

HERCON PHARMACEUTICALS, LLC

Balance Sheet

(STANDALONE)

December 31, 2019

(Unaudited)

Assets	December 31, 2019
Current Assets:	
Cash	\$150,421
Accounts receivable	-
Other receivables	840,388
Inventory	1,019,537
Prepaid expenses	231,246
Deferred tax asset (short-term)	6,600,165
Total current assets	<u>\$8,841,757</u>
Property and equipment, net	\$4,101,581
Capital Work in Progress	4,433,528
Intellectual Property	45,778
Deferred Tax Asset (ZTL)	1,449,756
Total assets	<u><u>\$18,872,400</u></u>
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$1,254,008
Customer chargebacks, rebates, discounts and allowances	-
Accrued expenses	-
Short-term provisions	467,000.00
Deferred Revenue	-
Other liabilities	774
Total current liabilities	<u>\$1,721,782</u>
Long term liabilities	
Loan - related party	\$39,024,893
Deferred taxes	239,116
Valuation allowance	6,365,963
Total long term liabilities	<u>\$45,629,972</u>
Total liabilities	\$47,351,754
Stockholders' Equity	
Common stock, no par value	\$100,100
Surplus (Deficit)	<u>(28,579,454)</u>
Total stockholders' equity	<u>(\$28,479,354)</u>
Total liabilities and stockholders' equity	<u><u>\$18,872,400</u></u>

Reviewed & Approved by

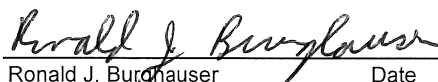
Ronald J. Burghauer FEBRUARY 7, 2020
 Ronald J. Burghauer Date
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Operations
(STANDALONE)

For the period from January 1, 2019 through December 31, 2019
(Unaudited)

	January 1, 2019 through December 31, 2019
Income	
Gross sales	\$ 1,539,133
Total income	\$ 1,539,133
Adjustments	
Returns & allowances	\$ 1,864
Total adjustments	\$ 1,864
Sales, Net	\$ 1,537,268
Cost of goods sold	
Prime costs	\$ 808,646
Total cost of goods sold	\$ 808,646
Gross Profit	\$ 728,622
Operating expenses	
Plant overhead	\$ 4,093,089
General and administrative	\$ 1,443,387
Depreciation and amortization	\$ 606,792
	\$ 6,143,268
Profit (Loss) from operations	\$ (5,414,646)
Other income (expense)	
Contract Reveune (ZTL)	\$ 1,538,811
Contract Reveune (outside 3rd parties)	\$ 371,274
Income tax withholding (ZTL)	\$ -
Financing-related expenses	\$ (1,449,903)
Inventory Adjustments	\$ -
Contingency for expenses	\$ (252,000)
Total other income (expense)	\$ 208,183
Profit (Loss) before income taxes	\$ (5,206,463)
Provision for income taxes	\$ 780
Net Profit (Loss)	\$ (5,207,243)

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HERCON PHARMACEUTICALS, LLC
Statement of Cash Flows
(STANDALONE)

For the period from January 1, 2019 through December 31, 2019
(Unaudited)

	January 1, 2019 through December 31, 2019
Cash flows from operating activities:	
Net profit (loss)	\$ (5,207,243)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	\$ 606,792
Changes in operating assets and liabilities:	
Accounts receivable	\$ 27,818
Other receivables	\$ (215,484)
Inventories	\$ 398,811
Prepaid expenses	\$ (8,114)
Deferred tax asset (short-term)	\$ (1,068,733)
Deferred tax asset (ZTL)	\$ (180,248)
Accounts payable	\$ (1,138,335)
Customer chargebacks, rebates, discounts & allowances	\$ -
Accrued expenses	\$ -
Other liabilities	\$ 70
Short-term provisions	\$ 252,000
Deferred Revenue	\$ -
Deferred taxes (long-term liability)	\$ (52,854)
Valuation allowance	\$ 1,122,257
Net cash used in operating activities	\$ (5,463,264)
Cash flows from investing activities:	
Purchases of property and equipment	\$ (1,343,554)
Net cash used in investing activities	\$ (1,343,554)
Cash flows from financing activities:	
Loan - related party	\$ 6,879,893
Net cash provided by financing activities	\$ 6,879,893
Net increase (decrease) in cash	\$ 73,075
Cash, beginning of period	\$ 77,346
Cash, end of period	\$ 150,421

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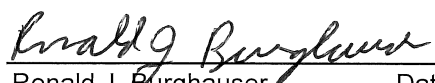
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HERCON PHARMACEUTICALS, LLC
Schedule of General and Administrative Expenses
(STANDALONE)

For the period from January 1, 2019 through December 31, 2019
(Unaudited)

	January 1, 2019 through December 31, 2019
Salaries and wages	\$ 791,006
Contribution to provident and other funds	\$ 19,330
Staff welfare expenses	\$ 148,608
Power & fuel (includes water bills & real estate taxes)	\$ 41,810
Refuse/waste disposal	\$ -
Repairs to plant and machinery	\$ 167,914
Insurance	\$ -
Traveling expenses/employee meals/company events	\$ 29,083
Legal and professional fees	\$ 68,085
Commission on sales	\$ -
Freight, postage and forwarding on sales	\$ 13,739
Sales promotion expenses/website & hosting	\$ -
Seminar, conference and exhibition	\$ 7,015
Analytical expenses	\$ 105,929
Office supplies	\$ 2,141
Payroll service charges	\$ 11,816
Recruiting expense	\$ 1,260
Relocation expense	\$ 17,140
Bank charges	\$ 1,998
Production supplies	\$ -
Dues & subscriptions/registration fees	\$ 1,915
Telephone	\$ -
Miscellaneous expenses	\$ 14,598
	\$ 1,443,387

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