

HERCON PHARMACEUTICALS, LLC

Balance Sheet

(STANDALONE)

December 31, 2020

(Unaudited)

Assets	December 31, 2020
Current Assets:	
Cash	\$2,261
Accounts receivable	52,167.60
Other receivables	242,431
Inventory	395,106
Prepaid expenses	261,471
Deferred tax asset (short-term)	6,600,165
Total current assets	<u>\$7,553,602</u>
Property and equipment, net	\$3,554,123
Capital Work in Progress	4,398,978
Intellectual Property	45,778
Deferred Tax Asset (ZTL)	1,571,315
Total assets	<u><u>\$17,123,796</u></u>
Liabilities and Stockholders' Equity	
Current liabilities	
Accounts payable	\$165,232
Customer chargebacks, rebates, discounts and allowances	-
Accrued expenses	-
Short-term provisions	367,000.00
Deferred Revenue	-
Other liabilities	573
Total current liabilities	<u>\$532,805</u>
Long term liabilities	
Loan - related party	\$0
Deferred taxes	239,116
Valuation allowance	6,365,963
Total long term liabilities	<u>\$6,605,079</u>
Total liabilities	\$7,137,884
Stockholders' Equity	
Common stock, no par value	\$43,780,269
Surplus (Deficit)	(33,794,357)
Total stockholders' equity	<u>\$9,985,912</u>
Total liabilities and stockholders' equity	<u><u>\$17,123,796</u></u>

Reviewed & Approved by

Ronald J. Burghauer *MARCH 1, 2021*
 Ronald J. Burghauer Date
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Operations
 (STANDALONE)

For the period from January 1, 2020 through December 31, 2020
 (Unaudited)

	January 1, 2020 through December 31, 2020
Income	
Gross sales	\$ 803,649
Total income	\$ 803,649
Adjustments	
Returns & allowances	\$ 705
Total adjustments	\$ 705
Sales, Net	\$ 802,944
Cost of goods sold	
Prime costs	\$ 1,033,863
Total cost of goods sold	\$ 1,033,863
Gross Profit	\$ (230,920)
Operating expenses	
Plant overhead	\$ 3,121,192
General and administrative	\$ 1,354,982
Depreciation and amortization	\$ 605,437
	\$ 5,081,610
Profit (Loss) from operations	\$ (5,312,530)
Other income (expense)	
Contract Reveune (ZTL)	\$ 958,667
Contract Reveune (outside 3rd parties)	\$ 108,697
Income tax withholding (ZTL)	\$ -
Financing-related expenses	\$ (1,069,738)
Inventory Adjustments	\$ -
Contingency for expenses	\$ 100,000
Total other income (expense)	\$ 97,626
Profit (Loss) before income taxes	\$ (5,214,903)
Provision for income taxes	\$ -
Net Profit (Loss)	\$ (5,214,903)

Reviewed & Approved by



 Ronald J. Burghauser Date
 CFO

HERCON PHARMACEUTICALS, LLC
Statement of Cash Flows
(STANDALONE)

For the period from January 1, 2020 through December 31, 2020
(Unaudited)

	January 1, 2020 through December 31, 2020
Cash flows from operating activities:	
Net profit (loss)	\$ (5,214,903)
Adjustments to reconcile net loss to cash used in operating activities:	
Depreciation and amortization	\$ 605,437
Changes in operating assets and liabilities:	
Accounts receivable	\$ (52,168)
Other receivables	\$ 597,957
Inventories	\$ 624,431
Prepaid expenses	\$ (30,225)
Deferred tax asset (short-term)	\$ -
Deferred tax asset (ZTL)	\$ (121,559)
Accounts payable	\$ (1,088,776)
Customer chargebacks, rebates, discounts & allowances	\$ -
Accrued expenses	\$ -
Other liabilities	\$ (201)
Short-term provisions	\$ (100,000)
Deferred Revenue	\$ -
Deferred taxes (long-term liability)	\$ -
Valuation allowance	\$ -
Net cash used in operating activities	\$ (4,780,007)
Cash flows from investing activities:	
Purchases of property and equipment	\$ (23,429)
Net cash used in investing activities	\$ (23,429)
Cash flows from financing activities:	
Paid-in capital	\$ -
Issuance of common stock (investment by ZNI)	\$ 43,680,169
Loan - related party	\$ (39,024,893)
Net cash provided by financing activities	\$ 4,655,276
Net increase (decrease) in cash	\$ (148,160)
Cash, beginning of period	\$ 150,421
Cash, end of period	\$ 2,261

Reviewed & Approved by



Ronald J. Burghauer Date
CFO

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

For the period from January 1, 2020 through December 31, 2020
(Unaudited)

	January 1, 2020 through December 31, 2020
Salaries and wages	\$ 862,582
Contribution to provident and other funds	\$ 23,418
Staff welfare expenses	\$ 149,557
Power & fuel (includes water bills & real estate taxes)	\$ 42,263
Refuse/waste disposal	\$ -
Repairs to plant and machinery	\$ 51,509
Insurance	\$ -
Traveling expenses/employee meals/company events	\$ 7,778
Legal and professional fees	\$ 125,751
Commission on sales	\$ -
Freight, postage and forwarding on sales	\$ 6,272
Sales promotion expenses/website & hosting	\$ -
Seminar, conference and exhibition	\$ 2,296
Analytical expenses	\$ 60,566
Office supplies	\$ 413
Payroll service charges	\$ 12,757
Recruiting expense	\$ 551
Relocation expense	\$ 2,925
Bank charges	\$ 2,195
Production supplies	\$ -
Dues & subscriptions/registration fees	\$ 1,156
Telephone	\$ -
Miscellaneous expenses	\$ 2,993
	<u>\$ 1,354,982</u>

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Ronald J. Burghauer Date
CFO