

PHARMAROTH LABS, INC.

QUARTERLY REPORT

December 30, 2015

(Unaudited)

INDEX TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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PharmaRoth Labs, Inc.
Consolidated Balance Sheet
(Unaudited)

December 31,
2015

ASSETS

Current assets

| | | |
|-----------------|----|---------|
| Cash | \$ | 1,360 |
| Receivables | | 120,827 |
| Deposits | | 139 |
| Prepaid expense | | 83,052 |
| Inventory | | 79,339 |

| | | |
|----------------------|--|---------|
| Total current assets | | 284,717 |
|----------------------|--|---------|

| | | |
|----------------|--|---|
| Equipment, net | | - |
|----------------|--|---|

| | | |
|--------------|----|---------|
| Total assets | \$ | 284,717 |
|--------------|----|---------|

LIABILITIES AND STOCKHOLDERS' DEFICIT

Current liabilities

| | | |
|--|----|---------|
| Accounts payable and accrued liabilities | \$ | 63,385 |
| Advances from shareholders | | 50,490 |
| Taxes payable | | 69,521 |
| Related party payable | | 305,533 |
| Customer deposits | | 250,000 |

| | | |
|---------------------------|--|---------|
| Total current liabilities | | 738,929 |
|---------------------------|--|---------|

Stockholders' deficit

| | | |
|---|--|-----------|
| Preferred stock, \$0.001 par value, 10,000,000 authorized, no shares issued or outstanding | | - |
| Common stock, \$0.001 par value, 500,000,000 shares authorized, 362,181,637 shares issued and outstanding | | 362,182 |
| Additional paid-in capital | | 1,877,444 |
| Foreign exchange valuation | | 8,977 |

| | | |
|--------------------------------------|--|-------------|
| Total PharmaRoth accumulated deficit | | (2,693,051) |
|--------------------------------------|--|-------------|

| | | |
|--------------------------|--|---------|
| Non-controlling Interest | | (9,764) |
|--------------------------|--|---------|

| | | |
|-----------------------------|--|-----------|
| Total stockholders' deficit | | (454,212) |
|-----------------------------|--|-----------|

| | | |
|---|----|---------|
| Total liabilities and stockholders' deficit | \$ | 284,717 |
|---|----|---------|

The accompanying notes are an integral part of these consolidated financial statements.

PharmaRoth Labs, Inc.
Consolidated Statements of Operations
(Unaudited)

| | Three Months Ended December 31, 2015 | Six Months Ended December 31, 2015 |
|---|---|---------------------------------------|
| Product Sales | \$ 70,361 | \$ 160,499 |
| Cost of Product Sales | <u>(20,810)</u> | <u>(83,670)</u> |
| Gross Profit | 49,551 | 76,829 |
| Operating Expenses: | | |
| Professional fees | 33,151 | 98,651 |
| General and administrative | <u>27,428</u> | <u>100,997</u> |
| Total operating expenses | 60,579 | 199,648 |
| Net loss before non-controlling interest | (11,760) | (123,066) |
| Loss attributable to non-controlling interest | <u>732</u> | <u>247</u> |
| Net loss | <u>\$ (11,028)</u> | <u>\$ (122,819)</u> |
| Net loss per share - basic | <u>\$ (0.00)</u> | <u>\$ (0.00)</u> |
| Weighted average number of common shares outstanding - basic | <u>368,618,637</u> | <u>364,866,420</u> |

The accompanying notes are an integral part of these consolidated financial statements.

PharmaRoth Labs, Inc.
Consolidated Statement of Cash Flows
(Unaudited)

Three Month Ended
December 31, 2015

| | |
|--|------------------------|
| OPERATING ACTIVITIES | |
| Net loss | \$ (122,819) |
| Adjustments to reconcile net loss to net cash used by operating activities: | |
| Consulting expense, stock-based | 89,900 |
| Change in foreign currency translation exchange | 2,484 |
| Changes in operating assets and liabilities: | |
| Accounts receivable | (42,762) |
| Prepaid expenses | 1,473 |
| Deposits | 14 |
| Inventory | (34,148) |
| Accounts payable and accrued liabilities | 11,174 |
| Advances from Stockholders | 806 |
| Taxes payable | (751) |
| Related party payables | 50,165 |
| Net cash used by operating activities | <u>(44,464)</u> |
| FINANCING ACTIVITIES | |
| Sale of common stock | <u>45,000</u> |
| Net cash provided from financing activities | 45,000 |
| NET CHANGE IN CASH | 536 |
| CASH AND CASH EQUIVALENTS - | |
| BEGINNING OF PERIOD | <u>824</u> |
| END OF PERIOD | <u><u>\$ 1,360</u></u> |

The accompanying notes are an integral part of these consolidated financial statements.

PharmaRoth Labs, Inc.
Statement of Stockholders' Deficit
Six Months Ended December 31, 2015
(Unaudited)

| | Preferred Stock | | Common Stock | | | | |
|--|-----------------|--------|--------------|------------|----------------------------|---------------------|-----------------------|
| | Shares | Amount | Shares | Amount | Additional Paid-in Capital | Accumulated Deficit | Shareholders' Deficit |
| BALANCE, June 30, 2015 | - | \$ - | 348,681,637 | \$ 348,682 | \$ 1,756,044 | \$ (2,573,503) | \$ (468,777) |
| Issuance of common stock for cash at \$.0043 per share | - | - | 13,500,000 | 13,500 | 31,500 | - | 45,000 |
| Amortization of common stock issued for services | - | - | - | - | 65,250 | - | 65,250 |
| Change in foreign currency translation valuation | - | - | - | - | - | 2,319 | 2,319 |
| Net loss | - | - | - | - | - | (111,791) | (111,791) |
| BALANCE, September 30, 2015 | - | - | 362,181,637 | 362,182 | 1,852,794 | (2,682,975) | (467,999) |
| Amortization of common stock issued for services | - | - | - | - | 24,650 | - | 24,650 |
| Change in foreign currency translation valuation | - | - | - | - | - | 165 | 165 |
| Net loss | - | - | - | - | - | (11,028) | (11,028) |
| BALANCE, December 31, 2015 | - | \$ - | 362,181,637 | \$ 362,182 | \$ 1,877,444 | \$ (2,693,838) | \$ (454,212) |

The accompanying notes are an integral part of these consolidated financial statements.

PHARMAROTH LABS, INC.
NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015
(Unaudited)

1. Description of the Company

PharmaRoth Labs, Inc. (the “Company”) was incorporated under the laws of the State of Colorado on December 11, 2000, under the name Fero Industries, Inc. The Company changed its name to PharmaRoth Labs, Inc. on February 27, 2013. From its inception to December 2006, the Company was dormant. From December 2006 to January 2011, the Company was primarily involved in organizational activities and the acquisition of domain names. Since January 2011, the Company has focused on the manufacture and sale of a treatment for Type II Diabetes called Sucanon. In January of 2011, the Company commenced its planned business activity of marketing and selling nutraceutical drugs.

From inception (December 11, 2000) through December 31, 2015, the Company had an accumulated deficit of \$2,693,838. Management is developing an operating plan to grow its business, which will require additional capital financing.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Company has prepared the accompanying consolidated financial statements pursuant to U.S. Generally Accepted Accounting Principles and are expressed in US dollars.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, or amounts and classification of liabilities that might result from this uncertainty as a result of our financial condition at quarter end.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Management uses its historical records and knowledge of its business in making estimates. Accordingly, actual results could differ from those estimates.

Principles of Consolidation

The consolidated financial statements include the accounts of PharmaRoth Labs, Inc. (a Colorado Corporation) and its 98% owned subsidiary, Pharmaroth Latin America, S.A. de C.V., a company incorporated under the laws of Mexico. All significant intercompany transactions have been eliminated in consolidation.

Revenue Recognition

The Company’s revenue recognition policies are in compliance with ASC 605. Sales revenues are recognized when all of the following have occurred: (i) persuasive evidence of an arrangement exists, (ii) delivery has occurred or services have been rendered, (iii) the price is fixed and determinable, and (iv) the ability to collect is reasonably assured. These criteria are generally satisfied at the time of shipment when risk of loss and title passes to the customer.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

Concentration of Credit Risk for Cash Deposits at Banks

Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash deposits.

Fair Value of Financial Instruments

The Company measures fair value based on the prices that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are based on a three tier hierarchy that prioritizes the inputs used to measure fair value, using quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

Accounts payable are reported at their historical carrying values, which approximate their fair values based on their short-term nature.

Basis for Recording Fixed Assets, Lives, and Depreciation Methods

Property and equipment are recorded at cost. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance, and repairs are charged to expense as incurred. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the results of operations for the respective period. Depreciation is provided over the estimated useful lives of the related assets using the straight-line method for financial statement purposes.

Recent Accounting Pronouncements

The Company has evaluated recent pronouncements and believes that none of them will have a material impact on the Company's financial position, results of operations or cash flows.

Foreign Translation and Transaction Gains/Losses

We record foreign currency translation adjustments and transaction gains and losses in accordance with SFAS 52, *Foreign Currency Translation*. For our operations that have a functional currency other than the U.S. dollar, gains and losses resulting from the translation of the functional currency into U.S. dollars for financial statement presentation are not included in determining net loss but are accumulated in the cumulative foreign currency translation adjustment account as a separate component of shareholders' deficit. The Company and its subsidiaries also have transactions in foreign currencies other than the functional currency. We record transaction gains and losses in our consolidated statements of income related to the recurring measurement and settlement of such transactions.

Income Taxes

The Company accounts for income taxes under the liability method in accordance with FASB ASC 740-10. Under this standard, deferred income tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using the enacted tax rates expected to be in effect for the year in which the differences are expected to reverse. Deferred income tax assets are reduced by a valuation allowance when the Company is unable to make the determination that it is more likely than not that some portion or all of the deferred income tax asset will be realized.

Earnings (Loss) per Share

The Company utilizes FASB ASC 260. Basic earnings per share is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding. Diluted earnings per share is computed

similar to basic earnings per share except that the denominator is increased to include the number of additional common shares that would have been outstanding if the potential common shares had been issued and if the additional common shares were dilutive. Common equivalent shares are excluded from the computation if their effect is anti-dilutive.

Stock-based compensation

The Company records stock-based compensation issued to non-employees or other external entities for goods and services at either the fair market value of the shares issued or the value of the services received, whichever is more readily determinable, using the measurement date guidelines enumerated in FASB ASC 505-50-30.

3. Acquisition of Domain Names and Deposits.

On April 20, 2007, the Company entered into an asset purchase and sale agreement to purchase a 100% undivided right title and interest in seventeen Internet domain names for a total purchase price of \$180,000. The Company made good faith deposits of \$5,000 and 12,500,000 common stock shares. The Company did not execute this agreement and it never received title and has no right to take possession of the domain names.

4. Acquisition of Sucanon

On May 23, 2010, the Company entered into an Asset Acquisition Agreement (the "Agreement") with Gvest, Inc., ("Gvest"), an Ontario, Canada Corporation. The Agreement provides for the Company's purchase of certain assets directly related to the manufacturing, sale and distribution of that certain product known as Sucanon, which is an herbal remedy for Type II Diabetes. The acquired assets include all of the intellectual property rights, training, and "know how" to manufacture and produce Sucanon, including sources and suppliers of Sucanon ingredients and mixing equipment and certain associated trademarks and patents ("Acquired Assets"). The Acquired Assets include the exclusive world-wide rights to manufacture, sell and distribute Sucanon. The Company purchased the Acquired Assets for an aggregate purchase price of \$250,000. The Agreement contains customary representations and warranties and pre- and post-closing covenants of each party and customary closing conditions. Breaches of the representations and warranties are subject to customary indemnification provisions, subject to specified aggregate limits of liability. This transaction closed on July 7, 2010.

5. Commitments and Contingencies

Facility Leases

On August 1, 2014, the Company entered into a one-year lease of 120 square meters of office space and parking for at a rate of approximately \$1,740 per month at that time. As of December 31, 2015 the Company had an obligation of approximately \$10,773 remaining on this lease.

Employment Contracts

On September 1, 2014, the Company entered into an employment agreement with the Company's Chief Executive Officer. The agreement provides that the officer will receive compensation of \$85,000 per year. As of December 31, 2015, \$305,533 was due and outstanding under the officer's agreement and previous agreements.

Legal Proceedings

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business.

We are not presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us, which may materially affect us.

7. Stockholders' Equity

On August 21, 2015, the Company sold 13,500,000 shares of its common stock for \$.00333 per share to three US individuals and one US company.

The sales and issuances were made pursuant to Section 4(2) of the Securities Act of 1933, as amended.

8. Related Party Transactions

Advances from Shareholders

As of December 31, 2015, the Company has received advances from two shareholders in the amount of \$49,284. These advances are non-interest bearing, unsecured, and have no fixed terms of repayment. To date none of these advances have been repaid.

9. Promissory Note

On June 24, 2010, the Company issued a Two Hundred Fifty Thousand Dollars (\$250,000) Promissory Note (the "Note") to an individual (the "Lender"). The Note contains standard representations, and warranties and affirmative and negative covenants. The Note memorializes a loan made by the Lender to the Company, in order for the Company to close that certain Asset Acquisition Agreement with Gvest as described in note 4 to these financial statements. The Note accrued simple interest at a rate equal to 1% over the average Canadian Prime Rate and was due 30 days from the date executed, or thereafter by mutual agreement of the parties hereto, the principal and all accrued interest thereon shall be due and payable within ten (10) days of written demand by Holder. Additionally, the Note could be repaid in whole or in part by the Company without penalty or premium at any time and from time to time prior to the Maturity Date.

On April 25, 2012, the Company entered into an exclusive Distribution and Licensing Agreement (the "License") for the exclusive sale and distribution of the Company's Sucanon in the United States and Canada. Under the License the money owed under the note was converted to a deposit on the purchase of Sucanon product in the future. The License also calls for certain minimum purchases for the first two years of the license at a specified price. To date, no purchases have been made and the licensee is in violation of the covenants of the license. For accounting purposes, the \$250,000 received under the note has been reported as a customer deposit.

10. Going Concern

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As shown in the accompanying financial statements, the Company has minimal sales and has incurred a net loss of \$2,693,838 since inception. The future of the Company is dependent upon its ability to obtain financing and upon future profitable operations from the sale of Sucanon. Management has plans to seek additional capital through a private placement and public offering of its common stock. The financial statements do not include any adjustments relating to the recoverability and classifications of recorded assets, or the amounts of and classification of liabilities that might be necessary in the event the Company cannot continue in existence.