

HERCON PHARMACEUTICALS, LLC

Balance Sheet

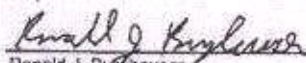
(STANDALONE)

December 31, 2017

(Unaudited)

Assets	December 31, 2017
Current Assets:	
Cash	\$279,237
Accounts receivable	-
Other receivables	886,186
Inventory	1,153,505
Prepaid expenses	226,802
Deferred tax asset (short-term)	5,673,313
Total current assets	<u>\$8,219,043</u>
Property and equipment, net	\$3,960,759
Capital Work In Progress	847,177
Intellectual Property	45,778
Deferred Tax Asset (2TL)	916,923
Total assets	<u>\$13,989,681</u>
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$475,368
Customer chargebacks, rebates, discounts and allowances	-
Accrued expenses	-
Short-term provisions	-
Deferred Revenue	-
Other liabilities	725
Total current liabilities	<u>\$476,093</u>
Long term liabilities	
Loan - related party	\$27,120,000
Deferred taxes	555,901
Valuation allowance	5,121,086
Total long term liabilities	<u>\$32,796,987</u>
Total liabilities	\$33,273,080
Stockholders' Equity	
Common stock, no par value	\$100,100
Surplus (Deficit)	(19,383,499)
Total stockholders' equity	<u>(\$19,283,399)</u>
Total liabilities and stockholders' equity	<u>\$13,989,681</u>

Reviewed & Approved by

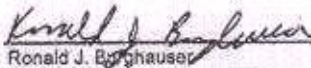

 Ronald J. Buehner
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Operations
 (STANDALONE)

For the period from January 1, 2017 through December 31, 2017
 (Unaudited)

	January 1, 2017 through December 31, 2017
Income	
Gross sales	\$ 1,673,103
Total Income	<u>\$ 1,673,103</u>
Adjustments	
Returns & allowances	\$ 317,760
Total adjustments	<u>\$ 317,760</u>
Sales, Net	\$ 1,355,342
Cost of goods sold	
Prime costs	\$ 938,367
Total cost of goods sold	<u>\$ 938,367</u>
Gross Profit	\$ 416,975
Operating expenses	
Plant overhead	\$ 3,712,373
General and administrative	\$ 1,830,218
Depreciation and amortization	\$ 549,971
	<u>\$ 6,092,562</u>
Profit (Loss) from operations	\$ (5,675,587)
Other income (expense)	
Contract Revenue (ZTL)	\$ 1,833,051
Prior Year Credit (R&D Contract)	\$ -
Income tax withholding (ZTL)	\$ -
Financing-related expenses	\$ (721,257)
Inventory Adjustments	\$ (206,774)
Contingency for expenses	\$ 96,000
Total other Income (expense)	<u>\$ 1,001,021</u>
Profit (Loss) before income taxes	\$ (4,674,566)
Provision for income taxes	<u>\$ 3,784</u>
Net Profit (Loss)	<u>\$ (4,678,350)</u>

Reviewed & Approved by


 Ronald J. Bughhauser
 CFO

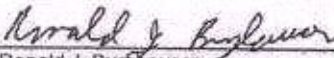
HERCON PHARMACEUTICALS, LLC
Statement of Cash Flows

(STANDALONE)

For the period from January 1, 2017 through December 31, 2017
(Unaudited)

	<u>January 1, 2017 through December 31, 2017</u>
Cash flows from operating activities:	
Net profit (loss)	\$ (4,678,350)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	\$ 549,971
Changes in operating assets and liabilities:	
Accounts receivable	\$ 570,704
Other receivables	\$ (257,615)
Inventories	\$ 1,012,617
Prepaid expenses	\$ (944)
Deferred tax asset (short-term)	\$ (5,673,313)
Deferred tax asset (ZTL)	\$ (275,485)
Accounts payable	\$ (202,719)
Customer chargebacks, rebates, discounts & allowances	\$ 89,313
Accrued expenses	\$ (76,952)
Other liabilities	\$ 115
Short-term provisions	\$ (366,000)
Deferred Revenue	\$ -
Deferred taxes (long-term liability)	\$ 555,901
Valuation allowance	\$ 5,121,086
Net cash used in operating activities	<u>\$ (3,631,672)</u>
Cash flows from investing activities:	
Purchases of property and equipment	\$ (1,600,254)
Net cash used in investing activities	<u>\$ (1,600,254)</u>
Cash flows from financing activities:	
Loan - related party	\$ 5,436,000
Net cash provided by financing activities	<u>\$ 5,436,000</u>
Net increase (decrease) in cash	\$ 204,074
Cash, beginning of period	\$ 75,163
Cash, end of period	<u>\$ 279,237</u>

Reviewed & Approved by



Ronald J. Burghauer
CFO

HERCON PHARMACEUTICALS, LLC
Schedule of General and Administrative Expenses
(STANDALONE)

For the period from January 1, 2017 through December 31, 2017
(Unaudited)

	January 1, 2017 through December 31, 2017
Salaries and wages	\$ 980,506
Contribution to provident and other funds	\$ 24,792
Staff welfare expenses	\$ 187,757
Power & fuel (includes water bills & real estate taxes)	\$ 40,183
Refuse/waste disposal	\$ 6,190
Repairs to plant and machinery	\$ 159,096
Insurance	\$ 9,379
Traveling expenses/employee meals/company events	\$ 28,497
Legal and professional fees	\$ 75,133
Commission on sales	\$ 7,745
Freight, postage and forwarding on sales	\$ 21,138
Sales promotion expenses/website & hosting	\$ 45
Seminar, conference and exhibition	\$ 8,537
Analytical expenses	\$ 208,747
Office supplies	\$ 4,977
Payroll service charges	\$ 13,457
Recruiting expense	\$ 4,301
Relocation expense	\$ 25,316
Bank charges	\$ 2,114
Production supplies	\$ 2,156
Dues & subscriptions/registration fees	\$ 452
Telephone	\$ 1,634
Miscellaneous expenses	\$ 18,067
	<u>\$ 1,830,217.51</u>

Reviewed & Approved by


Ronald J. Burghauer
CFO