
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

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

For the quarterly period ended September 30, 2018

OR

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

For the transition period from _____ to _____

Commission File No. 333-181719

CARDAX, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-4484428

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

2800 Woodlawn Drive, Suite 129, Honolulu, Hawaii 96822

(Address of principal executive offices, zip code)

(808) 457-1400

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year,
if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

Large accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Emerging growth company

Accelerated filer

Smaller reporting 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.

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

As of November 13, 2018, there were 133,338,573 shares of common stock, \$0.001 par value per share ("Common Stock"), of the registrant outstanding.

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SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

There are statements in this quarterly report that are not historical facts. These “forward-looking statements” can be identified by use of terminology such as “anticipate,” “believe,” “estimate,” “expect,” “hope,” “intend,” “may,” “plan,” “positioned,” “project,” “propose,” “should,” “strategy,” “will,” or any similar expressions. You should be aware that these forward-looking statements are subject to risks and uncertainties that are beyond our control. Although we believe that our assumptions underlying such forward-looking statements are reasonable, we do not guarantee our future performance, and our actual results may differ materially from those contemplated by these forward-looking statements. Our assumptions used for the purposes of the forward-looking statements specified in the following information represent estimates of future events and are subject to uncertainty as to possible changes in economic, legislative, industry, and other circumstances, including the development, acceptance and sales of our products and our ability to raise additional funding sufficient to implement our strategy. As a result, the identification and interpretation of data and other information and their use in developing and selecting assumptions from and among reasonable alternatives require the exercise of judgment. In light of these numerous risks and uncertainties, we cannot provide any assurance that the results and events contemplated by our forward-looking statements contained in this quarterly report will in fact transpire. **These forward-looking statements are not guarantees of future performance. You are cautioned to not place undue reliance on these forward-looking statements, which speak only as of their dates.** We do not undertake any obligation to update or revise any forward-looking statements.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

Condensed Consolidated Financial Statements

Cardax, Inc., and Subsidiary

September 30, 2018 and 2017

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Cardax, Inc., and Subsidiary

CONDENSED CONSOLIDATED BALANCE SHEETS

As of

| | September 30, 2018 <i>(Unaudited)</i> | December 31, 2017 |
|--|---|----------------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ 198,574 | \$ 2,236,837 |
| Accounts receivable | 452,225 | 37,243 |
| Inventories | 326,174 | 340,425 |
| Deposits and other assets | 119,066 | 90,831 |
| Prepaid expenses | 24,052 | 22,838 |
| Total current assets | 1,120,091 | 2,728,174 |
| PROPERTY AND EQUIPMENT, net | - | 1,901 |
| INTANGIBLE ASSETS, net | 435,141 | 426,610 |
| TOTAL ASSETS | \$ 1,555,232 | \$ 3,156,685 |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| CURRENT LIABILITIES | | |
| Accrued payroll and payroll related expenses, current portion | \$ 3,450,570 | \$ 3,404,610 |
| Accounts payable and accrued expenses | 875,957 | 603,391 |
| Fees payable to directors | 418,546 | 418,546 |
| Employee settlement | 50,000 | 50,000 |
| Total current liabilities | 4,795,073 | 4,562,162 |
| ACCRUED PAYROLL AND PAYROLL RELATED EXPENSES, net of current portion | 94,885 | 85,615 |
| COMMITMENTS AND CONTINGENCIES | - | - |
| Total liabilities | 4,889,958 | 4,647,777 |
| STOCKHOLDERS' DEFICIT | | |
| Preferred Stock - \$0.001 par value; 50,000,000 shares authorized, 0 shares issued and outstanding as of September 30, 2018, and December 31, 2017, respectively | - | - |
| Common stock - \$0.001 par value; 400,000,000 shares authorized, 133,338,573 and 122,674,516 shares issued and outstanding as of September 30, 2018, and December 31, 2017, respectively | 133,339 | 122,675 |
| Additional paid-in-capital | 58,067,566 | 56,401,069 |
| Subscriptions receivable | (539,662) | - |
| Deferred compensation | - | (10,125) |
| Accumulated deficit | (60,995,969) | (57,919,096) |
| Total stockholders' deficit | (3,334,726) | (1,405,477) |
| TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT | \$ 1,555,232 | \$ 3,156,685 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Cardax, Inc., and Subsidiary

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

| | For the three-months ended | | For the nine-months ended | |
|--|----------------------------|--------------|---------------------------|----------------|
| | September 30, | | September 30, | |
| | 2018 | 2017 | 2018 | 2017 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| REVENUES, net | \$ 549,540 | \$ 321,861 | \$ 1,134,899 | \$ 496,088 |
| COST OF GOODS SOLD | 240,152 | 149,207 | 521,353 | 222,056 |
| GROSS PROFIT | 309,388 | 172,654 | 613,546 | 274,032 |
| OPERATING EXPENSES: | | | | |
| Salaries and wages | 387,119 | 129,670 | 1,202,576 | 451,351 |
| Selling, general, and administrative expenses | 350,630 | 213,538 | 1,168,747 | 492,895 |
| Professional fees | 225,875 | 124,769 | 637,042 | 299,569 |
| Stock based compensation | 180,562 | 58,250 | 443,249 | 142,500 |
| Research and development | 86,115 | 1,798 | 214,093 | 74,215 |
| Depreciation and amortization | 6,718 | 7,388 | 23,853 | 22,189 |
| Total operating expenses | 1,237,019 | 535,413 | 3,689,560 | 1,482,719 |
| Loss from operations | (927,631) | (362,759) | (3,076,014) | (1,208,687) |
| OTHER INCOME (EXPENSES): | | | | |
| Other income | - | - | 556 | 12,598 |
| Interest income | 7 | 676 | 1,941 | 1,844 |
| Interest expense | (1,264) | (1,073) | (3,356) | (2,790) |
| Total other (expenses) income, net | (1,257) | (397) | (859) | 11,652 |
| Loss before the provision for income taxes | (928,888) | (363,156) | (3,076,873) | (1,197,035) |
| PROVISION FOR INCOME TAXES | - | - | - | - |
| NET LOSS | \$ (928,888) | \$ (363,156) | \$ (3,076,873) | \$ (1,197,035) |
| NET LOSS PER SHARE | | | | |
| Basic | \$ (0.01) | \$ (0.00) | \$ (0.02) | \$ (0.01) |
| Diluted | \$ (0.01) | \$ (0.00) | \$ (0.02) | \$ (0.01) |
| SHARES USED IN CALCULATION OF NET LOSS PER SHARE | | | | |
| Basic | 130,083,598 | 100,587,843 | 125,271,516 | 92,513,317 |
| Diluted | 130,083,598 | 100,587,843 | 125,271,516 | 92,513,317 |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

Cardax, Inc., and Subsidiary

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the nine-months ended September 30,

| | 2018 <i>(Unaudited)</i> | 2017 <i>(Unaudited)</i> |
|---|----------------------------|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (3,076,873) | \$ (1,197,035) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation and amortization | 23,853 | 22,189 |
| Stock based compensation | 443,249 | 142,500 |
| Bad debt expense on note receivable and accrued interest | 89,933 | - |
| Changes in assets and liabilities: | | |
| Accounts receivable | (193,168) | (276,303) |
| Inventories | 14,251 | (43,963) |
| Deposits and other assets | (118,168) | (74,850) |
| Prepaid expenses | (1,214) | (229) |
| Accrued payroll and payroll related expenses | 55,230 | (25,720) |
| Accounts payable and accrued expenses | 50,752 | 55,979 |
| Net cash used in operating activities | <u>(2,712,155)</u> | <u>(1,397,432)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Increase in intangible assets | <u>(30,483)</u> | <u>(16,137)</u> |
| Net cash used in investing activities | <u>(30,483)</u> | <u>(16,137)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from the issuance of common stock | 704,375 | 4,013,456 |
| Proceeds from the exercise of warrants | <u>-</u> | <u>40,000</u> |
| Net cash provided by financing activities | <u>704,375</u> | <u>4,053,456</u> |
| NET DECREASE (INCREASE) IN CASH | (2,038,263) | 2,639,887 |
| CASH AT THE BEGINNING OF THE PERIOD | <u>2,236,837</u> | <u>158,433</u> |
| CASH AT THE END OF THE PERIOD | <u>\$ 198,574</u> | <u>\$ 2,798,320</u> |
| SUPPLEMENTAL DISCLOSURES: | | |
| Cash paid for interest | \$ 3,356 | \$ 2,790 |
| Cash paid for income taxes | \$ - | \$ - |
| NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Conversion of accounts payable into restricted stock | \$ - | \$ 44,700 |
| Settlement of receivables with payables | \$ 221,814 | \$ - |
| Subscription receivable recognized for common shares issued | \$ 539,662 | \$ - |

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

NOTE 1 – COMPANY BACKGROUND

Cardax Pharmaceuticals, Inc. (“Holdings”) was incorporated in the State of Delaware on March 23, 2006.

Holdings was formed for the purpose of developing a platform of proprietary, exceptionally safe, small molecule compounds for large unmet medical needs where oxidative stress and inflammation play important causative roles. Holdings’ platform has application in arthritis, metabolic syndrome, liver disease, and cardiovascular disease, as well as macular degeneration and prostate disease. Holdings’ current primary focus is on the development of astaxanthin technologies. Astaxanthin is a naturally occurring marine compound that has robust anti-oxidant and anti-inflammatory activity.

In May of 2013, Holdings formed a 100% owned subsidiary company called Cardax Pharma, Inc. (“Pharma”). Pharma was formed to maintain Holdings’ operations going forward, leaving Holdings as an investment holding company.

On November 29, 2013, Holdings entered into a definitive merger agreement (“Merger Agreement”) with Koffee Korner Inc., a Delaware corporation (“Koffee Korner”) (OTCQB:KOFF), and its wholly owned subsidiary (“Koffee Sub”), pursuant to which, among other matters and subject to the conditions set forth in such Merger Agreement, Koffee Sub would merge with and into Pharma. In connection with such merger agreement and related agreements, upon the consummation of such merger, Pharma would become a wholly owned subsidiary of Koffee Korner and Koffee Korner would issue shares of its common stock to Holdings. At the effective time of such merger, Holdings would own a majority of the shares of the then issued and outstanding shares of common stock of Koffee Korner.

On February 7, 2014, Holdings completed its merger with Koffee Korner, which was renamed to Cardax, Inc. (the “Company”) (OTCQB:CDXI). Concurrent with the merger: (i) the Company received aggregate gross cash proceeds of \$3,923,100 in exchange for the issuance and sale of an aggregate 6,276,960 of shares of the Company’s common stock, together with five year warrants to purchase an aggregate of 6,276,960 shares of the Company’s common stock at \$0.625 per share, (ii) the notes issued on January 3, 2014, in the outstanding principal amount of \$2,076,000 and all accrued interest thereon, automatically converted into 3,353,437 shares of the Company’s common stock upon the reverse merger at \$0.625 per share, together with five year warrants to purchase 3,321,600 shares of common stock at \$0.625 per share, (iii) the notes issued in 2013, in the outstanding principal amount of \$8,489,036 and all accrued interest thereon, automatically converted into 14,446,777 shares of the Company’s common stock upon the reverse merger at \$0.625 per share, together with five year warrants to purchase 14,446,777 shares of common stock at \$0.625 per share, (iv) stock options to purchase 15,290,486 shares of Holdings common stock at \$0.07 per share were cancelled and substituted with stock options to purchase 6,889,555 shares of the Company’s common stock at \$0.155 per share, (v) additional stock options to purchase 20,867,266 shares of the Company’s common stock at \$0.625 per share were issued, and (vi) the notes issued in 2008 and 2009, in the outstanding principal amounts of \$55,000 and \$500,000, respectively, and all accrued interest thereon, were repaid in full. The assets and liabilities of Koffee Korner were distributed in accordance with the terms of a spin-off agreement on the closing date.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 1 – COMPANY BACKGROUND (continued)

The share exchange transaction was treated as a reverse acquisition, with Holdings and Pharma as the acquirers and Koffee Korner and Koffee Sub as the acquired parties. Unless the context suggests otherwise, when the Company refers to business and financial information for periods prior to the consummation of the reverse acquisition, the Company is referring to the business and financial information of Holdings and Pharma. Under accounting principles generally accepted in the United States of America (“U.S. GAAP”) guidance Accounting Standards Codification (“ASC”) No. 805-40, *Business Combinations – Reverse Acquisitions*, the Acquisition has been treated as a reverse acquisition with no adjustment to the historical book and tax basis of the Company’s assets and liabilities.

On August 28, 2014, the Company entered into an Agreement and Plan of Merger (the “Holdings Merger Agreement”) with its principal stockholder, Holdings, pursuant to which Holdings would merge with and into the Company (the “Holdings Merger”). On September 18, 2015, the Company filed a Form S-4 with the SEC in contemplation of the Holdings Merger. There would not be any cash consideration exchanged in the Holdings Merger. Upon the closing of the Holdings Merger, the stockholders of Holdings would receive an aggregate number of shares and warrants to purchase shares of the Company’s common stock equal to the aggregate number of shares of the Company’s common stock that were held by Holdings on the date of the closing of the Holdings Merger. The Company’s restricted shares of common stock held by Holdings would be cancelled upon the closing of the Holdings Merger. Accordingly, there would not be any change to the Company’s fully diluted capitalization due to the Holdings Merger.

On November 24, 2015, the Holdings Merger Agreement was amended and restated (the “Amended Holdings Merger Agreement”). Under the terms of Amended Holdings Merger Agreement, the shares of common stock, par value \$0.001 per share of Holdings and the shares of all other issued and outstanding capital stock of Holdings that by their terms were convertible or could otherwise be exchanged for shares of Holdings common stock, would be converted into and exchanged for the Company’s shares of Common Stock in a ratio of approximately 2.2:1. In addition, the Company would grant Holdings’ option and warrant holders warrants to purchase the Company’s warrants at the same stock conversion ratio. On November 24, 2015, the Company filed an amendment to the Form S-4 with the SEC and on March 29, 2015, the Form S-4 was declared effective by the SEC.

On December 30, 2015, the Company completed its merger with Holdings, pursuant to the Amended Holdings Merger Agreement. At closing, Holdings merged with and into the Company, with the Company surviving the Holdings Merger. Pursuant to the Amended Holdings Merger Agreement, there was not any cash consideration exchanged in the Holdings Merger. Upon the closing of the Holdings Merger, the stockholders of Holdings received an aggregate number of shares and warrants to purchase shares of Company common stock equal to the aggregate number of shares of Company common stock that were held by Holdings on the date of the closing of the Holdings Merger. The Company’s restricted shares of common stock held by Holdings were cancelled upon the closing of the Holdings Merger. Accordingly, there was not any change to the Company’s fully diluted capitalization due to the Holdings Merger.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 1 – COMPANY BACKGROUND (continued)

The Company is engaged in the development and commercialization of dietary supplements and pharmaceuticals. The Company's first commercial product, ZanthoSyn®, is a physician recommended anti-inflammatory supplement for health and longevity that provides astaxanthin with enhanced absorption and purity. The Company sells ZanthoSyn® primarily through wholesale and e-commerce channels. The Company is also developing astaxanthin and related compounds, including CDX-085, for pharmaceutical applications. The safety and efficacy of the Company's products have not been directly evaluated in clinical trials or confirmed by the FDA.

Going concern matters

The accompanying condensed consolidated 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. As shown in the accompanying consolidated financial statements, the Company incurred net losses of \$928,888 and \$3,076,873, for the three and nine-months ended September 30, 2018, respectively, and net losses of \$363,156 and \$1,197,035 for the three and nine-months ended September 30, 2017, respectively. The Company has incurred losses since inception resulting in an accumulated deficit of \$60,995,969 as of September 30, 2018, and has had negative cash flows from operating activities since inception. The Company expects that its marketing program for ZanthoSyn® will continue to focus on outreach to physicians, healthcare professionals, retail personnel, and consumers, and anticipates further losses in the development of its business. As a result of these and other factors, management has determined there is substantial doubt about the Company's ability to continue as a going concern.

During the quarter ended September 30, 2018, the Company raised additional capital to carry out its business plan. As part of the Company's efforts, it raised an additional \$1.44 million in gross proceeds through the exchange of 9.6 million warrants via a warrant exchange offering that closed on July 27, 2018. As of September 30, 2018, \$653,278 of this amount remained in an escrow account as subscriptions receivable and was collected on October 5, 2018, less \$113,616 in placement fees and expenses, to net \$539,662.

The Company's continued ability to raise additional capital through future equity and debt securities issuances is unknown. Obtaining additional financing, the successful development of the Company's contemplated plan of operations, and its transition, ultimately, to profitable operations are necessary for the Company to continue operations. The ability to successfully resolve these factors raises substantial doubt about the Company's ability to continue as a going concern. The condensed consolidated financial statements of the Company do not include any adjustments that may result from the outcome of these uncertainties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unaudited interim financial information

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information and the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information. In the opinion of the Company's management, the accompanying condensed consolidated financial statements reflect all adjustments, consisting of normal, recurring adjustments, considered necessary for a fair presentation of the results for the interim periods ended September 30, 2018 and 2017.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unaudited interim financial information (continued)

Although management believes that the disclosures in these unaudited condensed consolidated financial statements are adequate to make the information presented not misleading, certain information and footnote disclosures normally included in financial statements that have been prepared in accordance U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC.

These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2017, filed with the SEC on March 27, 2018.

Revenue from contracts with customers

In May 2014, the Financial Accounting Standards Board (“FASB”) issued a new standard related to revenue recognition. Under the standard, revenue is recognized when a customer obtains control of promised goods or services in an amount that reflects the consideration the entity expects to receive in exchange for those goods or services. In addition, the standard requires disclosure of the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

The Company adopted this standard effective January 1, 2018, using the retrospective method. As there was no impact on contracts that were previously completed and no significant impact to contracts completed after adoption, there was no need to restate prior results from operations.

The Company recognizes revenues from its contracts with customers for its products through wholesale and e-commerce channels when goods and services have been identified, the payment terms agreed to, the contract has commercial substance, both parties have approved the contract, and it is probable that the Company will collect all substantial consideration.

The following table presents our revenues disaggregated by revenue source and geographical location. Sales and usage-based taxes are included as a component of revenues for the nine-months ended:

| Geographical area | Source | September 30, | September 30, |
|-------------------|----------------|---------------|---------------|
| | | 2018 | 2017 |
| | | (Unaudited) | (Unaudited) |
| United States | Nutraceuticals | \$ 1,118,486 | \$ 496,088 |
| Hong Kong | Nutraceuticals | \$ 16,413 | \$ - |

Sales discounts, rebates, promotional amounts to vendors, and returns and allowances are recorded as a reduction to sales in the period in which sales are recorded. The Company records shipping charges and sales tax gross in revenues and cost of goods sold. Sales discounts and other adjustments are recorded at the time of sale.

Other significant accounting policies

There have been no other material changes to our significant accounting policies during the nine-months ended September 30, 2018, as compared to the significant accounting policies described in our Annual Report.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently issued accounting pronouncements not yet adopted

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. This ASU requires management to recognize lease assets and lease liabilities for all leases. ASU No. 2016-02 retains a distinction between finance leases and operating leases. The classification criteria for distinguishing between finance leases and operating leases are substantially similar to the classification criteria for distinguishing between capital leases and operating leases in the previous lease guidance. The result of retaining a distinction between finance leases and operating leases is that under the lessee accounting model, the effect of leases in the statement of comprehensive income and the statement of cash flows is largely unchanged from previous U.S. GAAP. The guidance in ASU No. 2016-02 is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company is currently assessing the impact of this ASU on the Company's condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, *Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting*. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. The guidance in ASU No. 2018-07 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2018. The Company is currently in the process of evaluating the impact of the adoption of this ASU on its condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement*. This ASU modifies the disclosure requirements on fair value measurements in Topic 820, *Fair Value Measurement*, based on the concepts in the FASB's Concepts Statement, including the consideration of costs and benefits. The guidance in ASU No. 2018-13 is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2019. The Company is currently in the process of evaluating the impact of the adoption of this ASU on its condensed consolidated financial statements.

Recently adopted accounting pronouncements

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 23)*. The amendments of ASU No. 2017-18 require that a statement of cash flow explain the change during a period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The guidance of ASU No. 2016-18 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has assessed the impact of this ASU and does not believe that this update has a significant impact on its condensed consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation-Stock Compensation: Scope of Modification Accounting*. The amendments of ASU No. 2017-09 provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The guidance of ASU No. 2017-09 is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Company has assessed the impact of this ASU and does not believe that this update has a significant impact on its condensed consolidated financial statements.

The Company does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the condensed consolidated financial statements.

Cardax, Inc., and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

The Company has made certain reclassifications to conform its prior periods' data to the current presentation, such as reclassifying a separation agreement that has terms extending beyond one year. These reclassifications had no effect on the reported results of operations or cash flows.

NOTE 3 – INVENTORIES

Inventories consist of the following as of:

| | September 30, 2018 <i>(Unaudited)</i> | December 31, 2017 |
|--------------------------------|--|-------------------|
| Finished goods | \$ 267,543 | \$ 240,917 |
| Raw materials | 58,631 | 98,937 |
| Packing supplies and materials | - | 571 |
| Total inventories | \$ 326,174 | \$ 340,425 |

NOTE 4 – PROPERTY AND EQUIPMENT, net

Property and equipment, net, consists of the following as of:

| | September 30, 2018 <i>(Unaudited)</i> | December 31, 2017 |
|-----------------------------------|--|-------------------|
| Information technology equipment | \$ - | \$ 31,892 |
| Less accumulated depreciation | - | (29,991) |
| Total property and equipment, net | \$ - | \$ 1,901 |

Depreciation expense was \$0 and \$1,901, for the three and nine-months ended September 30, 2018, respectively, and \$1,496 and \$4,513, for the three and nine-months ended September 30, 2017, respectively.

During the nine-months ended September 30, 2018, Company wrote off its fully depreciated equipment. There was no gain or loss recognized for this write-off.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 5 – INTANGIBLE ASSETS, net

Intangible assets, net, consists of the following as of:

| | September 30, 2018 <i>(Unaudited)</i> | December 31, 2017 |
|-------------------------------|--|-------------------|
| Patents | \$ 522,575 | \$ 493,027 |
| Less accumulated amortization | (285,795) | (263,843) |
| | <u>236,780</u> | <u>229,184</u> |
| Patents pending | 198,361 | 197,426 |
| Total intangible assets, net | <u>\$ 435,141</u> | <u>\$ 426,610</u> |

Patents are amortized straight-line over a period of fifteen years. Amortization expense was \$6,717 and \$21,952 for the three and nine-months ended September 30, 2018, respectively, and \$5,892 and \$17,676 for the three and nine-months ended September 30, 2017, respectively.

The Company has capitalized costs for several patents that are still pending. In those instances, the Company has not recorded any amortization. The Company will commence amortization when these patents are approved.

The Company owns 25 issued patents, including 14 in the United States and 11 others in Europe, Canada, China, India, Japan, and Hong Kong. These patents will expire beginning in 2023 through 2028, subject to any patent term extensions of the individual patent. The Company has 3 foreign patent applications pending in Europe and Brazil.

NOTE 6 – ACCRUED SEPARATION COSTS

On August 9, 2016, the Company entered into a separation agreement with an employee to pay \$118,635 of accrued compensation over nine-years. This amount is included in accrued payroll and payroll related expenses in the accompanying balance sheets. This amount does not yield interest and matures as follows for the twelve-months ended September 30:

| | |
|----------------------|------------------|
| 2019 | \$ 9,000 |
| 2020 | 9,000 |
| 2021 | 11,250 |
| 2022 | 12,000 |
| 2023 | 16,500 |
| Thereafter | 46,135 |
| | <u>103,885</u> |
| Less current portion | (9,000) |
| | <u>\$ 94,885</u> |

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 7 – STOCKHOLDERS’ DEFICIT

Warrant exchange

In June 2018, the Company commenced an offering to exchange outstanding warrants for shares of common stock under a Form S-4 Registration Statement. These shares of common stock would be issued to warrant holders in exchange for (i) their outstanding warrants to purchase shares of common stock at \$0.625 per share, and (ii) cash payment of \$0.15 per share. This offering closed on July 27, 2018, and resulted in an exchange of 9.6 million warrants for \$1,440,043 in gross proceeds and 9,600,286 shares of common stock. Of this amount, \$653,278 was held in escrow as subscriptions receivable as of September 30, 2018 and received on October 5, 2018, less \$113,616 in placement fees and expenses, to net \$539,662.

Self-directed stock issuance

During the year ended December 31, 2017, the Company sold securities in a self-directed offering in the aggregate amount of \$179,000, \$3,774,456, and \$124,979 at \$0.08, \$0.12, and \$0.30, respectively, per unit. Each \$0.08 unit consisted of 1 share of restricted common stock (2,237,500 shares), a five year warrant to purchase 1 share of restricted common stock (2,237,500 warrant shares) at \$0.08 per share, a five year warrant to purchase 1 share of restricted common stock (2,237,500 warrant shares) at \$0.12 per share, and a five year warrant to purchase 1 share of restricted common stock (2,237,500 warrant shares) at \$0.16 per share. Each \$0.12 unit consisted of 1 share of restricted common stock (31,453,788 shares) and a five-year warrant to purchase 1 share of restricted common stock (31,453,788 warrant shares) at \$0.12 per share. Each \$0.30 unit consisted of 1 share of restricted common stock (416,595 shares) and a five-year warrant to purchase 1 share of restricted common stock (416,595 warrant shares) at \$0.30 per share.

Equity purchase agreement

In July 2016, the Company entered into an equity purchase agreement (the “EPA”) and a registration rights agreement with an investor. Pursuant to the terms of the EPA, the Company has the right, but not the obligation, to sell shares of its common stock to the investor on the terms specified in the EPA. On the date of the EPA, the Company issued 1,500,000 shares to the investor. The total fair value of this stock on the date of grant was \$106,500. These shares were fully vested upon issuance.

During the nine-months ended September 30, 2018 and 2017, the Company sold 0 and 567,644 shares of common stock for \$0 and \$60,000, respectively, pursuant to the EPA.

Payable settlement

In May 2017, the Company settled a payable in the amount of \$44,700 with a previously engaged broker dealer through the issuance of securities at \$0.08 per unit. Each unit consisted of 1 share of restricted common stock (558,750 shares), a five-year warrant to purchase 1 share of restricted common stock (558,750 warrant shares) at \$0.08 per share, a five-year warrant to purchase 1 share of restricted common stock (558,750 warrant shares) at \$0.12 per share, and a five-year warrant to purchase 1 share of restricted common stock (558,750 warrant shares) at \$0.16 per share.

Shares outstanding

As of September 30, 2018 and December 31, 2017, the Company had a total of 133,338,573 and 122,674,516, respectively, shares of common stock outstanding.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 8 – STOCK GRANTS

Director stock grants

During the nine-months ended September 30, 2018 and 2017, the Company granted its independent directors an aggregate of 906,774 and 418,025 shares of restricted common stock in the Company, respectively. These shares were fully vested upon issuance. The increase in number of shares issued was due to the expansion of the Board of Directors by two members in June 2018. The total fair value of this stock on the date of grant was \$200,000 and \$93,750 for the nine-months ended September 30, 2018 and 2017, respectively.

Consultant stock grants

On April 10, 2017, the Company granted a consultant 100,000 shares of restricted common stock valued at \$0.23 per share. These shares were subject to a risk of forfeiture and vested quarterly in arrears commencing on April 1, 2017. The Company recognized \$5,750 and \$11,500 in stock based compensation related to this grant during the nine-months ended September 30, 2018 and 2017, respectively.

On August 8, 2017, the Company granted a consultant 100,000 shares of restricted common stock valued at \$0.175 per share. These shares were subject to a risk of forfeiture and vested 25% upon grant and quarterly in arrears thereafter commencing on September 1, 2017. The Company recognized \$4,375 and \$8,750 in stock based compensation related to this grant during the nine-months ended September 30, 2018 and 2017, respectively.

NOTE 9 – STOCK OPTION PLANS

On February 7, 2014, the Company adopted the 2014 Equity Compensation Plan. Under this plan, the Company may issue options to purchase shares of common stock to employees, directors, advisors, and consultants. The aggregate number of shares that could be issued under this plan upon adoption was 30,420,148. On April 16, 2015, the majority stockholder of the Company approved an increase in the Company's 2014 Equity Compensation Plan by 15 million shares.

Under the terms of the 2014 Equity Compensation Plan and the 2006 Stock Incentive Plan (collectively, the "Plans"), incentive stock options may be granted to employees at a price per share not less than 100% of the fair market value at date of grant. If the incentive stock option is granted to a 10% stockholder, then the purchase or exercise price per share shall not be less than 110% of the fair market value per share of common stock on the grant date. Non-statutory stock options and restricted stock may be granted to employees, directors, advisors, and consultants at a price per share, not less than 100% of the fair market value at date of grant. Options granted are exercisable, unless specified differently in the grant documents, over a default term of ten years from the date of grant and generally vest over a period of four years.

Cardax, Inc., and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 9 – STOCK OPTION PLANS (continued)

A summary of stock option activity is as follows:

| | Options | Weighted average exercise price | Weighted average remaining contractual term in years | Aggregate intrinsic value |
|--------------------------------|------------|---------------------------------------|--|------------------------------|
| Outstanding January 1, 2017 | 36,821,969 | \$ 0.41 | 5.94 | \$ 301,273 |
| Exercisable January 1, 2017 | 36,771,969 | \$ 0.41 | 5.94 | \$ 299,273 |
| Canceled | - | | | |
| Granted | 2,161,458 | | | |
| Exercised | (770,000) | - | | |
| Forfeited | - | | | |
| Outstanding December 31, 2017 | 38,213,427 | \$ 0.41 | 5.23 | \$ 562,456 |
| Exercisable December 31, 2017 | 36,213,427 | \$ 0.41 | 4.98 | \$ 562,456 |
| Canceled | (350,000) | | | |
| Granted | 1,833,334 | | | |
| Exercised | (156,997) | - | | |
| Forfeited | (43,003) | | | |
| Outstanding September 30, 2018 | 39,496,761 | \$ 0.41 | 4.64 | \$ 986,808 |
| Exercisable September 30, 2018 | 36,580,097 | \$ 0.41 | 4.28 | \$ 963,475 |

The aggregate intrinsic value in the table above is before applicable income taxes and represents the excess amount over the exercise price option recipients would have received if all options had been exercised on September 30, 2018, based on a valuation of the Company's stock for that day.

A summary of the Company's non-vested options for the year ended December 31, 2017, and nine-months ended September 30, 2018, are presented below:

| | |
|----------------------------------|-----------|
| Non-vested at January 1, 2017 | 50,000 |
| Granted | 2,161,458 |
| Vested | (211,458) |
| Canceled | - |
| Non-vested at December 31, 2017 | 2,000,000 |
| Granted | 1,833,334 |
| Vested | (566,670) |
| Canceled | (350,000) |
| Non-vested at September 30, 2018 | 2,916,664 |

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 9 – STOCK OPTION PLANS (continued)

The Company estimates the fair value of stock options granted on each grant date using the Black-Scholes option valuation model and recognizes an expense ratably over the requisite service period. The range of fair value assumptions related to options issued were as follows for the:

| | Nine-months ended September 30, 2018 | Year ended December 31, 2017 |
|---------------------|---|---------------------------------|
| Dividend yield | 0.0% | 0.0% |
| Risk-free rate | 2.38% - 2.80% | 1.89% - 2.26% |
| Expected volatility | 217% - 226% | 221% - 232% |
| Expected term | 3 - 7 years | 5 - 7 years |

The expected volatility was calculated based on the historical volatility of the Company. The risk-free interest rate used was based on the U.S. Treasury constant maturity rate in effect at the time of grant for the expected term of the stock options to be valued. The expected dividend yield was zero, because the Company does not anticipate paying a dividend within the relevant timeframe. Due to a lack of historical information needed to estimate the Company's expected term, it was estimated using the simplified method allowed.

The Company records forfeitures as they occur and reverses compensation cost previously recognized, in the period the award is forfeited, for an award that is forfeited before completion of the requisite service period.

Stock option exercise

During the nine-months ended September 30, 2018, the Company issued 156,997 shares of common stock in connection with the cashless exercise of stock options for 100,000, 50,000, and 50,000 shares of common stock exercisable at \$0.06 per share with 43,003 shares of common stock withheld with an aggregate fair market value equal to the aggregate exercise price.

During the year ended December 31, 2017, the Company issued 645,288 shares of common stock in connection with the cashless exercise of stock options for 100,000, 45,000, and 625,000 shares of common stock exercisable at \$0.155, \$0.06, and \$0.06, respectively, per share with 124,712 shares of common stock withheld with an aggregate fair market value equal to the aggregate exercise price.

Cardax, Inc., and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 9 – STOCK OPTION PLANS (continued)

Stock based compensation

The Company recognized stock-based compensation expense related to options during the:

| | Nine-months ended September 30 | | | |
|-----------------------------------|--------------------------------|-------------------|----------------|------------------|
| | 2018 | | 2017 | |
| | Number | Amount | Number | Amount |
| Employee compensation | 450,000 | \$ 156,875 | - | \$ - |
| Compensation for outside services | 375,000 | 76,250 | 50,000 | 3,500 |
| Director compensation | - | - | 161,458 | 25,000 |
| Total | 825,000 | \$ 233,125 | 211,458 | \$ 28,500 |

NOTE 10 – WARRANTS

The following is a summary of the Company's warrant activity:

| | Warrants | Weighted average exercise price | Weighted average remaining contractual term in years | Aggregate intrinsic value |
|--------------------------------|-------------|---------------------------------------|--|------------------------------|
| Outstanding January 1, 2017 | 88,365,036 | \$ 0.30 | 3.50 | \$ 543,770 |
| Exercisable January 1, 2017 | 88,365,036 | \$ 0.30 | 3.50 | \$ 543,770 |
| Canceled | - | | | |
| Granted | 40,259,133 | | | |
| Exercised | (798,000) | | | |
| Forfeited | (392,047) | | | |
| Outstanding December 31, 2017 | 127,434,122 | \$ 0.24 | 3.15 | \$ 3,957,689 |
| Exercisable December 31, 2017 | 127,434,122 | \$ 0.24 | 3.15 | \$ 3,957,689 |
| Canceled | - | | | |
| Granted | 315,010 | | | |
| Exercised | 9,600,286 | | | |
| Forfeited | - | | | |
| Outstanding September 30, 2018 | 118,148,846 | \$ 0.20 | 2.57 | \$ 7,848,637 |
| Exercisable September 30, 2018 | 118,148,846 | \$ 0.20 | 2.57 | \$ 7,848,637 |

The Company estimates the fair value of warrants granted on each grant date using the Black-Scholes option valuation model. The expected volatility is calculated based on the historical volatility of the Company. The risk-free interest rate used is based on the U.S. Treasury constant maturity rate in effect at the time of grant for the expected term of the warrants to be valued. The expected dividend yield is zero, because the Company does not anticipate paying a dividend within the relevant timeframe. Due to a lack of historical information needed to estimate the Company's expected term, it is estimated using the simplified method allowed.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 10 – WARRANTS (continued)

The Company did not recognize any stock-based compensation expense related to warrants during the nine-months ended September 30, 2018 and 2017, respectively.

Warrant exercise

During the year ended December 31, 2017, the Company issued 233,217 shares of common stock in connection with the cashless exercise of a warrant for 298,000 shares of common stock at \$0.10 per share with 64,783 shares of common stock withheld with an aggregate fair market value equal to the aggregate exercise price.

During the year ended December 31, 2017, the Company issued 500,000 shares of common stock in connection with the exercise of a warrant for 500,000 shares of common stock at \$0.08 per share in exchange for \$40,000.

Warrant expiration

During the year ended December 31, 2017, warrants to purchase an aggregate of 392,047 shares of restricted common stock expired.

Warrant exchange

In June 2018, the Company commenced an offering to exchange outstanding warrants for shares of common stock under a Form S-4 Registration Statement. These shares of common stock would be issued to warrant holders in exchange for (i) their outstanding warrants to purchase shares of common stock at \$0.625 per share, and (ii) cash payment of \$0.15 per share. This offering closed on July 27, 2018, and resulted in an exchange of 9.6 million warrants for \$1,440,043 in gross proceeds and 9,600,286 shares of common stock. Of this amount, \$653,278 was held in escrow as subscriptions receivable as of September 30, 2018. The subscriptions receivable amount was received on October 5, 2018, less \$113,616 in placement fees and expenses, to net \$539,662. As part of this exchange, warrants to purchase 315,010 shares of common stock at \$0.21 per share were issued to investment bankers for their services.

NOTE 11 – INCOME TAXES

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are determined based upon the difference between the financial statement carrying amounts and the tax basis of assets and liabilities and are measured using the enacted tax rate expected to apply to taxable income in the years in which the differences are expected to be reversed.

The effective tax rate for the three and nine-months ended September 30, 2018 and 2017, differs from the statutory rate of 21% as a result of state taxes (net of Federal benefit), permanent differences, and a reserve against deferred tax assets.

The Company's valuation allowance was primarily related to the operating losses. The valuation allowance is determined in accordance with the provisions of ASC No. 740, *Income Taxes*, which requires an assessment of both negative and positive evidence when measuring the need for a valuation allowance. Based on the available objective evidence and the Company's history of losses, management provides no assurance that the net deferred tax assets will be realized. As of September 30, 2018 and December 31, 2017, the Company has applied a valuation allowance against its deferred tax assets net of the expected income from the reversal of the deferred tax liabilities.

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 11 – INCOME TAXES

Recent tax legislation

On March 22, 2018, the Tax Cuts and Jobs Act (“TCJA”) was enacted into law, which significantly changes existing U.S. tax law and includes numerous provisions that affect our business, such as reducing the U.S. federal statutory tax rate from 35% to 21% effective January 1, 2018.

Uncertain tax positions

The Company is subject to taxation in the United States and two state jurisdictions. The preparation of tax returns requires management to interpret the applicable tax laws and regulations in effect in such jurisdictions, which could affect the amount of tax paid by the Company. Management, in consultation with its tax advisors, files its tax returns based on interpretations that are believed to be reasonable under the circumstances. The income tax returns, however, are subject to routine reviews by the various taxing authorities. As part of these reviews, a taxing authority may disagree with respect to the tax positions taken by management (“uncertain tax positions”) and therefore may require the Company to pay additional taxes.

Management evaluates the requirement for additional tax accruals, including interest and penalties, which the Company could incur as a result of the ultimate resolution of its uncertain tax positions. Management reviews and updates the accrual for uncertain tax positions as more definitive information becomes available from taxing authorities, completion of tax audits, expiration of statute of limitations, or upon occurrence of other events.

As of September 30, 2018 and December 31, 2017, there was no liability for income tax associated with unrecognized tax benefits. The Company recognizes accrued interest related to unrecognized tax benefits as well as any related penalties in interest income or expense in its condensed consolidated statements of operations, which is consistent with the recognition of these items in prior reporting periods.

The federal and state income tax returns of the Company are subject to examination by the IRS and state taxing authorities, generally for three years after they were filed.

NOTE 12 – BASIC AND DILUTED NET LOSS PER SHARE

The following table sets forth the computation of the Company’s basic and diluted net loss per share for:

| | Three-months ended September 30, 2018 <i>(Unaudited)</i> | | |
|---|--|-------------------------|---------------------|
| | Net Loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic loss per share | \$ (928,888) | 130,083,598 | \$ (0.01) |
| Effect of dilutive securities—Common stock options and warrants | - | - | - |
| Diluted loss per share | \$ (928,888) | 130,083,598 | \$ (0.01) |

Cardax, Inc., and Subsidiary

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 12 – BASIC AND DILUTED NET LOSS PER SHARE (continued)

| | Three-months ended September 30, 2017 <i>(Unaudited)</i> | | |
|---|--|-------------------------|---------------------|
| | Net Loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic loss per share | \$ (363,156) | 100,587,843 | \$ (0.00) |
| Effect of dilutive securities—Common stock options and warrants | - | - | - |
| Diluted loss per share | \$ (363,156) | 100,587,843 | \$ (0.00) |

| | Nine-months ended September 30, 2018 <i>(Unaudited)</i> | | |
|---|---|-------------------------|---------------------|
| | Net Loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic loss per share | \$ (3,076,873) | 125,271,516 | \$ (0.02) |
| Effect of dilutive securities—Common stock options and warrants | - | - | - |
| Diluted loss per share | \$ (3,076,873) | 125,271,516 | \$ (0.02) |

| | Nine-months ended September 30, 2017 <i>(Unaudited)</i> | | |
|---|---|-------------------------|---------------------|
| | Net Loss (Numerator) | Shares (Denominator) | Per share amount |
| Basic loss per share | \$ (1,197,035) | 92,513,317 | \$ (0.01) |
| Effect of dilutive securities—Common stock options and warrants | - | - | - |
| Diluted loss per share | \$ (1,197,035) | 92,513,317 | \$ (0.01) |

The following outstanding shares of common stock equivalents were excluded from the computation of diluted net loss per share for the periods presented because including them would have been antidilutive for the periods ended:

| | September 30, 2018 <i>(Unaudited)</i> | September 30, 2017 <i>(Unaudited)</i> |
|--------------------------------|---|---|
| Common stock options | 39,496,761 | 36,838,427 |
| Common stock warrants | 118,148,846 | 127,018,546 |
| Total common stock equivalents | 157,645,607 | 163,856,973 |

NOTES TO THE CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (continued)

NOTE 13 – LEASES

Manoa Innovation Center

The Company entered into an automatically renewable month-to-month lease for office space on August 13, 2010. Under the terms of this lease, the Company must provide a written notice 45 days prior to vacating the premises. Total rent expense under this agreement as amended was \$8,760 and \$29,662, for the three and nine-months ended September 30, 2018, respectively, and \$8,164 and \$23,935, for the three and nine-months ended September 30, 2017, respectively.

Fleet Lease

In January 2018, the Company entered into a vehicle lease arrangement with a rental company for three vehicles. The terms of the leases require total monthly payments of \$1,619 for three years. These leases convert to month-to-month leases in January 2021 unless terminated. Total rent expense under this agreement was \$5,602 and \$14,953, for the three and nine-months ended September 30, 2018, respectively, and \$0 for the three and nine-months ended September 30, 2017.

NOTE 14 – SUBSEQUENT EVENTS

The Company evaluated all material events through the date the financials were ready for issuance. On October 5, 2018, the Company received the subscriptions receivable amount outstanding of \$653,278, less \$113,616 in placement fees and expenses, to net \$539,662.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Explanatory Note

Unless otherwise noted, references in this Form 10-Q to "Cardax," the "Company," "we," "our" or "us" means Cardax, Inc., the registrant, and, unless the context otherwise requires, together with its wholly-owned subsidiary, Cardax Pharma, Inc., a Delaware corporation ("Pharma"), and Pharma's predecessor, Cardax Pharmaceuticals, Inc., a Delaware corporation ("Holdings"), which merged with and into Cardax, Inc.

Corporate Overview and History

We acquired Cardax Pharma, Inc. ("Pharma") and its life science business through the merger of Cardax Acquisition, Inc. ("Cardax Sub"), our wholly-owned transitory subsidiary ("Cardax Sub"), with and into Pharma on February 7, 2014 (the "Merger"), and a stock purchase agreement. As a result of these transactions, Pharma became our wholly-owned subsidiary. The only consideration that we paid under the stock purchase agreement and the Merger was shares of our Common Stock. On May 31, 2013, Pharma acquired all of the assets and assumed all of the liabilities of Cardax Pharmaceuticals, Inc. ("Holdings"). Accordingly, we have two predecessors: Pharma and Pharma's predecessor, Holdings. Prior to the February 7, 2014 effective date of the Merger, we operated under the name "Koffee Korner Inc." and our business was limited to a single location retailer of specialty coffee located in Houston, Texas. On the effective date of the Merger, we divested our coffee business and now exclusively continue Pharma's life sciences business. On December 30, 2015, our former principal stockholder, Holdings, merged with and into us (the "Holdings Merger"). There was not any cash consideration exchanged in the Holdings Merger. Upon the closing of the Holdings Merger, the stockholders of Holdings received an aggregate number of shares and warrants to purchase shares of our Common Stock equal to the aggregate number of shares of our Common Stock that were held by Holdings on the date of the closing of the Holdings Merger. Our restricted shares of our Common Stock held by Holdings were cancelled upon the closing of the Holdings Merger. Accordingly, there was not any change to our fully diluted capitalization due to the Holdings Merger.

We are devoting substantially all of our present efforts to establishing our business related to the development and commercialization of dietary supplements and pharmaceuticals. Our first commercial product, ZanthoSyn®, is a physician recommended anti-inflammatory supplement for health and longevity that provides astaxanthin with enhanced absorption and purity. The form of astaxanthin utilized in ZanthoSyn® has demonstrated excellent safety in peer-reviewed published studies and is designated as GRAS (Generally Recognized as Safe) according to FDA regulations. We sell ZanthoSyn® primarily through wholesale and e-commerce channels and expect that our marketing program will continue to focus on education of physicians, healthcare professionals, retail personnel, and consumers. We are also developing astaxanthin and related compounds, including CDX-085, for pharmaceutical applications. The safety and efficacy of our products have not been directly evaluated in clinical trials or confirmed by the FDA.

Our financial statements have been prepared assuming that we will continue as a going concern; however, given our recurring losses from operations, our independent registered public accounting firm has determined there is substantial doubt about our ability to continue as a going concern.

Subsequent Events

On October 5, 2018, the Company received the subscriptions receivable amount outstanding of \$653,278, less \$113,616 in placement fees and expenses, to net \$539,662.

Results of Operations

Results of Operations for the Three and Nine-Months Ended September 30, 2018 and 2017:

The following table reflects our operating results for the three and nine-months ended September 30, 2018 and 2017:

| Operating Summary | Three-months ended September 30, 2018 | Three-months ended September 30, 2017 | Nine-months ended September 30, 2018 | Nine-months ended September 30, 2017 |
|---------------------|--|--|---|---|
| Revenues | \$ 549,540 | \$ 321,861 | \$ 1,134,899 | \$ 496,088 |
| Cost of Goods Sold | (240,152) | (149,207) | (521,353) | (222,056) |
| Gross Profit | 309,388 | 172,654 | 613,546 | 274,032 |
| Operating Expenses | (1,237,019) | (535,413) | (3,689,560) | (1,482,719) |
| Net Operating Loss | (927,631) | (362,759) | (3,076,014) | (1,208,687) |
| Other (Loss) Income | (1,257) | (397) | (859) | 11,652 |
| Net Loss | \$ (928,888) | \$ (363,156) | \$ (3,076,873) | \$ (1,197,035) |

Operating Summary for the Three-Months Ended September 30, 2018 and 2017

We sell ZanthoSyn® primarily through wholesale and e-commerce channels. We launched our e-commerce channel in August 2016 and began selling to GNC stores in Hawaii on January 25, 2017 and GNC corporate stores across the United States on August 10, 2017. As a result, revenues were \$549,540 and \$321,861 for the three-months ended September 30, 2018 and 2017, respectively. Costs of goods sold were \$240,152 and \$149,207 for the three-months ended September 30, 2018 and 2017, respectively, and included costs of the product, shipping and handling, sales taxes, merchant fees, and other costs incurred on the sale of goods. Gross profits were \$309,388 and \$172,654 for the three-months ended September 30, 2018 and 2017, respectively, which represented gross profit margins of approximately 56% and 54%, respectively.

Operating expenses were \$1,237,019 and \$535,413 for the three-months ended September 30, 2018 and 2017, respectively. The increase in operating expenses was primarily due to (i) sales and marketing personnel and related activities, (ii) partial restoration of employee salaries, (iii) stock-based compensation for new employees and directors, (iv) initiation of a clinical trial, and (v) pharmaceutical development efforts. Operating expenses primarily consisted of expenses for services provided to the Company, including payroll and consultation, for research and development, administration, and sales and marketing. These expenses were paid in accordance with employee, consultant, or service provider agreements. Included in operating expenses were \$180,562 and \$58,250 in stock-based compensation for the three-months ended September 30, 2018 and 2017, respectively.

Other income (expenses), net, were \$(1,257) and \$(397) for the three-months ended September 30, 2018 and 2017, respectively and primarily consisted of interest income and expense.

Operating Summary for the Nine-Months Ended September 30, 2018 and 2017

We sell ZanthoSyn® primarily through wholesale and e-commerce channels. We launched our e-commerce channel in August 2016 and began selling to GNC stores in Hawaii on January 25, 2017 and GNC corporate stores across the United States on August 10, 2017. As a result, revenues were \$1,134,899 and \$496,088 for the nine-months ended September 30, 2018 and 2017, respectively. Costs of goods sold were \$521,353 and \$222,056 for the nine-months ended September 30, 2018 and 2017, respectively, and included costs of the product, shipping and handling, sales taxes, merchant fees, and other costs incurred on the sale of goods. Gross profits were \$613,546 and \$274,032 for the three-months ended September 30, 2018 and 2017, respectively, which represented gross profit margins of approximately 54% and 55%, respectively.

Operating expenses were \$3,689,560 and \$1,482,719 for the nine-months ended September 30, 2018 and 2017, respectively. The increase in operating expenses was primarily due to (i) sales and marketing personnel and related activities, (ii) partial restoration of employee salaries, (iii) stock-based compensation for new employees and directors, (iv) initiation of a clinical trial, and (v) pharmaceutical development efforts. Operating expenses primarily consisted of expenses for services provided to the Company, including payroll and consultation, for research and development, administration, and sales and marketing. These expenses were paid in accordance with employee, consultant, or service provider agreements. Included in operating expenses were \$443,249 and \$142,500 in stock-based compensation for the nine-months ended September 30, 2018 and 2017, respectively.

Other income (expenses), net, were \$(859) and \$11,652 for the nine-months ended September 30, 2018 and 2017, respectively and primarily consisted of interest income and expense. For the nine-months ended September 30, 2017, other income also consisted of a state refundable tax credit of \$12,598.

Liquidity and Capital Resources

Since our inception, we have sustained operating losses and have used cash raised by issuing securities in our operations. During the nine-months ended September 30, 2018 and 2017, we used cash in operating activities in the amount of \$2,712,155 and \$1,397,432, respectively, and incurred net losses of \$3,076,873 and \$1,197,035, respectively.

We require additional financing in order to continue to fund our operations and pay existing and future liabilities and other obligations. We raised an additional \$1.44 million in gross proceeds through the exchange of 9.6 million warrants via a warrant exchange offering that closed on July 27, 2018. On October 5, 2018, we received the subscriptions receivable amount outstanding of \$653,278, less \$113,616 in placement fees and expenses, to net \$539,662.

We intend to raise additional capital that would fund our operations through at least September 30, 2019. We may continue to obtain additional financing from investors through the private placement of our Common Stock and warrants to purchase our Common Stock. Any financing transaction could also, or in the alternative, include the issuance of our debt or convertible debt securities. There can be no assurance that a financing transaction would be available to us on terms and conditions that we determined are acceptable. We also may access capital under the previously reported equity purchase agreement, pursuant to which we have the right, but not the obligation, to sell shares of our Common Stock, as described in our Registration Statement on Form S-1 (333-214049) filed on February 8, 2017.

We cannot give any assurance that we will in the future be able to achieve a level of profitability from the sale of existing or future products or otherwise to sustain our operations. These conditions raise substantial doubt about our ability to continue as a going concern. The accompanying financial statements do not include any adjustments to reflect the possible future effects on recoverability and reclassification of assets or the amounts and classification of liabilities that may result from the outcome of this uncertainty.

Any inability to obtain additional financing on acceptable terms will materially and adversely affect us, including requiring us to significantly further curtail or cease business operations altogether.

Our working capital and capital requirements at any given time depend upon numerous factors, including, but not limited to:

- revenues from the sale of any products or licenses;
- costs of production, marketing and sales capabilities, or other operating expenses; and
- costs of research, development, and commercialization of our technologies.

The following is a summary of our cash flows provided by (used in) operating, investing, and provided by financing activities during the periods indicated:

| Cash Flow Summary | Nine-months ended September 30, 2018 | Nine-months ended September 30, 2017 |
|---|---|---|
| Net Cash Used in Operating Activities | \$ (2,712,155) | \$ (1,397,432) |
| Net Cash Used in Investing Activities | (30,483) | (16,137) |
| Net Cash Provided by Financing Activities | 704,375 | 4,053,456 |
| Net Cash (Decrease) Increase for Period | (2,038,263) | 2,639,887 |
| Cash at Beginning of Period | 2,236,837 | 158,433 |
| Cash at End of Period | \$ 198,574 | \$ 2,798,320 |

Cash Flows from Operating Activities

During the nine-months ended September 30, 2018 and 2017, our operating activities primarily consisted of receipts and receivables from sales and payments or accruals for employees, directors, and consultants for services related to administration, sales and marketing, research and development, and inventory deposits.

Cash Flows from Investing Activities

During the nine-months ended September 30, 2018 and 2017, our investing activities were related to expenditures on patents.

Cash Flows from Financing Activities

During the nine-months ended September 30, 2018 and 2017, our financing activities consisted of transactions in which we raised proceeds through the issuance of our Common Stock. In June 2018, we commenced an offering to exchange outstanding warrants for shares of our Common Stock under a Form S-4 Registration Statement. The shares of our Common Stock would be issued to warrant holders in exchange for (i) their outstanding warrants to purchase shares of our Common Stock at \$0.625 per share, and (ii) cash payment of \$0.15 per share. This offering closed on July 27, 2018, and resulted in an exchange of 9.6 million warrants for \$1,440,043 in gross proceeds and 9,600,286 shares of our Common Stock. Of this amount, \$653,278 was held in escrow as subscriptions receivable as of September 30, 2018. The subscriptions receivable amount was received on October 5, 2018, less \$113,616 in placement fees and expenses, to net \$539,662.

Our existing liquidity is not sufficient to fund our operations, anticipated capital expenditures, working capital, and other financing requirements for the foreseeable future. We will need to seek to obtain additional equity or debt financing, especially if we experience downturns or cyclical fluctuations in our business that are more severe or longer than anticipated, or if we experience significant increases in the cost of components and manufacturing or increases in our expense levels resulting from being a publicly-traded company. If we attempt to obtain additional equity or debt financing, we cannot assure you that such financing will be available to us on favorable terms, or at all.

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

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

ITEM 4. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Internal control over financial reporting is a process designed 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 and includes those policies and procedures that (a) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company; (b) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with generally accepted accounting principles and that receipts and expenditures of the Company are being made only in accordance with authorizations of the our management and directors; and (c) 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. Based on our evaluation under the framework in Internal Control—Integrated Framework, our management concluded that our internal control over financial reporting was effective as of September 30, 2018.

Changes in Internal Controls over Financial Reporting

There were no changes in the Company’s internal control over financial reporting during the quarter ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS.

From time to time, we may become involved in various lawsuits and legal proceedings that arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. We are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

ITEM 1A. RISK FACTORS.

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

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

There were no unregistered sales of equity securities issued during the three-months ended September 30, 2018.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

| Exhibit No. | Description |
|------------------------|--|
| 31.1 ⁽¹⁾ | <u>Certification of the Chief Executive Officer pursuant to Exchange Act Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 31.2 ⁽¹⁾ | <u>Certification of the Chief Financial Officer pursuant to Exchange Act Rule 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.1 ⁽¹⁾ | <u>Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 32.2 ⁽¹⁾ | <u>Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u> |
| 101.INS ⁽²⁾ | XBRL Instance Document |
| 101.SCH ⁽²⁾ | XBRL Taxonomy Extension Schema Document |
| 101.CAL ⁽²⁾ | XBRL Taxonomy Extension Calculation Linkbase Document |
| 101.DEF ⁽²⁾ | XBRL Taxonomy Extension Definition Linkbase Document |
| 101.LAB ⁽²⁾ | XBRL Taxonomy Extension Label Linkbase Document |
| 101.PRE ⁽²⁾ | XBRL Taxonomy Extension Presentation Linkbase Document |
| (1) | Filed herewith. |
| (2) | Furnished herewith. Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of any registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise are not subject to liability under those sections. |

SIGNATURES

Pursuant to the requirements of Section 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.

Dated: November 13, 2018

CARDAX, INC.

By: /s/ David G. Watumull

Name: David G. Watumull

Title: Chief Executive Officer and President

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, David G. Watumull, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cardax, Inc.;

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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 control 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 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; and

(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; and

5. The registrant's other certifying officer(s) 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 functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Dated: November 13, 2018

/s/ David G. Watumull
David G. Watumull
Chief Executive Officer

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, John B. Russell, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Cardax, Inc.;

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 report;

3. Based on my knowledge, the financial statements, and other financial information included in this 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 report;

4. The registrant's other certifying officer(s) 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 control 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 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; and

(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; and

5. The registrant's other certifying officer(s) 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 functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control 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 control over financial reporting.

Dated: November 13, 2018

/s/ John B. Russell
John B. Russell
Chief Financial Officer

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Cardax, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, David G. Watumull, Chief Executive Officer, do hereby certify, to my knowledge:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 13, 2018

By: /s/ David G. Watumull

David G. Watumull
Chief Executive 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 required by Section 906, has been provided to Cardax, Inc. and will be retained by Cardax, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 (18 U.S.C. SECTION 1350)**

In connection with the Quarterly Report of Cardax, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Quarterly Report"), I, John B. Russell, Chief Financial Officer, do hereby certify, to my knowledge:

(1) The Quarterly Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

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

Date: November 13, 2018

By: /s/ John B. Russell

John B. Russell
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 required by Section 906, has been provided to Cardax, Inc. and will be retained by Cardax, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.
