**SCRYPT, INC.**
**CONSOLIDATED BALANCE SHEETS**
**September 30, 2016 (Unaudited) and December 31, 2015 (Audited)**

ASSETS

| | Unaudited 2016 | Audited 2015 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 145,036 | $ 53,601 |
| Accounts receivable - trade, net of allowance for doubtful accounts of $10,133 and $4,309, respectively | 1,105,229 | 861,909 |
| Inventory | 68,897 | 76,226 |
| Current portion of prepaid expenses | 143,104 | 107,108 |
| Interest income receivable | - | 2,394 |
| Total current assets | 1,462,266 | 1,101,238 |
| Noncurrent assets | | |
| Related party notes receivable | - | 308,556 |
| Property and equipment, net of accumulated depreciation of $1,336,848 and $1,072,406, respectively | 1,348,117 | 1,213,497 |
| Prepaid expenses, net of current portion | 42,875 | 45,076 |
| Goodwill | 2,274,837 | 1,380,632 |
| Intangible Assets, net of accumulated amortization of $729,125 and $379,143, respectively | 2,261,875 | 1,901,857 |
| Total noncurrent assets | 5,927,704 | 4,849,618 |
| Total assets | $ 7,389,970 | $ 5,950,856 |

LIABILITIES AND SHAREHOLDERS' EQUITY

| | | |
|---|---|---|
| Current liabilities | | |
| Current portion of notes payable, including $200,000 and $233,100 to related parties, respectively | $ 491,022 | $ 233,100 |
| Related party advance | - | 40,000 |
| Current portion of capital lease obligation | 110,938 | 78,761 |
| Line of credit | 212,600 | 237,600 |
| Accounts payable - trade | 242,049 | 277,102 |
| Accrued payroll and payroll taxes | 194,512 | 77,878 |
| Deferred revenue | 1,286,941 | 1,010,428 |
| Accrued interest expense | 17,504 | 22,505 |
| Other accrued expenses | 376,187 | 234,387 |
| Total current liabilities | 2,931,753 | 2,211,761 |
| Noncurrent liabilities | | |
| Long-term portion of notes payable | 80,976 | - |
| Capital lease obligation, net of current portion | 112,536 | 107,471 |
| Common stock issued under agreement to repurchase, at fair value | 233,000 | - |
| Total noncurrent liabilities | 426,512 | 107,471 |
| Total liabilities | $ 3,358,265 | $ 2,319,232 |
| Commitments and contingencies | - | - |
| Shareholders' equity | | |
| Preferred stock - $0.001 par value; 15,000,000 shares authorized: | 925 | 925 |
| Series A convertible preferred stock - 925,000 shares issued and outstanding (liquidation preference of $925,000) | | |
| Series B convertible preferred stock - 454,547 shares issued and outstanding (liquidation preference of $500,002) | 454 | 454 |
| Common stock - $0.001 par value; 55,000,000 shares authorized, 48,474,306 and 46,049,614 shares issued and outstanding, respectively | 48,474 | 46,050 |
| Additional paid-in capital | 50,862,893 | 49,969,765 |
| Accumulated deficit | (46,881,041) | (46,385,570) |
| Total shareholders' equity | 4,031,705 | 3,631,624 |
| Total liabilities and shareholders' equity | $ 7,389,970 | $ 5,950,856 |

**SCRYPT, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Three Months Ended September 30, 2016 and 2015**

| | Unaudited 2016 | Unaudited 2015 |
|---|---|---|
| Revenues | $ 2,900,835 | $ 2,155,965 |
| Operating expenses | | |
| Cost of revenues | 927,344 | 703,502 |
| Selling, general and administrative | 2,030,497 | 1,545,447 |
| Total operating expenses | 2,957,841 | 2,248,949 |
| Operating loss | (57,006) | (92,984) |
| Other expense | | |
| Interest expense, net | (14,330) | (9,387) |
| Net loss before income taxes | $ (71,336) | $ (102,371) |
| Income tax expense | $ 8,636 | $ 7,703 |
| Net loss attributable to common shareholders | $ (79,972) | $ (110,074) |
| Net loss per common share - basic and diluted | $ (0.00) | $ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted | 48,474,304 | 46,049,614 |

**SCRYPT, INC.**
**CONSOLIDATED STATEMENTS OF OPERATIONS**
**For the Nine Months Ended September 30, 2016 and 2015**

| | Unaudited 2016 | Unaudited 2015 |
|---|---|---|
| Revenues | $ 8,112,713 | $ 6,131,270 |
| Operating expenses | | |
| Cost of revenues | 2,636,817 | 1,903,839 |
| Selling, general and administrative | 5,902,437 | 4,328,310 |
| Total operating expenses | 8,539,254 | 6,232,149 |
| Operating loss | (426,541) | (100,879) |
| Other expense | | |
| Loss on sale of assets | (929) | - |
| Interest expense, net | (45,366) | (24,422) |
| Net loss before income taxes | $ (472,836) | $ (125,301) |
| Income tax expense | $ 22,636 | $ 12,085 |
| Net loss attributable to common shareholders | $ (495,472) | $ (137,386) |
| Net loss per common share - basic and diluted | $ (0.01) | $ (0.00) |
| Weighted average number of common shares outstanding - basic and diluted | 47,943,350 | 46,049,614 |

**SCRYPT, INC.**
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**
**For the Nine Months Ended September 30, 2016 (Unaudited) and Year Ended December 31, 2015 (Audited)**

| | Series A Preferred Stock | | Series B Preferred Stock | | Common Stock | | Additional Paid - in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| **Balance at December 31, 2014** | 925,000 | $ 925 | 454,547 | $ 454 | 46,049,614 | $ 46,050 | $ 49,781,019 | $ (46,065,048) | $ 3,763,400 |
| Compensation expense related to stock options | - | - | - | - | - | - | 188,746 | - | 188,746 |
| Net loss | - | - | - | - | - | - | - | (320,522) | (320,522) |
| **Balance at December 31, 2015** | 925,000 | $ 925 | 454,547 | $ 454 | 46,049,614 | $ 46,050 | $ 49,969,765 | $ (46,385,570) | $ 3,631,624 |
| Compensation expense related to stock options | - | - | - | - | - | - | 134,429 | - | 134,429 |
| Issuance of common stock in connection with the acquisition of J&H Medsoft Limited Liability Company, DBA DocbookMD | | | | | 2,424,692 | 2,425 | 758,699 | - | 761,124 |
| Net loss | - | - | - | - | - | - | - | (495,472) | (495,472) |
| **Balance at September 30, 2016** | 925,000 | $ 925 | 454,547 | $ 454 | 48,474,306 | $ 48,474 | $ 50,862,893 | $ (46,881,042) | $ 4,031,705 |

**SCRYPT, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**For the Nine Months Ended September 30, 2016 and 2015**

| | Unaudited 2016 | Unaudited 2015 |
|---|---|---|
| Cash flows from operating activities | | |
| Net loss | $ (495,472) | $ (137,386) |
| Adjustments to reconcile net loss to net cash provided in operating activities: | | |
| Depreciation and amortization | 626,991 | 472,906 |
| Compensation expense related to stock options | 134,429 | 150,918 |
| Compensation expense related to note receivable impairment | 310,950 | - |
| Reserve for obsolete inventory | 580 | - |
| Loss on sale of asset | 929 | - |
| Changes in operating assets and liabilities: | | |
| Accounts receivable - trade | (216,098) | 143,600 |
| Receivable due from Axacore | - | 202,407 |
| Inventory | 6,749 | 12,138 |
| Prepaid expenses | (32,008) | (51,895) |
| Interest receivable | - | (2,513) |
| Deferred revenue | 145,454 | 244,120 |
| Accounts payable - trade | (79,432) | (196,890) |
| Payable due to Axacore | - | (634,927) |
| Other liabilities | 224,001 | 120,090 |
| Cash flows provided by operating activities | 627,073 | 322,568 |
| Cash flows from investing activities | | |
| Capital expenditures | (12,034) | (18,874) |
| Proceeds from sale of asset | 1,800 | - |
| Capitalized software development costs | (297,255) | (430,158) |
| Cash assumed in DocbookMD Merger | 12,052 | - |
| Issuance of related party note receivable | (50,000) | (100,000) |
| Cash flows used in investing activities | (345,437) | (549,032) |
| Cash flows from financing activities | | |
| Proceeds from issuance of notes payable | - | 150,000 |
| Proceeds from related party advances | 25,000 | 20,000 |
| Net borrowing under line of credit agreement | (25,000) | 237,600 |
| Payments on related party notes payable | (57,375) | (263,100) |
| Payment of related party advances | (65,000) | (20,000) |
| Payments on capital lease | (67,826) | (25,789) |
| Cash flows provided (used) by financing activities | (190,201) | 98,711 |
| Net increase (decrease) in cash and cash equivalents | 91,435 | (127,753) |
| Cash and cash equivalents, beginning of period | 53,601 | 152,389 |
| Cash and cash equivalents, end of period | $ 145,036 | 24,636 |
| Supplemental disclosures for cash flow information: | | |
| Cash paid for interest | $ 37,967 | 13,044 |
| Cash paid for income taxes | $ 10,694 | 3,882 |
| Supplemental non-cash financing activity: | | |
| Capital lease acquisition | $ 105,068 | 144,695 |