HERBORIUM GROUP, INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE THREE MONTHS ENDED

AUGUST 31, 2016

HERBORIUM GROUP, INC.

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HERBORIUM GROUP, INC.
CONSOLIDATED BALANCE SHEET
AUGUST 31, 2016
(UNAUDITED)

ASSETS	
Current assets:	
Cash	$ 12,500
Accounts receivable	25,100
Inventory	26,000
Total Current Assets	63,100
Property and equipment, net of accumulated depreciation	-
Other assets, net of accumulated amortization	38,600
TOTAL ASSETS	$ 101,600
LIABILITIES AND STOCKHOLDERS' DEFICIENCY	
Current liabilities:	
Accounts payable and accrued expenses	$ 23,800
Short Term Loans	42,000
Credit card debt payable	18,900
Lines of credit debt payable	34,100
Due to stockholders	56,000
Total Current Liabilities	174,600
Convertible notes payable	195,000
Total Liabilities	369,700
COMMITMENTS AND CONTINGENCIES	-
STOCKHOLDERS' DEFICIENCY	
Preferred A Stock, $0.001 par value, value $4,000; 4,000,000 shares authorized, issued and outstanding Preferred Stock B , $0.0001 par value, value $5000, 1,000,000 Shares authorized, no shares issued.	-
Common stock, $0.001 par value; 10,000,000,000 shares authorized, 2,202,945,450 shares issued and outstanding	331,000
Common stock subscribed; no shares issued and outstanding	189,000
Additional paid-in capital	4,272,900

Deferred consulting fees	(133,900)
Accumulated deficit	(4,927,100)
Total Stockholders' Deficiency	(268,100)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	$ 101,600

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE THREE MONTHS ENDEDING AUGUST 31, 2016
(UNAUDITED)

NET SALES	$ 215,600
COST OF SALES	80,900
GROSS PROFIT	134,700
OPERATING EXPENSES	
Marketing and selling	42,800
General and administrative	85,800
TOTAL OPERATING EXPENSES	128,700
INCOME FROM OPERATIONS	6,000
OTHER INCOME (EXPENSE)	
Interest expense	(22,000)
TOTAL OTHER INCOME (EXPENSE)	(22,000)
LOSS BEFORE PROVISION FOR INCOME TAXES	(16,000)
PROVISION FOR INCOME TAXES	(3,000)
NET LOSS	$ (19,000)

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE TNINE MONTHS ENDED AUGUST 31, 2016
(UNAUDITED)

	Common Stock		Common Stock Subscribed		Additional	Deferred	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in Capital	Consulting Fees	Deficit	Total
Balance, November 30, 2015	2,203,945,450	$ 331,000	-	$ 189,000	$ 4,272,000	$ (133,000)	$ (4,876,200)	$ (217.200)
Sale of common stock			-	-		-	-	
Net loss for the period	--	-	--	--	--		(50,900)	(50,900)
Balance, August 31, 2016	2,202,945,450	$ 331,000	-	$ 189,000	$ 4,272,000	$ (133,900)	$ (4,927,100	$ (268,100)

Note 1. Adjusted for 1:1000 Reverse Split
Note 2. Converted Accrued Officers salaries at average price of $.30/per share.
Note 3. Converted several outstanding notes

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED AUGUST 31, 2016
(UNAUDITED)

CASH FLOWS USED IN OPERATING ACTIVITIES:	
Net Income	$ (19,000)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	1,500
Changes in assets (increase) decrease:	
Accounts receivable	(1,600)
Inventory	(1,000-)
Accounts payable and accrued expenses	(17,000)
Net cash used in operating activities	37,700
CASH FLOWS USED IN INVESTING ACTIVITIES:	
Purchase of equipment	-
Purchase of amortizable assets	
Net cash used in investing activities	-
CASH FLOWS PROVIDED BY (USED IN) DEBT CONVERSION ACTIVITIES:	
Proceeds from sale of common stock	0
Increase of lines of credit debt/loans	47,000
Increase in credit card debt payable	18,700
Increase in due to stockholders	(19,500)
Net cash provided by (used in) financing activities	46,200
NET INCREASE CASH	8,500
CASH, BEGINNING OF May 31, 2016	3,500
CASH, END OF AUGUST 31, 2016	$ 12,000

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

HERBORIUM GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1. ORGANIZATION AND NATURE OF BUSINESS

Herborium, Inc., (the "Company") provides unique, natural and complementary healthcare related products to consumers and healthcare professionals seeking alternative answers to the management of healthcare issues not currently met by standard Western medicine. Its products are botanical supplements comprised of unique herbal formulations, referred to as botanical therapeutics, that have a record of clinical efficacy and safety established in China; however, these products have not been evaluated according to standards of clinical efficacy and safety applicable to pharmaceutical products sold in the United States and other countries, and because these products are herbal-based, they are not recognized as pharmaceuticals by the Food and Drug Administration (the "FDA"). The Company's business model is based on (i) owning and/or marketing unique products with established clinical history in their country of origin, and (ii) a proactive approach to meeting the regulatory changes and challenges of the new healthcare marketplace. Historically, substantially all of the Company's revenue has been derived from the sale of AcnEase through its corporate website.

Herborium, Inc., was incorporated in the State of Delaware on June 4, 2002, and was the surviving entity following a merger of G.O. International, Inc., a New Jersey corporation, with and into the Company effective June 6, 2002. On September 18, 2006, the Company was acquired by Pacific Magtron International Corporation, Inc. ("PMIC"), a publicly traded Nevada Corporation, pursuant to a Merger Agreement and PMIC's plan of reorganization in bankruptcy. The transaction was accomplished by the merger of a PMIC subsidiary into the Company, with the Company as the surviving corporation (the "Merger"). Under the provisions of the Merger Agreement and the plan of reorganization, the stockholders of the Company exchanged 100% of their common stock of the Company for 85% of the post-Merger PMIC common stock.

The Company's merger with PMIC was treated as a recapitalization with no purchase price allocation. In connection with the merger, PMIC changed its name to Herborium Group, Inc. and adopted the fiscal year of Herborium Group, Inc., which is November 30.

NOTE 2. BASIS OF ACCOUNTING AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Company's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company incurred a net loss of $19,000 for the three months ended August 31, 2016 in comparison to net loss of $16,100 for the same quarter ending August 31,2015. The Company had a working capital deficiency of $101,600 and $123,700 on August 31, 2016 and of August 31, 2015, respectively. Management is pursuing additional equity capital and debt financing in connection with the proposed acquisition of the AcnEase formula (See Note 4), as well as for general working capital purposes. However, there is no assurance that these efforts will be successful. Our ability to generate sufficient profits and obtain additional funding and pay off our obligations will determine our ability to continue as a going concern. Our financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Herborium, Inc. and Herborium.com, Inc. All significant intercompany accounts and transactions are eliminated in consolidation.

Cash and cash equivalents

The Company maintains its cash accounts in two commercial banks. The balance is insured by the Federal Deposit Insurance Corporation up to $250,000 at each bank.

Inventory

Inventory, consisting of finished botanical therapeutic products, is stated the lower of cost or market and is valued on the first-in, first-out method. When net realizable value has fallen below cost, inventory is written down.

Shipping and handling costs

Shipping and handling costs associated with outbound product sold amounted to approximately $18,900 for the three months ended August 31, 2016 and were charged to cost of sales.

Property and equipment

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from five to seven years.

Maintenance and repairs are charged to expense when incurred. When property and equipment are retired or otherwise disposed of, the applicable cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged directly to income.

Advertising and social Media

It is the Company's policy to expense advertising costs as they are incurred. Advertising and Social Media expenses amounted to approximately $20,000 for the three months ended August 31, 2016.

Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

Income tax expense includes current and deferred federal and state taxes arising from temporary differences between income for financial reporting and income tax purposes, as well as from the expected realization of net operating loss carry forwards. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Revenues

The Company recognizes revenue when inventory is shipped to its customers and collectability is reasonably assured for sales made on account.

Allowance for doubtful accounts

The Company makes judgments as to its ability to collect outstanding trade receivables and provides allowances, if deemed necessary, for the portion of receivables when collection becomes doubtful. Provisions are made based upon a specific review of all significant outstanding invoices.

Recent accounting pronouncements

There are no recently issued accounting standards that we expect to have a material effect on our financial condition, results of operations or cash flows.

NOTE 3. OTHER ASSETS

Other assets consist of as of August 31, 2015:

Intellectual property	$ 20,000
Deferred consulting fees	139,000
Trademarks	52,100
Other	3,000
	215,000
Less: accumulated amortization	(176,500)
	$ 38,500

Amortization expense amounted to $1,500 for the three months ended August 31, 2016.

NOTE 4. MAJOR SUPPLIER

Since commencing sales of its principal product, AcnEase, the Company has purchased all of the product sold, and held in inventory as of August 31, 2016, from AH USA, a USA -based business entity owned by the individual who is the inventor and sole owner of AcnEase, an acne product. The Company is party to a licensing agreement with AH USA under which the Company, as licensee, is the exclusive worldwide distributor of AcnEase.

On January 10, 2008, the Company and the individual owning the intellectual property rights related to AcnEase (the "Seller") entered into a Purchase Agreement ("Agreement") for the acquisition of all rights related to AcnEase, including the formulation thereof, all sourcing information, extraction procedures, manufacturing and packaging information as well as all related clinical and testing information and trade secrets. Consideration will consist of aggregate cash payments of $500,000 and issuances of 5,428,354 shares of common stock. In accordance with the Agreement, 3,500,000 shares of the Company's common stock having a value of $19,000 were issued to Seller following the Agreement's signing. Upon obtaining sufficient financing to complete the purchase of the rights related to AcnEase, and provide sufficient working capital to expand the business following such purchase, the Company will make an initial payment of $450,000 to the Seller in return for all the aforementioned information regarding the acne product. There is no date by which time the Company is required to obtain financing; however, the Agreement has been extended in perpetuity. The remaining portions of the purchase price, $50,000 cash and 1,928,000 shares of common stock, will be held in escrow and released when certain conditions are met, principally the successful manufacturing of the acne product on a commercial scale. The aforementioned shares of common stock held in escrow have not been issued as of August 31, 2016, nor has the cash been escrowed.

The Agreement also requires the Company to purchase on an as-needed basis at a negotiated price any inventory of the acne product in the possession of the Seller at the time that the Company has the ability to manufacture the product.

NOTE 5. CONVERTIBLE NOTES PAYABLE

Through November 2008, pursuant to a private offering (the "Offering") the Company sold Units of its securities consisting of an aggregate $450,000 in principal amount of its Convertible Notes (the "Notes"), 450,000 shares of its common stock and warrants (the "Warrants") exercisable for 900,000 shares of common stock. In accordance with ETIF 00-27: Application of Issue No. 98-5, "Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios to Certain Convertible Instruments", the Company allocated certain amounts to the fair value of the shares of common stock and warrants to purchase common stock included in each Unit, as well as the 20% conversion discount applicable in certain circumstances. Based on this allocation, the indicated fair value of each Note (face value - $50,000) amounts to $48,000. The resulting discount of $2,000 is attributable to a warrant value of $2,000 and a common stock value of $1,000.

The Warrants are exercisable for a period of five years from issuance. 50% of the Warrants are exercisable at $.025 per share and 50% are exercisable at $.05 per share, subject to certain adjustments, including, but not limited to, adjustments for stock splits, stock dividends, mergers and consolidations.

The Notes are convertible, beginning twelve months after issuance or, if earlier, the closing of a qualified financing or an acquisition of the Company, into shares of common stock in whole or in part from time to time at the option of the investors at a Conversion Price equal to $.025 or 80% of the issuance price in a qualified financing or in connection with an acquisition of the Company. The Notes define a qualified financing as the date upon which the Company completes the sale of common stock (or like security) for aggregate gross proceeds of at least $1.5 million. The Conversion Price is subject to certain customary adjustments, including, but not limited to, adjustments for stock splits, stock dividends, mergers and consolidation. As of August 31, 2016, Notes in the principal amount of $190,000 had been converted into 18 million shares of common stock based on a negotiated and revised Conversion Price equal to $.01.

The Notes bear interest at the rate of 10% per annum, payable semi-annually in shares of the Company's common stock valued at $.025 per share (currently trading at $.0001 per share). As of August 31, 2016, Note holders had elected to convert interest in the amount of $36,000 into 1,436,000 shares of common stock.

Unless converted to Common Stock, the principal balance of each Note is payable upon demand made any time after the first anniversary of the issuance of the Note, or upon a qualified financing or acquisition of the Company. In addition, the Company is required to escrow in a separate bank account 5% of its gross revenues for redemption of the principal amount of the Notes. The escrowed revenues are to be distributed to the Note holders semi-annually, pro rata in accordance with the outstanding principal balance of each Note. As of August 31, 2016, none of the gross revenues have been escrowed as required.

Pursuant to a Registration Rights Agreement, the Company has agreed to include the shares of common stock issuable upon conversion of the Notes and exercise of the Warrants, as well as the shares of common stock issued to the investors, in any registration statement filed by the Company under the Securities Act of 1933 with respect to the Company's equity securities to be sold by the Company or any other stockholder.

Southridge Investment Group LLC ("Southridge") served as the Company's placement agent in connection with the offer and sale of the Notes, common stock and Warrants. In its capacity as placement agent, Southridge was paid a cash fee equal to 10% of the gross proceeds received by the Company, as well as an expense allowance equal to 2% of the gross proceeds. In addition, Southridge was issued placement agent warrants exercisable for a number of shares of common stock equal to 10% of the aggregate shares issued by the Company in the private placement, assuming conversion and exercise of all of the Notes and Warrants. This amounts to placement agent warrants exercisable for approximately 5.8 million shares of common stock valued at $58,000 based on the Black-Scholes Option Pricing Model and has been classified as a deferred financing cost and is being amortized over the life of the related debt. The placement agent warrants that has been exercisable for 5 years at a price of $.03 per share has expired. .

In its capacity as the Company's financial advisor, Southridge is entitled to a retainer fee of 750,000 shares of the Company's common stock, and one share for each $1 received by the Company in the private placement. As of August 31, 2016, 1,300,000 shares of common stock have been issued to Southridge at a value of $21,000 and have been classified as a deferred financing cost and is being amortized over the term of the related debt.

NOTE 6. LINES OF CREDIT AND CREDIT CARD DEBT PAYABLE

The Company has entered into three revolving line of credit agreements with commercial banks. The credit agreements provide for aggregate borrowings of up to approximately $200,000 and are payable on demand with no maturity dates set forth in the loan agreements. Borrowings under these facilities bear interest at variable rates.

The Company also has entered into a number of standard credit card agreements that it uses for business expenses. Borrowings under these agreements, which have no set maturity dates, bear interest at variable rates ranging up to approximately 25%.

NOTE 7. DUE TO STOCKHOLDERS

Amounts due to stockholders consist of unsecured demand loans to the Company with no specified terms, including the payment of interest, and, accordingly, this liability is included in current liabilities and no interest expense has been accrued. Partial repayments are made from time to time as the Company's cash position permits.

NOTE 8. STOCKHOLDERS' DEFICIENCY

Pursuant to a second private offering (the "Common Stock Offering"), the Company sold Units of its securities consisting of 2,000,000 shares of common stock and warrants (the "New Warrants") exercisable for 2,000,000 shares of common stock. The maximum number of authorized units to be sold under this offering is 110 New Units, including an over-allotment option. Through February 28, 2014, 24.5 New Units were sold representing 49,000,000 shares of common stock for proceeds in the amount of $216,000, net of expenses of $29,000. The New Warrants are exercisable for a period of five years from issuance. 50% of the New Warrants are exercisable at $.01 per share and 50% are exercisable at $.015 per share, subject to certain adjustments, including, but not limited to, adjustments for stock splits, stock dividends, mergers and consolidations. No new units were sold in 2016

The shares of common stock sold under the Common Stock Offering and the New Warrants are subject to certain transfer restrictions. The shares of common stock sold and the common stock underlying the New Warrants shall have "piggy-back" rights in any registration statement filed by the Company. The Common Stock Offering is subject to "full ratchet" anti-dilution protection for a one-year period.

In its capacity as placement agent, Southridge was paid a cash fee equal to 10% of the gross proceeds received by the Company, as well as an expense allowance equal to 2% of the gross proceeds. In addition, Southridge was issued placement agent warrants exercisable for a number of shares of common stock equal to 10% of the aggregate shares issued by the Company in the private placement and assuming exercise of all of the New Warrants. This amounts to placement agent warrants exercisable for approximately 9.8 million shares of common stock valued at $99,000 based on the Black-Scholes Option Pricing Model and was been expensed in the fiscal year ended November 30, 2010. The placement agent warrants will be exercisable for 5 years at a price equal to the New Warrants. In addition, the placement agent was awarded 540,000 shares of common stock valued at $3,000 based on the then current market price of the common stock.

As of February 28, 2015, the Company had received $189.000 from investors pursuant to subscription agreements entered into in fiscal 2001 through 2005 in connection with a contemplated private placement of equity securities. Under the terms of the subscription agreements, the type of equity security to be issued to the investors will be determined through negotiation with the principal investors in the private placement, and the price to be paid by the investors will be the same as the principal investors in the financing. The number of shares to be received by each investor will be a function of the amount of capital raised from, and the price per share paid by, the principal investors.

The subscription agreements do not have an expiration date, a provision for repayment, nor the manner of the form of the warrants in the event the private placement is to be in the form of debt.

Additionally, given that a private placement did not occur prior to certain deadlines, each investor is entitled to be granted a warrant to purchase additional shares in the equity security issued in the private placement, generally in an amount equal to the number of shares purchased under the subscription agreement at an exercise price equal to the closing price per share of the private placement. The number of warrants to be issued and the value thereof is not determinable. As of August 31, 2016, no warrants have been issued to such investors in connection with the subscription agreements.

Commencing in fiscal 2002, the Company awarded to certain employees, consultants and advisors restricted common stock awards as incentive compensation. The Company has no formal plan with respect thereto. Any new arrangements in this regards allowing for a retroactive issuance of shares will need to be approved by BOD. Under the terms of the individual stock award agreements, the number of shares to be received by each individual will be determined based on the terms of the aforementioned contemplated private placement. The awarded shares will vest immediately upon issuance within 90 days following the closing of financing for a minimum of $1 million, and will have piggyback registration rights. For the three months ended August 31, 2016, no expense was recorded for such awards.

NOTE 9. INCOME TAXES

The Company has tax net operating loss carry forwards at August 31, 2016 of approximately $5.3 million expiring through 2032. Due to the merger (Note 1), the amount of carry forwards available to offset future taxable income is subject to limitation. The recorded deferred tax asset, representing the expected benefit from the future realization of net operating losses, net of a 100% valuation allowance, was $-0-.

Employment agreements

On September 18, 2006, the Company entered into an employment agreement with Dr. Olszewski who will serve as President, Chief Executive Officer and Acting Chief Financial Officer until such time as the Company hires a controller or Chief Financial Officer. Dr. Olszewski will also have the position of Chairman of the Board of Directors. Her employment agreement provided for an initial four-year term of employment, with an additional twelve-month extension at Dr. Olszewski's option. Also on September 18, 2006, the Company entered into a consulting and employment agreement with Dr. Gilligan who will serve as co-President and Chief Operating Officer. The agreement provided for an initial term of employment expiring on September 20, 2012, with an additional twelve-month extension at Dr. Gilligan's option. Each of these employments has been amended whereby Dr. Olszewski will be entitled to an annual salary of $220,000 for the period December 1, 2010 to November 30, 2016, and Dr. Gilligan will not earn and have compensation accrued. Until such time that the Company has sufficient operating income and working capital to pay such salaries to Dr. Olszewski and Dr. Gilligan, no accrued compensation will be paid to either individual. Their salaries have been accrued in an amount less than contractually obligated as a result of their decision in fiscal 2012 to forgive a portion of the amount earned in prior periods. As of August 31, 2016, an aggregate of $1,900,000 of accrued and unpaid compensation for Dr. Olszewski and Dr. Gilligan under these agreements was included in accounts payable and accrued expenses

As of the quarter ending August 31, 2016 approximately $1,470,000 in accrued officers' salaries have been converted into common shares at average of 0.30 per share.

2007 Stock Plan

On January 19, 2007, the Board of Directors of the Company approved the Herborium Group, Inc. 2007 Stock Plan ("Plan") which provides for a maximum aggregate of 20 million shares of common stock to be issued upon grants of restricted stock or upon exercise of options granted under the Plan, as compensation and incentive to eligible employees, directors, consultants and advisors. On January 26, 2007, the Company filed a Registration Statement on Form S-8 with the Securities and Exchange Commission to in connection with the Plan. See 10 (c) grants made under this plan.

Historically the Company has entered into a number of agreements with third parties for consulting services whereby fees are paid with shares of common stock of the Company. The related expense for such services is recorded over the period during which the services are performed.

Contingency

Due to the fact that the Company's products are designed to be ingested, there is an inherent risk of exposure to product liability claims in the event that the use of our products results in injury. The Company is a subject to contingencies that arise from such matters such as product liability claims, legal proceedings, shareholder suits, as such, the Company is unable to estimate the potential exposure, if any. The Company accrues for such contingencies in accordance with SFAS No. 5, Accounting for Contingencies. The Company has not recognized any liability as of August 31, 2016.

NOTE 11. KEY EMPLOYEES

The Company relies extensively on the services of Drs. Agnes P. Olszewski and James P. Gilligan, its co-founders, who play key roles in all aspects of operations and management and the loss of their services would materially and adversely affect the Company's prospects. As described in Note 8, until the Company raises substantial financing, neither of these key individuals will be able to receive cash compensation.

NORTE 12. SEGMENT INFORMATION

The Company applies Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information". For the three months ended August 31, 2016, the Company primarily operated in one segment - botanical therapeutics, with sales of AcnEase representing substantially all of the Company's revenue.

NOTE 13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following are the payments made during the three months ended August 31, 2016 for income taxes and interest:

Income taxes	$	0.00
Interest	$	22,000

NOTE 14.

During the quarter ended February 28, 2015 the Company's Board Of Directors authorized and the Company completed a reverse split off 1000-1 of the common shares and approved an increase of number of authorized shares to 10,000,000,000.