorized for Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock, respectively.

Series A Convertible Preferred Stock

During 2015 and 2016, the Company issued 27,800,000 shares of Series A Convertible Preferred Stock for a purchase price of $1.00 per share, or $27,800,000.

In March 2020, the Series A investors were offered to invest in the Series A-1, several Series A investors did not participate in the Series A-1 financing, executing the Pay-To-Play Provision. As a result, 11,300,000 shares of Series A shares converted into 1/5 of a share of Common Stock or 2,260,000 shares. On April 1, 2020, the 2018 Notes and accrued interest thereon of $22,804,603 were converted into 13,682,760 shares of Series A Convertible Preferred Stock.

Series A-1 Convertible Preferred Stock

In March 2020, the Company issued 115,384,614 shares of Series A-1 Convertible Preferred Stock at $0.0650 per share, resulting in gross proceeds of $7,500,000.

As of December 31, 2020, the rights and preferences for the Series A Convertible Preferred Stock and Series A-1 Convertible Preferred Stock are as follows:

Voting Rights. Each stockholder of preferred stock is entitled to the number of votes equal to the number of shares of common stock into which preferred stock is then convertible.

Dividend. Series A Preferred stockholders are entitled to receive dividends in the amount of 8% of the Series A Preferred original issuance price of $1.00 on each outstanding share of Series A Preferred, prior and in preference to any declaration or payment of any dividend to the holders of shares of common stock. Such dividends are noncumulative and are to be paid only if and when declared by the Board of Directors.

Series A-1 Preferred stockholders are entitled to receive dividends in the amount of $0.0052 per share on each share of Series A-1 Preferred. Series A-1 Preferred dividends shall accrue, whether or not declared, and cumulative. Dividends shall be payable on when, as, and if declared by the Board of Directors of the Company. In the event dividends are declared for the common stockholders, the Series A-1 Preferred stockholders are entitled to the amount of dividends on an as-converted basis. The accrued Series A-1 Preferred dividends as of December 31, 2020 was $450,411

In the event dividends are declared for the common stockholders, the Series A preferred and Series A-1 preferred stockholders are entitled to the amount of dividends on an as-converted basis.

No dividends have been declared as of December 31, 2020.

Liquidation. In the event of liquidation, dissolution or winding up of the Company, the Series A preferred stockholders will be entitled to receive, in preference to all common stockholders, an amount equal to $1.50 per share, as adjusted for certain events, plus any declared but unpaid dividends. The Series A-1 Preferred stockholders will be entitled to receive, in preference to all common stockholders, an amount equal to $0.0650 per share, as adjusted for certain events, plus any accrued but unpaid dividends.

After such distributions have been made, the remaining assets available for distribution shall be distributed to common stockholders, Series A Preferred and Series A-1 Preferred stockholders on a *pro rata* basis based upon the number of shares held by each stockholder, treating all such Series A preferred and Series A-1 preferred on an as-converted basis.

Conversion. Each share of Series A preferred and Series A-1 preferred are convertible into one share of common stock based on a conversion factor of $1.00 per share and $0.0650 per share, respectively, adjustable for certain dilutive events. Conversion is at the option of the holder; however, it is automatic upon the closing of an initial public offering resulting in net proceeds of at least $50,000,000 and at an offering price not less than $0.1950 per share, or upon the decision of the holders of a majority in voting power of the then outstanding shares of Series A preferred and Series A-1 preferred.

Redemption. The Series A preferred and Series A-1 preferred are not redeemable, except in a deemed liquidation event.

8. Common Stock

As of December 31, 2020, the Company authorized the sale and issuance of up to 200,000,000 shares of common stock at $0.001 par value per share.

As of December 31, 2020 and 2019, the Company had 3,700,000 and 4,271,500 shares restricted common stock outstanding, respectively, at a weighted average grant date fair value of $0.22 per share. The restrictions are subject to the satisfaction of certain performance targets pursuant to the award agreement. During the years ended December 31, 2020 and 2019, the Company canceled 571,500 shares and 328,500 shares of restricted stock, respectively, due to non-achievement of the performance targets.

As of December 31, 2020, the Company has reserved 170,618,632 shares of common stock are reserved for the conversion of preferred stock and exercise of stock options.

9. Stock-based Compensation Plan

In February 2015, the Board of Directors adopted the 2015 Employee, Director and Consultant Equity Incentive Plan (the Plan). Under the terms of the Plan, incentive stock options (ISOs), nonqualified stock options, and restricted stock awards may be granted to employees, directors, consultants, employees and officers of the Company. The exercise price of ISOs cannot be less than the fair value of the common stock on the date of grant, or less than 110% of the fair value in the case of employees holding 10% or more of the voting stock of the Company. The options vest over a period determined by the Board of Directors, generally four years, and expire not more than ten years from the date of grant.

During the years ended December 31, 2020 and 2019, the Company modified 2,488,033 and 2,211,379 stock option grants, respectively, to reduce the exercise price of those options to the then current fair value of the Company's common stock. As a result of these modifications, the Company recorded additional stock-based compensation expense of approximately $1,200 and $15,000, respectively, which is included in total stock-based compensation expense in the accompanying statements of operations.

As of December 31, 2020, the Company's authorized common stock includes 25,113,653 shares of common stock reserved for the issuance of options under the Plan, of which 1,210,812 shares are available for future grants.

Stock option activity under the Plan during the year ended December 31, 2020 is as follows:

	Number of Options	Weighted Average Exercise Price (Per Share)	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2019	3,845,017	$ 0.03	9.3
Granted	23,807,946	0.004	
Canceled	(3,750,122)	0.03	
Exercised	(62,395)	0.03	
Outstanding at December 31, 2020	23,840,446	$ 0.004	8.9
Vested and Expected to Vest at December 31, 2020	6,020,246	$ 0.004	8.9
Exercisable at December 31, 2020	6,020,246	$ 0.004	8.9

The weighted-average grant-date fair value of options granted during the years ended December 31, 2020 and 2019 was $0.003 and $0.02, respectively.

There was no intrinsic value on the options exercised during the year ended December 31, 2020 and 2019.

During the years ended December 31, 2020 and 2019, stock-based compensation expense amounted to $113,000 and $126,000, respectively, which is included in the statements of operations.

As of December 31, 2020, there is approximately $257,000 of unrecognized compensation expense related to unvested stock-based compensation arrangements. The cost is expected to be recognized over a weighted average period of 2.29 years. The total fair value of shares vested during the years ended December 31, 2020 and 2019 amounted to approximately $24,500 and $26,000, respectively.

The Company uses the Black-Scholes option-pricing model to value option grants on the date of grant and to determine the related compensation expense. The assumptions used in calculating the fair value of stock-based awards represent management's best estimations. The Company bases its expected volatility on the volatilities of certain publicly-traded peer companies. Management believes that the historical volatility of the Company's stock price does not best represent the expected volatility of the stock price. The Company is a privately-held company and, therefore, lacks company-specific historical and implied volatility information. The Company intends to continue to consistently use the same group of publicly traded peer companies to determine volatility in the future until such time that sufficient information regarding the volatility of the Company's share price becomes available or that the selected companies are no longer suitable for this purpose. The risk-free interest rate used for each grant is equal to the U.S. Treasury yield curve in effect at the time of grant for instruments with a similar expected life. The expected term of options granted is determined based on the average of the vesting term and the contractual lives of all options awarded. The expected dividend yield assumption is based on the Company's history and expectation of dividend payouts.

In determining the exercise prices for options granted, the Company has considered the fair value of the common stock as of the measurement date. The fair value of the common stock has been determined by management with consideration of a third-party valuation, which contemplates a broad range of factors, including the illiquid nature of the investment in the Company's common stock, the Company's historical financial performance and financial position, the Company's future prospects and opportunity for liquidity events, and recent sale and offer prices of common and preferred stock, if any, in private transactions negotiated at arm's length.

The following table provides the assumptions used in determining the fair value of the stock-based awards for the years ended December 31:

	2020	2019
Risk-Free Interest Rate	0.38% - 0.55%	2.23% - 2.48%
Expected Dividend Yield	0%	0%
Expected Volatility	111.00%	76.00%
Expected Life	6.02 - 6.25 Years	5.83 - 6.29 Years
Fair Value of Common Stock	$0.003	$0.03

Expense related to share-based payments is recognized over the vesting period of the options. The Company has elected to recognize forfeitures as they occur.

10. Operating Leases:

The Company is party to a noncancelable operating lease agreement for its facility which expires in February 2024.

During the years ended December 31, 2020 and 2019, rent expense incurred under these agreements amounted to $546,160 and $615,582, respectively.

Future minimum lease payments due under these noncancelable lease agreements are as follows:

Year Ending December 31,	
2021	$ 547,458
2022	673,374
2023	693,575
2024	116,160
	$ 2,030,567

11. Income Taxes:

The provision for income taxes during the years ended December 31 consists of the following:

	2020	2019
Deferred		
Federal	$ (1,421,000)	$ (2,364,000)
State	(354,000)	(921,000)
	(1,775,000)	(3,285,000
Change in Valuation Allowance	1,775,000	3,285,000
	$ -	$ -

Deferred income taxes reflect the impact of carryforwards and temporary differences between the amounts of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws.

The carryforwards and temporary differences, which give rise to a significant portion of the Company's deferred tax asset (liability) as of December 31, are as follows:

	2020	2019
Net Operating Loss Carryforwards	$ 13,168,000	$ 11,327,000
Credit Carryforwards	1,839,000	1,613,000
Accruals	163,000	752,000
Stock-based Compensation	55,000	24,000
Capitalized Expenses	265,000	89,000
Depreciation/Amortization	103,000	13,000
	15,593,000	13,818,000
Less: Valuation Allowance	(15,593,000)	(13,818,000)
	$ -	$ -

As of December 31, 2020, the Company has federal and state net operating loss carryforwards totaling approximately $48,213,000 and $48,155,000, respectively, which are available to reduce the Company's future taxes. The pre-2018 federal net operating loss carryforwards total approximately $19,653,000 and expire through 2037. Beginning in 2018, federal net operating loss carryforwards do not expire. The state net operating loss carryforwards expire through 2040. The Company also has federal and state research and development credit carryforwards of $1,408,000 and $430,000, respectively, which expire through 2040. As of December 31, 2020 and 2019, the Company has established a full valuation allowance in the amounts of $15,515,000 and $13,818,000, respectively, against its deferred tax assets because the future realization of such benefits is uncertain. The Internal Revenue Code contains provisions that may limit the net operating loss carryforwards available to be used in any given year in the event of any significant changes in ownership of the Company.

The provision for income taxes differs from the expense that would result from applying statutory rates to income before income taxes. The differences primarily result from changes in valuation allowance.

The Company has not recognized any liabilities for uncertain tax positions or unrecognized benefits as of December 31, 2020 and 2019. The Company does not expect any material change in uncertain tax benefits within the next 12 months.

12. Indemnifications:

In the ordinary course of business, the Company enters into various agreements containing standard indemnification provisions. The Company's indemnification obligations under such provisions are typically in effect from the date of execution of the applicable agreement through the end of the applicable statute of limitations. The aggregate maximum potential future liability of the Company under such indemnification provisions is uncertain. As of December 31, 2020 and 2019, no amounts have been accrued related to such indemnification provisions.

13. Subsequent Events

All of the equity of the Company was acquired by Eloxx Pharmaceuticals, Inc. (Eloxx) on April 1, 2021 for 7.6 million shares.

Exhibit 99.2

ZIKANI THERAPEUTICS, INC.

Index to Unaudited Interim Condensed Financial Statements

CONDENSED FINANCIAL STATEMENTS

ZIKANI THERAPEUTICS, INC.

UNAUDITED CONDENSED BALANCE SHEET
(in thousands, except share and per share data)

		March 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$	1,954
Prepaid expenses and other current assets		296
Total current assets		2,250
Property and equipment, net		328
Restricted cash		191
Total assets	$	2,769
LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$	1,219
Accrued expenses		347
Current portion of deferred rent		34
Total current liabilities		1,600
Deferred rent, net of current portion		120
Total liabilities		1,720
Commitments and contingencies (Note 4)		
Convertible Preferred Stock		
Series A Convertible Preferred Stock: $0.001 par value, 50,604,600 shares authorized and 30,182,760 shares issued and outstanding as of March 31, 2021; Liquidation preference of $45,274,140 at March 31, 2021		29,816
Series A-1 Convertible Preferred Stock: $0.001 par value, 115,384,614 shares authorized, issued and outstanding as of March 31, 2021; Liquidation preference of $7,950,411 at March 31, 2021		7,197
Total Convertible Preferred Stock		37,013
Stockholders' deficit:		
Common stock, $0.001 par value per share, 200,000,000 shares authorized and 9,483,626 shares issued and outstanding as of March 31, 2021		9
Additional paid-in capital		22,024
Accumulated deficit		(57,997)
Total stockholders' deficit		(35,964)
Total liabilities, preferred stock and stockholders' deficit	$	2,769

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

ZIKANI THERAPEUTICS, INC.

UNAUDITED CONDENSED STATEMENT OF OPERATIONS

	Three Months Ended March 31, 2021
Operating expenses:	
Research and development	$ 1,706
General and administrative	1,392
Total operating expenses	3,098
Loss from operations	(3,098)
Other income, net	59
Net loss	$ (3,039)

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

ZIKANI THERAPEUTICS, INC.

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
(in thousands)

		Three Months Ended March 31, 2021
Cash flows from operating activities:		
Net loss	$	(3,039)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation		24
Depreciation		70
Gain on sale of property and equipment		(59)
Changes in operating assets and liabilities:		
Prepaid expenses and other assets		(80)
Accounts payable		675
Accrued expenses		(221)
Net cash used in operating activities		(2,630)
Cash flows from investing activities:		
Acquisition of property and equipment		(25)
Proceeds from sale of property and equipment		175
Net cash provided by investing activities		150
Cash flows from financing activities:		
Net cash (used in) provided by financing activities		-
Decrease in cash, cash equivalents and restricted cash		(2,480)
Cash, cash equivalents and restricted cash at the beginning of the period		4,625
Cash, cash equivalents and restricted cash at the end of the period	$	2,145
Reconciliation of cash, cash equivalents and restricted cash to condensed consolidated balance sheets:		
Cash and cash equivalents	$	1,954
Restricted cash		191
Total cash, cash equivalents and restricted cash	$	2,145
Supplemental disclosure of cash flow activities:		
Property and Equipment purchases in Accounts Payable	$	3

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

ZIKANI THERAPEUTICS, INC.

UNAUDITED CONDENSED STATEMENT OF CHANGES IN CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT
(in thousands, except share data)

	Convertible Preferred Stock									
	Series A Convertible Preferred Stock		Series A-1 Convertible Preferred Stock		Common stock					
	Shares	Amount	Shares	Amount	Shares	Amount	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
Balance at December 31, 2020	30,182,760	$ 29,816	115,384,614	$ 7,197	9,483,626	$ 9	$ 22,000	$ (54,958)	$ (32,949)
Stock-based compensation expense	—	—	—	—	—	—	24	—	24
Net loss	—	—	—	—	—	—	—	(3,039)	(3,039)
Balance at March 31, 2021	30,182,760	$ 29,816	115,384,614	$ 7,197	9,483,626	$ 9	$ 22,024	$ (57,997)	$ (35,964)

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

ZIKANI THERAPEUTICS, INC.

NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of the Business

Zikani Therapeutics, Inc. (the Company) was originally incorporated as a Delaware limited liability company on January 14, 2014, and converted to a Delaware corporation on February 9, 2015, under the name Macrolide Pharmaceuticals, Inc. The Company changed its name to Zikani Therapeutics, Inc. on April 23, 2019. The Company is developing a process for the total synthesis of macrolides, a major class of antibiotics.

2. Basis of Presentation and Significant Accounting Policies

The Company has prepared the accompanying unaudited interim condensed consolidated financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as found in the Accounting Standards Codification ("ASC") and Accounting Standards Updates ("ASU") promulgated by the Financial Accounting Standards Board ("FASB"). These interim financial statements, in the opinion of management, reflect all normal recurring adjustments necessary for a fair presentation of the Company's financial position, results of operations, and cash flows for the interim period ended March 31, 2021.

Certain information and footnote disclosures normally included in the Company's annual consolidated financial statements have been condensed or omitted, as permitted by such rules and regulations.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2020, and the notes thereto.

The significant accounting policies used in the preparation of these condensed consolidated financial statements are consistent with those described in the Company's audited consolidated financial statements as of and for the year ended December 31, 2020, and the notes thereto, in the Company's Annual Report.

3. Fair Value of Financial Instruments

At March 31, 2021 the Company's financial assets valued based on Level 1 inputs consisted of cash and cash equivalents. During the three months ended March 31, 2021, the Company did not have any transfers of financial assets between levels, as defined in the significant accounting policies note in our Annual Report.

Assets measured at fair value on a recurring basis at March 31 were as follows (in thousands):

		Fair Value Measurements at Reporting Date Using		
	2021	**Level 1**	**Level 2**	**Level 3**
Money Market Mutual Funds	$ 2,144	$ 2,144	$ -	$ -

Fair value measurements for cash equivalents are based on quoted market prices in active markets.

Some assets and liabilities are required to be recorded at fair value on a recurring basis, while other assets and liabilities are recorded at fair value on a nonrecurring basis. The carrying amounts of current financial instruments, which include accounts payable and accrued expenses, approximate their fair values due to the short-term nature of these instruments.

4. Commitments and Contingencies

On February 10, 2015, the Company entered into an agreement with the President and Fellows of Harvard College (Harvard) to license certain patent rights owned by Harvard. Consideration for the granting of the license included the issuance of an aggregate of 1,401,800 shares of the Company's common stock through the year ended December 31, 2016. Harvard is entitled to receive clinical and regulatory milestone payments totaling up to $3.6 million in the aggregate per licensed product approved in the United States, European Union, and Japan. The Company is also obligated to make additional royalty payments to Harvard upon the occurrence of certain sales milestones per licensed product up to a mid-single digit royalty percentage. The royalty percentage depends on the product and whether such licensed product is covered by a valid claim within the certain patent rights that the Company licenses from Harvard. Further, the Company may sublicense the patent rights and any income, with the Company obligated to remit to Harvard fees ranging from 20% to 30% of such sublicense income up to the achievement of certain milestone events. There were no royalties recorded in the three months ended March 31, 2021.

In addition to the license agreement, the Company also reimburses Harvard for certain costs related to the maintenance and further development of patents developed through the founding stockholder's research. For the three months ended March 31, 2021, the Company incurred patent expenses due to Harvard in the amount of $9 thousand. As of March 31, 2021, the Company had outstanding payable balances due to Harvard in the amount of $30 thousand, which are included in accounts payable in the accompanying balance sheet.

5. Property and Equipment

Property and equipment, net consisted of the following (in thousands):

	As of March 31, 2021
Laboratory equipment	$ 1,803
Leasehold improvements	617
Computer equipment	123
Furniture and fixtures	103
	2,646
Less accumulated depreciation	(2,318)
Property and equipment, net	$ 328

Depreciation expense was $70 thousand for the three months ended March 31, 2021.

6. Stock-based Compensation

Stock option activity under the Plan during the year ended December 31, 2020 is as follows:

	Shares	Weighted average exercise price	Weighted average remaining contractual life (years)
Options outstanding at December 31, 2020	23,840,446	$ 0.004	8.90
Options outstanding at March 31, 2021	23,840,446	$ 0.004	8.65
Options exercisable at March 31, 2021	6,991,997	$ 0.004	8.96

There were no grants, cancellations or exercises during the three months ended March 31, 2021. As a result of the merger with Eloxx Pharmaceuticals, Inc. on April 1, 2021, all outstanding options were cancelled at that time.

Total equity-based compensation expense related to all of the Company’s stock-based awards for the three months ended March 31, 2021, was $24 thousand; $9 thousand in research and development expense and $15 thousand in general and administrative expense.

7. Subsequent Events

All of the equity of the Company was acquired by Eloxx Pharmaceuticals, Inc. (Eloxx) on April 1, 2021 for 7.6 million shares.

Exhibit 99.3

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

Agreement and Plan of Merger

On April 1, 2021, Eloxx Pharmaceuticals, Inc., a Delaware corporation ("Eloxx" or the "Company"), acquired Zikani Therapeutics, Inc., a Delaware corporation ("Zikani"), pursuant to that certain Agreement and Plan of Merger, dated April 1, 2021 (the "Merger Agreement"), by and among Eloxx, Delta Merger Sub Acquisition Corporation, a Delaware corporation and direct, wholly owned subsidiary of the Company ("Merger Sub"), and Zikani. Pursuant to the Merger Agreement, Merger Sub was merged with and into Zikani, with Zikani surviving the Merger as a wholly owned subsidiary of the Company (the "Merger").

Under the terms of the Merger Agreement, in connection with the closing of the Merger, Eloxx issued 7,596,810 shares of Eloxx common stock, $0.01 par value per share ("Eloxx Common Stock"), in exchange for all of the issued and outstanding equity interests of Zikani (the "Merger Consideration"). In addition, Eloxx issued 442,142 restricted stock units under the Eloxx Pharmaceuticals, Inc. 2018 Equity Incentive Plan (the "Equity Plan") to certain employees of Zikani in respect of each applicable individual's prospective service as an officer or director of Eloxx (as applicable) following the consummation of the Merger (the "Closing RSUs").

At the completion of the Merger, holders of Zikani common stock immediately prior to the Merger owned approximately 15.9% of the combined Company and holders of Eloxx common stock immediately prior to the Merger owned approximately 84.1% of the combined Company.

Unaudited Pro Forma Combined Financial Statements

The following unaudited pro forma condensed combined financial information was prepared using the asset acquisition method of accounting under accounting principles generally accepted in the United States ("U.S. GAAP"). For accounting purposes, Eloxx is considered to be acquiring Zikani and the Merger will be accounted for as an asset acquisition. To determine the accounting for this transaction under U.S. GAAP, a company must assess whether an integrated set of assets and activities should be accounted for as an acquisition of a business or an asset acquisition. The guidance requires an initial screen test to determine if substantially all of the fair value of the gross assets acquired is concentrated in a single asset or group of similar assets. If that screen is met, the set is not a business. In connection with the Merger, substantially all the fair value is included in in-process research and development ("IPR&D") and, as such, the acquisition will be treated as an asset acquisition.

The unaudited pro forma condensed combined balance sheet data assume that the Merger took place on March 31, 2021 and combines the historical balance sheets of Eloxx and Zikani as of such date. The unaudited pro forma combined statement of operations and comprehensive loss for the three months ended March 31, 2021 assumes the merger took place January 1, 2020 and combines the historical financial statements of Eloxx and Zikani for the three months ended March 31, 2021. The unaudited pro forma combined statement of operations for the year ended December 31, 2020 assumes that the merger took place as of January 1, 2020 and combines the historical financial statements of Eloxx and Zikani for the year ended December 31, 2020. The unaudited pro forma condensed combined financial information was prepared in accordance with U.S. GAAP and pursuant to the rules and regulations of SEC Regulation S-X. The historical financial statements of Eloxx and Zikani have been adjusted to give pro forma effect to events that are: (i) directly attributable to the transaction, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined statement of operations, expected to have a continuing impact on the combined company's results.

Zikani's assets and liabilities will be measured and recognized at their relative fair values, as estimated in good faith by management, and allocated to the net assets acquired as of the transaction date, and combined with the assets, liabilities, and results of operations of Eloxx on consummation of the Merger. In accordance with ASC 730, Research and Development, the portion of arrangement consideration allocated to the acquired IPR&D based on its relative fair value is included as an operating expense as there is no alternative future use.

The unaudited pro forma condensed combined financial information is based on the assumptions and adjustments that are described in the accompanying notes, including accounting for the transaction as an asset acquisition. Accordingly, the pro forma adjustments are preliminary, subject to further revision as additional information becomes available and additional analyses are performed and have been made solely for the purpose of providing unaudited pro forma condensed combined financial information. Differences between these preliminary estimates and the final accounting, may occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial position.

The unaudited pro forma condensed combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the integration of the two companies. The unaudited pro forma condensed combined financial information is preliminary and has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had Eloxx and Zikani been a combined company during the specified periods. The actual results reported in periods following the Merger may differ significantly from those reflected in the unaudited pro forma condensed combined financial information presented herein for a number of reasons, including, but not limited to, differences in the assumptions used to prepare this pro forma financial information.

The unaudited pro forma condensed combined financial information, including the notes thereto, should be read in conjunction with the separate historical financial statements of Zikani appearing in this current report on Form 8-K/A, and Eloxx's historical audited financial statements for the year ended December 31, 2020 are from Eloxx's Annual Report on Form 10-K for the year ended December 31, 2020, and unaudited financial statements for the three months ended March 31, 2021 are derived from Eloxx's Quarterly Report on Form 10-Q.

Accounting rules require evaluation of certain assumptions, estimates, or determination of financial statement classifications which are completed during the measurement period as defined in current accounting standards. The accounting policies of Zikani may materially vary from those of Eloxx. During preparation of the unaudited pro forma condensed combined financial information, management has performed a preliminary analysis and, other than with respect to accounting for leases under ASU 2016-02 (Topic 842 or "ASC 842") is not aware of any further material differences, and accordingly, this unaudited pro forma condensed combined financial information assumes no material differences in accounting policies other than as adjusted for Zikani's facility lease under ASC 842. Management is in the process of conducting a final review of Zikani's accounting policies in order to determine if differences in accounting policies require adjustment or reclassification of Zikani's results of operations or reclassification of assets or liabilities to conform to Eloxx's accounting policies and classifications. As a result of this review, management may identify differences that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial state

Unaudited Pro Forma Condensed Combined Balance Sheet
March 31, 2021
(in thousands)

	Eloxx Pharmaceuticals, Inc.	Zikani Therapeutics, Inc.	Pro Forma Adjustments	Notes	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 18,247	$ 1,954	$ 173	**D**	$ 20,374
Restricted cash	54	191	-		245
Prepaid expenses and other current assets	1,659	296	-		1,955
Total current assets	19,960	2,441	173		22,574
Operating lease right-of-use asset	289	-	1,810	**C**	2,099
Property and equipment, net	117	328	(136)	**B**	309
Intangible assets	-	-	467	**B**	467
Total assets	$ 20,366	$ 2,769	$ 2,314		$ 25,449
LIABILITIES, CONVERIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 485	$ 1,219	$ (611)	**D**	$ 1,093
Accrued expenses	2,917	347	(306)	**D**	2,958
Current portion of long-term debt	5,562	-	-		5,562
Advances from collaboration partners	3,411	-	-		3,411
Current portion of operating lease liability	280	-	588	**C**	868
Taxes payable	38	-	-		38
Current portion of deferred rent	-	34	(34)	**C**	-
Total current liabilities	12,693	1,600	(363)		13,930
Long-term debt	4,913	-	-		4,913
Operating lease liability	10	-	1,222	**C**	1,232
Deferred rent, net of current portion	—	120	(120)	**C**	—
Total liabilities	17,616	1,720	739		20,075
Commitments and contingencies					
Series A Convertible Preferred Stock	—	29,816	(29,816)	**A**	—
Series A-1 Convertible Preferred Stock	—	7,197	(7,197)	**A**	—
Stockholders' equity:					
Common stock	404	9	67	**A, B**	480
Common stock in treasury	(1,922)	-	-		(1,922)
Additional paid-in capital	184,558	22,024	235	**A, B, C, D**	206,817
Accumulated deficit	(180,290)	(57,997)	38,285	**A, B, C, D**	(200,002)
Total stockholders' equity	2,750	1,048	1,575		5,373
Total liabilities and stockholders' equity	$ 20,366	$ 2,769	$ 2,314		$ 25,449

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Three Months Ended March 31, 2021
(in thousands, and per share data)

	Eloxx Pharmaceuticals, Inc.	Zikani Therapeutics, Inc.	Pro Forma Adjustments	Notes	Pro Forma Combined
Operating expenses:					
Research and development	$ 4,073	$ 1,706	$ 2	C	$ 5,781
General and administrative	4,341	1,392	(1,490)	D	4,243
Total operating expenses	8,414	3,098	(1,488)		10,024
Loss from operations	(8,414)	(3,098)	1,488		(10,024)
Other income (expense), net	(280)	59	-		221
Net loss	$ (8,694)	$ (3,039)	$ 1,488		$ (10,245)
Loss per share (basic & diluted)	$ (0.22)				$ (0.21)
Wtd. avg. shares (basic & diluted)	40,180		7,597	E	47,777

Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2020
(in thousands, and per share data)

	Eloxx Pharmaceuticals, Inc.	Zikani Therapeutics, Inc.	Pro Forma Adjustments	Notes	Pro Forma Combined
Grant revenue	$ -	$ 477	$ -		$ 477
Operating expenses:					
Research and development	14,590	6,318	81	**C**	20,989
General and administrative	14,847	2,174	7	**C**	17,028
Restructuring charges	4,018	-	-		4,018
Total operating expenses	33,455	8,492	88		42,035
Loss from operations	(33,455)	(8,015)	(88)		(41,558)
Other expense, net	1,122	346	-		1,468
Net loss	$ (34,577)	$ (8,361)	$ (88)		$ (43,026)
Loss per share (basic & diluted)	$ (0.86)				$ (0.90)
Wtd. avg. shares (basic & diluted)	40,125		7,597	**E**	47,722

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

1. Description of Transaction

On April 1, 2021, Eloxx Pharmaceuticals, Inc., a Delaware corporation ("Eloxx" or the "Company"), acquired Zikani Therapeutics, Inc., a Delaware corporation ("Zikani"), pursuant to that certain Agreement and Plan of Merger, dated April 1, 2021 (the "Merger Agreement"), by and among Eloxx, Delta Merger Sub Acquisition Corporation, a Delaware corporation and direct, wholly owned subsidiary of the Company ("Merger Sub"), and Zikani. Pursuant to the Merger Agreement, Merger Sub was merged with and into Zikani, with Zikani surviving the Merger as a wholly owned subsidiary of the Company (the "Merger").

Under the terms of the Merger Agreement, in connection with the closing of the Merger, Eloxx issued 7,596,810 shares of Eloxx common stock, $0.01 par value per share ("Eloxx Common Stock"), in exchange for all of the issued and outstanding equity interests of Zikani (the "Merger Consideration"). In addition to but separate from the Merger Consideration, in connection with the Merger, Eloxx issued 442,142 restricted stock units under the Eloxx Pharmaceuticals, Inc. 2018 Equity Incentive Plan (the "Equity Plan") to certain employees of Zikani in respect of each applicable individual's prospective service as an officer or director of Eloxx (as applicable) following the consummation of the Merger (the "Closing RSUs").

At the completion of the Merger, holders of Zikani common stock immediately prior to the Merger owned approximately 15.9% of the combined Company and holders of Eloxx common stock immediately prior to the Merger owned approximately 84.1% of the combined Company.

2. *Basis of Presentation*

The unaudited pro forma condensed combined financial statements were prepared in accordance with the regulations of the SEC Regulation S-X, and are intended to show how the Merger might have affected the historical financial statements if the Merger had been completed as of March 31, 2021 for the purposes of the balance sheet, on January 1, 2020 for the purposes of the statement of operations for the year ended December 31, 2020 and the statement of operations for the three months ended March 31, 2021.

Based on the terms of the Merger, Eloxx has been determined to be the acquiring company for accounting purposes and the Company has preliminarily concluded the merger represents an asset acquisition by Eloxx of Zikani. To determine the accounting for this transaction under U.S. GAAP, a company must assess whether an integrated set of assets and activities will be accounted for as an acquisition of a business or an asset acquisition. The guidance requires an initial screen test to determine if substantially all of the relative fair value of the gross assets acquired is concentrated in a single asset or group of similar non-financial assets. If that screen is met, the set is not a business. In connection with the acquisition of Zikani, substantially all of the consideration paid is allocable to the fair value of acquired IPR&D and, as such, the acquisition is expected to be treated as an asset acquisition. Zikani's assets and liabilities will be measured and recognized at their relative fair values, as estimated in good faith by management, and allocated to the net assets acquired as of the transaction date, and combined with the assets, liabilities, and results of operations of Eloxx on consummation of the Merger. In accordance with ASC 730, Research and Development, the portion of arrangement consideration allocated to the acquired IPR&D based on its relative fair value, is included as an operating expense as there is no alternative future use. The Company has not completed its valuation analysis of the fair market value of Zikani's assets acquired and liabilities assumed.

Using the total consideration for the merger, the Company has estimated the allocations to such assets and liabilities, based on their relative fair values. This preliminary purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma combined balance sheet. The final purchase price allocation will be determined when the Company has completed the detailed valuation analysis. The pro forma adjustments are preliminary and based on management's estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition. These estimates are based on the most recently available information. To the extent there are material differences upon completion of the final purchase price allocation, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly.

3. Preliminary Estimated Purchase Price

The total consideration for the Merger, consummated on April 1, 2021, is preliminarily estimated as follows (in thousands, except per share data):

Number of shares of Eloxx common stock issued to Zikani stockholders (i)				7,597
Actual closing price per share of Company common stock as reported on the Nasdaq Capital Market on April 1, 2021, the closing date of the Merger	$	3.36		
Adjusted for a discount for lack of marketability ("DLOM") (i)		87.5%	$	2.94
Estimated fair value of common stock consideration				22,335
Estimated transaction costs				1,003
Total preliminary estimated purchase price			$	23,338

(i) The shares of common stock issued as merger consideration are unregistered and subject to trading restriction under Rule 144A. Management of the Company estimated the DLOM based on consideration of multiple valuation methods. A DLOM is applied to the Company's quoted common stock price to estimate the value of Eloxx common stock issued in the Merger on a minority, non-marketable basis. The Eloxx Common Stock issued in the Merger was offered and sold in transactions exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(a)(2) thereof and Regulation D thereunder.

For purposes of this pro forma analysis, the above estimated purchase price has been allocated based on preliminary estimates of the fair value of tangible and intangible assets and liabilities acquired by Eloxx in the Merger. The allocation of total preliminary estimated purchase price to the acquired assets and liabilities assumed of Zikani based on the preliminary estimated fair values as of April 1, 2021 is as follows (in thousands):

Cash and cash equivalents as of March 31, 2021	$	1,954
Net working capital assets acquired as of March 31, 2021		487
Net working capital liabilities assumed as of March 31, 2021		(1,967)
Property and equipment(ii)		192
Employee-related intangible assets(iii)		467
In-process research and development ("IPR&D") (iv)		22,205
Total preliminary estimated purchase price		23,338

(ii) Zikani's property and equipment consists principally of laboratory and computer equipment, furniture and fixtures and leasehold improvements.

(iii) Employee-related intangible assets relate to Zikani's assembled workforce acquired by Eloxx in the Merger.

(iv) IPR&D represents the allocated consideration based on the estimated fair value of Zikani's IPR&D. In accordance with ASC 730, Research and Development, the fair value of IPR&D acquired in an asset acquisition with no alternative future use be allocated a portion of the consideration transferred and charged to expense at the acquisition date. The actual purchase price allocated to IPR&D may change, subject to finalization of the Company's fair value estimates and the determination of final transaction costs. The final valuation of the IPR&D consideration could differ significantly from the current estimate.

The allocation of the estimated purchase price is preliminary because the Company has not completed the detailed valuation analysis. The final determination of the purchase price allocation is anticipated to be based on the fair values of assets, including identifiable intangible assets acquired, and the fair values of liabilities assumed as of the Merger closing date. The final amounts allocated to assets acquired and liabilities assumed could differ significantly from the amounts presented in the unaudited pro forma combined financial statements, including differences in the amount of capitalized intangible asset recorded as acquired IPR&D, changes in fair values of property and equipment, and employee-related intangible assets.

4. Pro Forma Adjustments

The pro forma adjustments reflecting the completion of the Merger are based upon the preliminary accounting conclusion that the Merger should be accounted for as an asset acquisition in accordance with ASC 805-50, Business Combinations – Related Issues – Acquisition of Assets Rather than a Business. The pro forma adjustments, as of March 31, 2021 for the unaudited pro forma condensed combined balance sheet and the unaudited pro forma condensed combined statement of operations for the year ended December 31, 2020 and the three months ended March 31, 2021, relate to the following:

A. *Historical equity of Zikani* - To reflect the elimination of Zikani's historical preferred stock and stockholders' equity balances, including accumulated deficit.
B. *Allocation of estimated purchase price of the Merger* - To reflect the fair value of shares of Eloxx common stock issued as Merger consideration and the preliminary allocation of the estimated purchase price of the Merger to the tangible and intangible assets acquired and liabilities assumed.
C. *Accounting for leases* - To conform the accounting of Zikani's facility lease in accordance with Eloxx's accounting policy under ASC 842, Leases.
D. *Zikani Merger-related costs* - To adjust for nonrecurring Merger-related costs, of which we expect to incur $0.2 million of costs within the next twelve months.
E. *Earnings per share* - The unaudited pro forma combined basic and diluted earnings per share for the three months ended March 31, 2021 and the year ended December 31, 2020 reflect the weighted-average common shares outstanding of Eloxx for the respective period. The shares included in the "Pro forma adjustment" column represent the common stock resulting from the exchange at closing of the Merger as-if the 7,596,810 shares of common stock issued by Eloxx to Zikani stockholders had been outstanding from January 1, 2021 with respect to the three months ended March 31, 2021 and from January 1, 2020 with respect to the year ended December 31, 2020.

Given Eloxx's history of net losses and full valuation allowance, management assumed an effective statutory tax rate of 0%. Therefore the pro forma adjustments to the statements of operations resulted in no additional income tax adjustment to the pro forma condensed combined financials.