

Apollo Enterprise Solutions, LTD and Subsidiary

Consolidated Balance Sheet

	<u>March 31, 2017</u> (Unaudited)	<u>March 31, 2018</u> (Unaudited)
ASSETS		
Current assets:		
Cash	\$ 15,899	\$ 53,783
Accounts receivable, net of allowance for doubtful accounts of \$458,980 and \$542,980 at March 31, 2017 and March 31, 2018, respectively	412,909	264,586
Accounts receivable - related party	95,079	-
Prepaid expenses and other assets	35,567	9,284
Total current assets	<u>559,454</u>	<u>327,652</u>
Contract work in-progress	54,491	54,491
Patents, less accumulated amortization	971,869	865,723
Deferred debt costs associated with line of credit - related party	2,439,448	2,159,972
Security deposit	80,000	60,000
Total Assets	<u>\$ 4,105,262</u>	<u>\$ 3,467,838</u>
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable and accrued expenses	\$ 932,863	\$ 949,997
Accounts payable - related party	1,102,144	392,143
Accrued interest	30,640	38,153
Accrued interest - related party	1,347,769	2,287,915
Accrued payroll	27,582	-
Deferred revenue	1,406,856	1,423,230
Convertible notes payable	-	-
Total current liabilities	<u>4,847,854</u>	<u>5,091,439</u>
Long-term liabilities:		
Notes payable - related party, net of debt discount	670,175	741,566
Line of credit - related party	6,671,100	9,562,058
Warrant liability	-	-
Total long-term liabilities	<u>7,341,275</u>	<u>10,303,625</u>
Total liabilities	<u>12,189,129</u>	<u>15,395,064</u>
Commitments and contingencies		
Stockholders' deficit		
Class A preferred stock, \$0.0001 par value, 4,000,000 shares authorized, 96 shares issued and outstanding as of March 31, 2017 and March 31, 2018.	2,400	2,400
Class A-1 preferred stock, \$0.0001 par value, 420,000 shares authorized, -0- shares issued and outstanding as of March 31, 2017 and March 31, 2018.	-	-
Class A-2 preferred stock, \$0.0001 par value, 1,200,000 shares authorized, 401 shares issued and outstanding as of March 31, 2017 and March 31, 2018.	10,030	10,030
Junior preferred stock, \$0.0001 par value, 3,500,000 shares authorized, 117,762 shares issued and outstanding as of March 31, 2017 and March 31, 2018.	2,929,044	2,929,044
Common stock, \$0.0001 par value, 310,880,000 shares authorized, 72,739,393 shares issued; 43,224,953 and 42,976,573 shares outstanding as of March 31, 2017 and March 31, 2018, respectively	7,274	7,274
Additional paid-in capital	34,213,036	35,792,029
Accumulated deficit	(45,242,700)	(50,665,027)
Treasury stock, \$0.0001 par value, 29,514,440 and 29,762,629 shares as of March 31, 2017 and March 31, 2018, respectively	(2,951)	(2,976)
Total stockholders' deficit	<u>(8,083,867)</u>	<u>(11,927,226)</u>
Total liabilities and stockholders' deficit	<u>\$ 4,105,262</u>	<u>\$ 3,467,838</u>

Apollo Enterprise Solutions, LTD and Subsidiary

Consolidated Statement of Operations

	For the three months ended March 31,	
	2017	2018
Revenues	\$ 6,535	\$ -
Cost of goods sold	12,111	7,835
Gross profit (loss)	(5,576)	(7,835)
Selling and general administrative expenses	1,241,887	657,852
Operating loss	(1,247,463)	(665,687)
Other income (expense):		
Change in warrant liability	-	-
Gain (loss) on foreign exchange transactions	(7,524)	(16,707)
Interest income	-	-
Interest expense	(550,708)	-
Total other income (expense)	(558,232)	(16,707)
Loss before income taxes	(1,805,695)	(682,394)
Provision for income taxes	-	-
Net loss	\$ (1,805,695)	\$ (682,394)
Basic and diluted net loss per ordinary share	<u>\$ (0.04)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding, basic and diluted	43,209,627	42,976,573

Apollo Enterprise Solutions, LTD and Subsidiary

Consolidated Statement of Cash Flows

	For the three months ended March 31,	
	2017	2018
Cash flows from operating activities		
Net loss	\$ (1,805,695)	\$ (682,394)
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of patent costs	26,755	26,173
Amortization of debt discount	375,819	-
Stock-based compensation expense	125,391	-
Issuance of treasury stock for services	10,000	-
Non-cash general administrative expenses	25,000	-
Bad debt expense	112,480	-
Changes in operating assets and liabilities:		
Accounts receivable	(50,470)	100,000
Accounts receivable - related party	(78,412)	-
Prepaid expenses	1,275	7,024
Contract work in-progress	-	-
Security deposit	20,000	-
Accounts payable and accrued expenses	24,953	94,535
Accounts payable - related party	164,477	75,000
Accrued interest	1,849	-
Accrued interest - related party	173,040	255,175
Accrued payroll	3,276	-
Deferred revenue	147,347	(1,988)
Net cash used in operating activities	(722,915)	(126,475)
Cash flows from financing activities		
Proceeds received from line of credit with related party	719,000	177,000
Proceeds received from issuance of treasury stock	-	(10,047)
Purchases of treasury stock	(4,602)	(13)
Net cash provided by financing activities	714,398	166,940
Net decrease in cash	(8,517)	40,464
Cash at beginning of period	24,416	13,318
Cash at end of period	\$ 15,899	\$ 53,782