

HERBORIUM GROUP, INC.
CONSOLIDATED FINANCIAL STATEMENTS
AS OF AND FOR THE TWELVE MONTHS ENDED
NOVEMBER 30, 2019

HERBORIUM GROUP, INC.

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HERBORIUM GROUP, INC.
CONSOLIDATED BALANCE SHEETS
NOVEMBER 30, 2019
(UNAUDITED)

ASSETS	
Current assets:	
Cash	\$ 6,000
Accounts receivable	\$34,000
Inventory\$	<u>\$8,000</u>
Total Current Assets	<u>\$48,000</u>
Property and equipment, net of accumulated depreciation	0.00
Other assets, net of accumulated amortization	<u>\$125,000</u>
TOTAL ASSETS	<u><u>\$173,600</u></u>
 LIABILITIES AND STOCKHOLDERS' EQUITY DEFICIENCY	
Current liabilities:	
Accounts payable and accrued expenses	\$126,000
Credit card / lines f credit payable	39,000
Due to others/contractors	179,400
Due to Officers	44,000
Current Liabilities	438,900
Long Term Debt	<u>290,000</u>
Total Liabilities	<u><u>\$728,900</u></u>
 STOCKHOLDERS' EQUITY 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, Shares authorized, no shares issued.	
Common stock, \$0.001 par value; 10,000,000,000 shares authorized 6,476,013,322 shares issued and Outstanding	- \$453,800
Common stock subscribed; no shares issued and outstanding	189,000
Additional paid-in capital	4,272,900
Deferred consulting	(257,900)
Accumulated deficit	<u>(5,213,200)</u>
Total Stockholders' Deficiency	<u><u>(555,400)</u></u>
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIENCY	<u><u>\$173,000</u></u>

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2019
(UNAUDITED)

NET SALES	\$ 875,000
COST OF SALES	<u>365,000</u>
GROSS PROFIT	<u>510,000</u>
 OPERATING EXPENSES	
Marketing and selling	195,000
Stock-based consulting and financing cost	15,000
General and administrative	<u>354,000</u>
TOTAL OPERATING EXPENSES	<u>564,000</u>
 Income from operations	 (54,000)
 OTHER EXPENSE/INCOME	
Interest expense	<u>(22,000)</u>
TOTAL OTHER INCOME	<u>0.00</u>
TOTAL OTHER EXPENSE	0.00
LOSS BEFORE PROVISION FOR INCOME TAXES	(76,000)
PROVISION FOR INCOME TAX	0.00
NET INCOME	<u><u>\$(76,000)</u></u>

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF CHANGES IN
STOCKHOLDERS' EQUITY
November 30, 2019

	Common Stock		Common Stock Subscribed		Additional	Deferred	Accumulated	
	Shares	Amount	Shares	Amount	Paid-in Capital	Consulting Fees	Deficit	Total
Balance, November 30, 2018	<u>6,476,013,322</u>	\$ 453,800	=	\$ 189,000	\$ 4,272,900	\$ (257,900)	\$ (5,137,200)	\$(479,400)
	--	--			--	--		
Sale of common stock								
Common stock issued to consultants for services	-	-	--	--	-	-	--	-
Warrants issued to investors and advisor in connection with the sale of common stock	--	--	--	---	-	--	--	-
	<u>\$ 4,272,000</u>	<u>--</u>	<u>(\$257,900)</u>	<u>~\$ (5,137,200)</u>	<u>\$ (479,400)</u>			
		-						
	<u>--</u>	<u>-</u>	<u>--</u>	<u>--</u>	<u>--</u>		<u>(76,000)-</u>	<u>76,000)</u>
Net loss for the period								
	<u>6,476,013,322</u>	<u>\$ 459,800</u>	<u>-</u>	<u>\$ 189,000</u>	<u>\$ 4,272,900</u>	<u>\$ (257,900)</u>	<u>\$ (5,213,200)</u>	<u>{555,400}</u>

Balance, November 30, 2019

In February, 2015 HBRM

1. Adjusted to 1;1000 reverse split
2. Converted accrued officer salaries at the price of \$.30/share Note
3. Converted Some Outstanding Notes

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

HERBORIUM GROUP, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDED NOVEMBER 30, 2019
(UNAUDITED)

CASH FLOWS USED IN OPERATING ACTIVITIES:

Net Income	(\$76,000)
Adjustments to reconcile net loss to net cash used by operating activities:	
Depreciation and amortization	\$6000
Stock-based consulting fees	
Changes in assets (increase) decrease/others	
Accounts receivable	\$27,000
Inventory	\$21,000
Prepaid expenses and other assets	\$8,000
Changes in liabilities increase:	-
Accounts payable and accrued expenses	(31,000)
Net cash used in operating activities	<u>\$(45,000)</u>

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchase of equipment	0
Purchase of amortizable assets	<u>0</u>
Net cash used in investing activities	<u>0</u>

CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Proceeds from sale of common stock	\$ 0.00	-
Repayments of lines of credit debt/credit cards	\$22,600	
Increase in due to others/contractors	\$(3000)	
Increase in due to officers and affiliates	\$28,000	
Net cash provided by (used) financing activities		<u>\$47,600.00</u>

NET CASH

CASH, BEGINNING OF YEAR \$8,600.00

CASH, END OF YEAR \$6000.00

NET CHANGE **\$(2600)**

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 sales were \$875,000.00 in 2019 comparing to sales of \$816,700 in 2018. The Company incurred a net loss of \$76,000 for the 12 months ended November 30, 2019 in comparison to net loss of \$174,000 for the same period ending November 30 2018. Management is pursuing additional equity capital and debt financing in connection with the proposed extension of products line and market opportunities as well as for general working capital purposes. However, there is no assurance that these efforts will be successful. 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.

HERBORIUM GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 \$63,000 for the year ended November 30, 2019 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 and their management in the USA and France amounted to approximately \$79,000 for the year ended November 30, 2019.

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.

HERBORIUM GROUP, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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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 November 30, 2019

Intellectual property	\$ 20,000
Deferred consulting fees	249,000
Trademarks	52,000
Other	<u>3,000</u>
	324,000
Less: accumulated amortization	<u>(199,000)</u>
	<u><u>\$125,000</u></u>

Amortization expense amounted to \$6,000 for the year ended November 30, 2019.

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 November 30, 2018, 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.

NOTE 5. 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 6. INCOME TAXES

The Company has tax net operating loss carry forwards at November 30, 2019 of approximately \$5 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-.

NOTE 7. 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

HERBORIUM GROUP, INC.
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(UNAUDITED)

\$220,000 for the period December 1, 2010 to November 30, 2019, 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 November 30, 2019, an aggregate of \$3,069,000 of accrued and unpaid compensation for Dr. Olszewski and Dr. Gilligan under these agreements was included in accounts payable and accrued expenses.

Through the quarter ending November 30, 2019 approximately \$1,470,000 in accrued officers' salaries have been converted into common shares at average of 0.30 per share.

NOTE 8. 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.

NOTE 9. CONSULTING AGREEMENTS

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.

NOTE 10. 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 November 30, 2019.

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.

NOTE 12. SEGMENT INFORMATION

The Company applies Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information". For the year ended November 30, 2019, the Company primarily operated in one segment - botanical therapeutics, with sales of AcnEase representing substantially all of the Company's revenue.

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

NOTE 13. SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The following are the approximate payments made during the three months ended November 30, 2018 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 of 1000-1 of the common shares and approved an increase of the number of authorized shares to 10,000,000,000.

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