

HERCON PHARMACEUTICALS, LLC

Balance Sheet

(STANDALONE)

December 31, 2018

(Unaudited)

Assets	December 31, 2018
Current Assets:	
Cash	\$77,346
Accounts receivable	27,817.68
Other receivables	624,904
Inventory	1,418,348
Prepaid expenses	223,132
Deferred tax asset (short-term)	5,531,432
Total current assets	<u>\$7,902,980</u>
Property and equipment, net	\$3,757,192
Capital Work in Progress	4,041,155
Intellectual Property	45,778
Deferred Tax Asset (ZTL)	1,269,507
Total assets	<u><u>\$17,016,612</u></u>
 Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$2,392,343
Customer chargebacks, rebates, discounts and allowances	-
Accrued expenses	-
Short-term provisions	215,000.00
Deferred Revenue	-
Other liabilities	704
Total current liabilities	<u>\$2,608,047</u>
Long term liabilities	
Loan - related party	\$32,145,000
Deferred taxes	291,970
Valuation allowance	5,243,706
Total long term liabilities	<u>\$37,680,676</u>
Total liabilities	\$40,288,723
Stockholders' Equity	
Common stock, no par value	\$100,100
Surplus (Deficit)	<u>(23,372,211)</u>
Total stockholders' equity	<u>(\$23,272,111)</u>
Total liabilities and stockholders' equity	<u><u>\$17,016,612</u></u>

Reviewed & Approved by

Ronald J. Burghauer MARCH 14, 2019
 Ronald J. Burghauer Date
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Operations
 (STANDALONE)

For the period from January 1, 2018 through December 31, 2018
 (Unaudited)

	January 1, 2018 through December 31, 2018
Income	
Gross sales	\$ 986,117
Total income	\$ 986,117
Adjustments	
Returns & allowances	\$ 13,046
Total adjustments	\$ 13,046
Sales, Net	\$ 973,071
Cost of goods sold	
Prime costs	\$ 638,775
Total cost of goods sold	\$ 638,775
Gross Profit	\$ 334,297
Operating expenses	
Plant overhead	\$ 2,841,862
General and administrative	\$ 2,157,321
Depreciation and amortization	\$ 578,738
	\$ 5,577,921
Profit (Loss) from operations	\$ (5,243,624)
Other income (expense)	
Contract Reveune (ZTL)	\$ 2,250,081
Contract Reveune (outside 3rd parties)	\$ 293,356
Income tax withholding (ZTL)	\$ -
Financing-related expenses	\$ (1,072,954)
Inventory Adjustments	\$ -
Contingency for expenses	\$ (215,000)
Total other income (expense)	\$ 1,255,483
Profit (Loss) before income taxes	\$ (3,988,141)
Provision for income taxes	\$ 570
Net Profit (Loss)	\$ (3,988,711)

Reviewed & Approved by

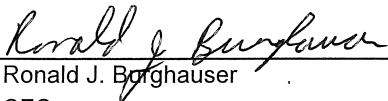

MARCH 14, 2019
 Ronald J. Burghauer Date
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Cash Flows
(STANDALONE)

For the period from January 1, 2018 through December 31, 2018
(Unaudited)

	<u>January 1, 2018 through December 31, 2018</u>
Cash flows from operating activities:	
Net profit (loss)	\$ (3,988,711)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	\$ 578,738
Changes in operating assets and liabilities:	
Accounts receivable	\$ (27,818)
Other receivables	\$ 261,282
Inventories	\$ (264,843)
Prepaid expenses	\$ 3,670
Deferred tax asset (short-term)	\$ 141,881
Deferred tax asset (ZTL)	\$ (352,584)
Accounts payable	\$ 1,916,975
Customer chargebacks, rebates, discounts & allowances	\$ -
Accrued expenses	\$ -
Other liabilities	\$ (21)
Short-term provisions	\$ 215,000
Deferred Revenue	\$ -
Deferred taxes (long-term liability)	\$ (263,931)
Valuation allowance	\$ 122,620
Net cash used in operating activities	<u>\$ (1,657,742)</u>
Cash flows from investing activities:	
Purchases of property and equipment	<u>\$ (3,569,149)</u>
Net cash used in investing activities	<u>\$ (3,569,149)</u>
Cash flows from financing activities:	
Loan - related party	<u>\$ 5,025,000</u>
Net cash provided by financing activities	<u>\$ 5,025,000</u>
Net increase (decrease) in cash	\$ (201,891)
Cash, beginning of period	<u>\$ 279,237</u>
Cash, end of period	<u><u>\$ 77,346</u></u>

Reviewed & Approved by


MARCH 14, 2019

Ronald J. Burghauser Date
CFO

