

## HERCON PHARMACEUTICALS, LLC

**Balance Sheet**

(STANDALONE)

December 31, 2021

(Unaudited)

Assets	December 31, 2021
Current Assets:	
Cash	\$26,622
Accounts receivable	-
Other receivables	409,036
Inventory	-
Prepaid expenses	16,674
Deferred tax asset (short-term)	-
Total current assets	<u>\$452,333</u>
Property and equipment, net	\$1,451,053
Capital Work in Progress	2,312,621
Intellectual Property	-
Deferred Tax Asset	-
Total assets	<u><u>\$4,216,007</u></u>
<b>Liabilities and Stockholders' Equity</b>	
Current liabilities	
Accounts payable	\$50,145
Customer chargebacks, rebates, discounts and allowances	-
Accrued expenses	-
Short-term provisions	221,000
Deferred Revenue	-
Other liabilities	64
Total current liabilities	<u>\$271,209</u>
Long term liabilities	
Loan - related party	\$332,587
Deferred taxes	-
Valuation allowance	-
Total long term liabilities	<u>\$332,587</u>
Total liabilities	\$603,796
Stockholders' Equity	
Common stock, no par value	\$45,607,537
Surplus (Deficit)	<u>(41,995,326)</u>
Total stockholders' equity	<u>\$3,612,210</u>
Total liabilities and stockholders' equity	<u><u>\$4,216,007</u></u>

Reviewed &amp; Approved by

*Ronald J. Burghouser*      *MARCH 2, 2022*  
 Ronald J. Burghouser      Date  
 CFO

**HERCON PHARMACEUTICALS, LLC**  
**Statement of Operations**  
**(STANDALONE)**

For the period from January 1, 2021 through December 31, 2021  
(Unaudited)

	January 1, 2021 through December 31, 2021
Income	
Gross sales	\$ 326,354
Total income	\$ 326,354
Adjustments	
Returns & allowances	\$ 25,214
Total adjustments	\$ 25,214
Sales, Net	\$ 301,140
Cost of goods sold	
Prime costs	\$ 440,839
Total cost of goods sold	\$ 440,839
Gross Profit	\$ (139,699)
Operating expenses	
Plant overhead	\$ 1,858,316
General and administrative	\$ 565,424
Depreciation and amortization	\$ 440,156
	\$ 2,863,897
Profit (Loss) from operations	\$ (3,003,596)
Other income (expense)	
Contract Reveune	\$ 325,088
Contract Reveune (outside 3rd parties)	\$ -
Income tax withholding	\$ -
Financing-related expenses	\$ (8,925)
Asset Impairment	\$ (5,658,756)
Contingency for expenses	\$ 146,000
Total other income (expense)	\$ (5,196,593)
Profit (Loss) before income taxes	\$ (8,200,189)
Provision for income taxes	\$ 780
Net Profit (Loss)	\$ (8,200,969)

*Reviewed & Approved by*

*Ronald J. Butghauser* MARCH 2, 2022  
Ronald J. Butghauser Date  
CFO

**HERCON PHARMACEUTICALS, LLC**  
**Statement of Cash Flows**  
**(STANDALONE)**

For the period from January 1, 2021 through December 31, 2021  
(Unaudited)

	<u>January 1, 2021 through December 31, 2021</u>
Cash flows from operating activities:	
Net profit (loss)	\$ (8,200,969)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	\$ 440,156
Changes in operating assets and liabilities:	
Accounts receivable	\$ 52,168
Other receivables	\$ (166,605)
Inventories	\$ 395,106
Prepaid expenses	\$ 244,797
Deferred tax asset (short-term)	\$ 6,600,165
Deferred tax asset & intellectual property	\$ 1,617,093
Accounts payable	\$ (115,087)
Customer chargebacks, rebates, discounts & allowances	\$ -
Accrued expenses	\$ -
Other liabilities	\$ (509)
Short-term provisions	\$ (146,000)
Deferred Revenue	\$ -
Deferred taxes (long-term liability)	\$ (239,116)
Valuation allowance	\$ (6,365,963)
Net cash used in operating activities	<u>\$ (5,884,765)</u>
Cash flows from investing activities:	
Purchases of property and equipment, net of asset impairment	<u>\$ 3,749,271</u>
Net cash used in investing activities	<u>\$ 3,749,271</u>
Cash flows from financing activities:	
Paid-in capital	\$ -
Issuance of common stock (investment by ZNI)	\$ 1,827,268
Loan - related party	<u>\$ 332,587</u>
Net cash provided by financing activities	<u>\$ 2,159,855</u>
Net increase (decrease) in cash	\$ 24,361
Cash, beginning of period	<u>\$ 2,261</u>
Cash, end of period	<u><u>\$ 26,622</u></u>

Reviewed & Approved by


MARCH 2, 2022  
\_\_\_\_\_  
Ronald J. Burghauer Date  
CFO

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

For the period from January 1, 2021 through December 31, 2021  
(Unaudited)

	<b>January 1, 2021 through December 31, 2021</b>
Salaries and wages	\$ 670,281
Contribution to provident and other funds	\$ 30,678
Staff welfare expenses	\$ (408,715)
Power & fuel (includes water bills & real estate taxes)	\$ 42,276
Refuse/waste disposal	\$ -
Repairs to plant and machinery	\$ 56,469
Insurance	\$ -
Traveling expenses/employee meals/company events	\$ 6,640
Legal and professional fees	\$ 21,046
Commission on sales	\$ -
Freight, postage and forwarding on sales	\$ 4,971
Sales promotion expenses/website & hosting	\$ -
Seminar, conference and exhibition	\$ 3,506
Analytical expenses	\$ 27,388
Office supplies	\$ 337
Payroll service charges	\$ 10,275
Recruiting expense	\$ -
Relocation expense	\$ 930
Bank charges	\$ 2,498
Production supplies	\$ -
Dues & subscriptions/registration fees	\$ 596
Telephone	\$ -
Miscellaneous expenses	\$ 96,249
	\$ 565,424

*Reviewed & Approved by*


MARCH 2, 2022  
Ronald J. Burghauer Date  
CFO