

SHASUN NBI, LLC
FINANCIAL STATEMENTS
MARCH 31, 2016 AND 2015

SUBMITTED BY:
RAVI VENKATARAMAN, CPA LLC

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SHASUN NBI, LLC

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Board of Directors
Shasun NBI, LLC
Columbia, Missouri

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements:

We have audited the accompanying Balance Sheet of Shasun NBI, LLC. as of March 31, 2016 and 2015 and the related statements of income and retained earnings and statement of cash flows for the years then ended.

Management's Responsibility for the Financial Statements.

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion:

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Shasun NBI, LLC as of March 31, 2016 and 2015 and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

R. Venkataraman

Ravi Venkataraman, CPA

Princeton, NJ

April 25, 2016

**SHASUN NBI, LLC
BALANCE SHEET**

| <u>ASSETS</u> | <u>MARCH 31, 2016</u> | <u>MARCH 31, 2015</u> |
|---|------------------------------|------------------------------|
| <u>Current Assets:</u> | | |
| Cash | \$9,671 | \$23,368 |
| Security Deposits | 8 | 8 |
| Total Current Assets | \$9,679 | \$23,376 |
| <u>Property and Equipment, (Net of Accumulated</u> | | |
| Depreciation) | 243 | 338 |
| <u>Intangible Assets:</u> | | |
| Deposits | 2,000,000 | 2,000,000 |
| Other Advances | 1,394 | 1,394 |
| Total Intangible Assets | 2,001,394 | 2,001,394 |
| TOTAL ASSETS | 2,011,316 | 2,025,108 |
| <u>LIABILITIES AND STOCKHOLDERS' EQUITY</u> | | |
| <u>Current Liabilities:</u> | | |
| Accounts Payable | 493,540 | 489,556 |
| Credit cards payable | - | - |
| Total Current Liabilities | 493,540 | 489,556 |
| <u>Stockholders' Equity:</u> | | |
| Members' Contribution | 3,312,500 | 3,312,500 |
| Deficit accumulated during the development stage | (\$1,794,724) | (\$1,776,948) |
| Total Stockholders' Equity | 1,517,776 | 1,535,552 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | \$2,011,316 | \$2,025,108 |

See Independent Auditor's Report and Notes to the Financial Statements

SHASUN NBI, LLC
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEARS ENDED

| | MARCH 31, 2016 | MARCH 31, 2015 |
|--|-----------------------|-----------------------|
| Other income | \$1 | \$3 |
| Gross Profit | \$1 | \$3 |
| General, Sales, and Administrative Expenses (Note 9) | 17,713 | 22,738 |
| Depreciation & Amortization | 95 | 190 |
| Total Operating Expense | \$17,808 | \$22,928 |
| Income/(Loss) from operations | | |
| Total Profit Before Income Taxes | (17,807) | (22,925) |
| Provision For Income Taxes: | | |
| Current | - | - |
| Deferred | - | - |
| Total Provision for Income Taxes | - | - |
| Net Profit/(Loss) | (17,807) | (22,925) |
| Retained Earnings - Beginning | (\$1,776,948) | (\$1,753,202) |
| Prior Year Adjustment | 31 | (821) |
| Retained Earnings - Ending | (\$1,794,724) | (\$1,776,948) |

See Independent Auditor's Report and Notes to the Financial Statements



**SHASUN NBC LLC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED**

| | MARCH 31, 2016 | MARCH 31, 2015 |
|--|-----------------------|-----------------------|
| <u>Cash Flow from Operating activities:</u> | | |
| Net Income/(Loss) for the period | (17,807) | (22,925) |
| Add: Depreciation | 95 | 190 |
| Translation adjustment | 31 | (821) |
| Changes in assets and liabilities: | | |
| Decrease (Increase) in Security Deposit | - | 1 |
| Increase (Decrease) in Accounts Payable | 3,984 | 3,627 |
| Increase (Decrease) in Credit Cards Payable | - | (1) |
| Net increase(decrease) in cash from Operating activities | (\$13,697) | (19,929) |
| <u>Cash Flow from Investing activities:</u> | | |
| Purchase of Fixed Assets | - | - |
| Net decrease in cash from Investing activities | - | - |
| <u>Cash Flow from Financing Activities :</u> | | |
| Member Contributions | - | - |
| Dividend Paid | - | - |
| Net increase in cash from Financing activities | - | - |
| Net increase in cash | (13,697) | (19,929) |
| Cash - Beginning | 23,368 | 43,297 |
| Cash - Ending | 9,671 | 23,368 |

See Independent Auditor's Report and Notes to the Financial Statements



**SHASUN NBI LLC,
(A DEVELOPMENT STAGE ENTITY)
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
FOR THE YEAR ENDED MARCH 31, 2016**

| | Number of Shares | Amount | Accumulated Deficit on Translation of Foreign subsidiary | Accumulated Deficit During Development Stage | Total |
|--|---------------------|------------------|--|--|------------------|
| BALANCE AT INCEPTION, AUGUST 26, 2010 | - | - | - | - | - |
| Shares issued for exclusive sublicense at \$ 1 per share - August 26, 2010 | 2,000,000 | 2,000,000 | - | - | 2,000,000 |
| Shares issued for cash at \$ 1 per share - September 28, 2010 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - January 18, 2011 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - April 28, 2011 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - September 6, 2011 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - December 19, 2011 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - May 7, 2012 | 187,500 | 187,500 | - | - | 187,500 |
| Shares issued for cash at \$ 1 per share - January 23, 2013 | 187,500 | 187,500 | - | - | 187,500 |
| Net Income / (Loss) for the period from August 26, 2010(Inception) to March 31, 2016 | | | 31 | (1,794,755) | (1,794,724) |
| BALANCE, MARCH 31, 2015 | <u>3,312,500</u> | <u>3,312,500</u> | <u>31</u> | <u>(1,794,755)</u> | <u>1,517,776</u> |

SHASUN NBI, LLC
(A DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Shasun NBI, LLC is a 50/50 joint venture between Nanoparticle BioChem, Inc. (NBI) and Strides Shasun Ltd., a public company located in India. Strides Shasun Ltd., provides cash into Shasun NBI LLC and NBI provides technological expertise.

Shasun NBI LLC is located in Columbia, Missouri and its current operations consist of performing animal studies for a potential prostate cancer agent developed by NBI and Licensed to Shasun NBI, LLC. Contracts from both NBI and Shasun NBI, LLC have been given to the University of Missouri for completing portions of the animal studies. Once the animal studies have been successfully completed. Shasun NBI, LLC plans to conduct clinical trials in humans and eventually begin wide-scale product marketing and sales of the product.

In accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 915, Development Stage Entities, an entity that has not commenced planned principal operations or that has commenced principal operations but has no significant revenue from such activities is deemed a development stage entity. Shasun NBI, LLC is a development stage entity with a limited operating history. The Company has not generated revenues and it has incurred net losses since inception. Shasun NBI, LLC expects losses to continue and accumulate as the Company seeks regulatory approval and initiates commercialization activities.

Method of Accounting

The accounts of the Company are maintained and the accompanying financial statements have been prepared on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

Consolidation

The consolidated financial statements include the accounts of Shasun NBI Nanotech India Private Limited, a 99.9% owned subsidiary. All significant intercompany accounts have been eliminated in consolidation.

Limited Liability Company

Shasun NBI, LLC is structured as a limited liability company (LLC) and, as such, the members have limited personal liability for the debts and actions of the LLC.

See Independent Auditor's Report

**SHASUN NBI, LLC
(A DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

**NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Contd.)**

Income Taxes

Shasun NBI, LLC is treated as a pass-thru entity for U.S. Federal and state income tax purposes. Earnings or losses of the Company are presented on the Federal and State income tax returns of its members. Accordingly, the Company does not maintain a provision for income taxes.

The U.S. federal tax returns of the Company (Form 1065) for 2012, 2011 and 2010 are subject to examination by the IRS, generally for three years after they were filed.

Estimates

The preparation of the 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates recorded in these financial statements include the fair value of certain intangible assets. Significant estimates in the accompanying financial statements include the fair value of the sublicense held by the Company. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash deposits consist of demand deposits with financial institutions and are carried at cost. For purpose of the statement of cash flows, all cash deposits and highly liquid investments with an original maturity of three months or less when acquired are considered to be cash equivalents.

Accounts Receivable

Accounts Receivable consists of refunds due from vendors for overpayments. Should management determine a specific refund to be uncollectible, the balance would be written off in the period the determination was made. The Company does not maintain an allowance for doubtful accounts.

Members' Equity

The partnership agreement between Strides Shasun, Ltd, and NBI authorizes Shasun NBI, LLC to issue four million shares of members' equity. A total of 3,312,500 equity shares were issued and outstanding at March 31, 2016.

See Independent Auditor's Report



SHASUN NBI, LLC
(A DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016

NOTE 2: CASH DEPOSITS

The following is a summary of cash deposits in financial institutions and on hand at March 31, 2016:

| | |
|-------------------------------------|------------------------|
| Checking accounts | \$ 9,671 |
| Money market account | 0 |
| Cash with Shasun NBI Nanotech India | <u>0</u> |
| Total Cash | <u>\$ 9,671</u> |

NOTE 3: INTANGIBLE ASSETS

Intangible assets related to sublicenses are recorded at fair value at the date of acquisition, less accumulated amortization. Intangible assets related to patents are recorded at cost, less accumulated amortization. Sublicense and patent costs have been capitalized in accordance with Financial Accounting Standards Board Accounting Standards Codification (ASC) 350-30, General Intangibles Other Than Goodwill. The lives of these intangible assets are considered indefinite until the related research and development activities are either completed or abandoned, neither of which has occurred at March 31, 2016. Consequently, no amortization expense was recorded during the year ended March 31, 2016 and accumulated amortization related to these assets is \$-0-.

NOTE 4: SUBLICENSE AGREEMENT

In August 2010, Nanoparticle Biochem, Inc. granted Shasun NBI, LLC an exclusive sublicense utilize gold nanoparticle technology to manufacture and market products for use as cancer therapy and cancer diagnostic agents. This sublicense agreement will remain in effect until December 31, 2016 or until all patents covered under the agreement have expired, whichever is later.

In consideration of the rights granted under this sublicense, Shasun NBI, LLC (the Licensee) will pay Nanoparticle Biochem, Inc. (the Licensor) a regularly scheduled annual dividend in an amount no less than 4% of net sales of the licensed product, provided net profit is equal to or greater than 10% of net sales of the licensed product, provided net profit is equal to or greater than 10% net sales, and all future costs for development, manufacturing or other items associated with the licensed subject matter.

In connection with this sublicense agreement, the Company recorded intangible assets of \$ 2,000,000 the estimated fair value of the sublicense at the date of acquisition. This valuation represents the Company's determination of the value of as 50% ownership interest in the joint venture based on the amount of cash committed by Strides Shasun, Ltd. for purchase of an identical ownership interest. (See Note 5 : Joint Venture Agreement).

See Independent Auditor's Report

**SHASUN NBI, LLC
(A DEVELOPMENT STAGE)
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2016**

NOTE 5: JOINT VENTURE AGREEMENT

In August 2010, Nanoparticle BioChem, Inc. and Strides Shasun, Ltd entered into an agreement to establish a joint venture company, Shasun NBI, LLC for the purpose of conducting studies and human trials with gold nanoparticle technology and eventually manufacturing and marketing approved gold nanoparticle therapy agents and diagnostic agents. Under the terms of this agreement, the equity ownership of Shasun NBI, LLC would initially be owned in a ratio of 50:50 between the two parties.

Strides Shasun Ltd.'s 50% ownership is being granted in lieu of its cash investment of \$ 2,000,000 for use in support of animal studies to evaluate gold nanoparticle technology for use as a therapy agent. Strides Shasun Ltd. Agreed to provide this funding in a phased manner in the form of equity contributions to Shasun NBI, LLC. Nanoparticle BioChem, Inc 's 50% ownership was granted in lieu of its contribution of an exclusive sublicense for use of gold nanoparticle technology to Shasun NBI, LLC.

The Management and operations of the joint venture, Shasun NBI, LLC, are governed by a separate operating agreement entered into between the parties. The Joint venture agreement shall continue until the expiration of the last of the intellectual property rights relating to the gold nanoparticle technology and/or therapy agents and may be terminated only upon the mutual written consent of Nanoparticle BioChem, Inc. and Strides Shasun Ltd.

NOTE 6: FOREIGN CURRENCY TRANSLATION

The functional currency of the Company's foreign subsidiary is the local currency (Rupee). The financial statements of the Company's foreign subsidiary have been translated into U.S. Dollars. All balance accounts have been translated using the exchange rates in effect at the balance sheet date. Income statement amounts have been translated using the average exchange rate for the year, Accumulated net translation adjustments have been reported separately in other comprehensive loss in the consolidated financial statements.



SHASUN, INC.
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED

Notes 7- Selling, General and Administrative expenses

| | <u>MARCH 31, 2016</u> | <u>MARCH 31, 2015</u> |
|-------------------------|-----------------------|-----------------------|
| Efficacy Studies | \$0 | \$0 |
| Accounting | 1,815 | 1,130 |
| Bank Charges | 8 | 2 |
| Miscellaneous | 390 | 463 |
| Office supplies | - | 12 |
| Consulting | 11,000 | 12,000 |
| Postage | - | 10 |
| Professional fees | - | 3,961 |
| Administrative Expenses | - | 600 |
| Telephone | - | 60 |
| Audit Fees | 4,500 | 4,500 |
| | <u>\$17,713</u> | <u>\$22,738</u> |

See Independent Auditor's Report