

RHIZEN PHARMACEUTICALS LTD

BASEL

- REPORT OF THE STATUTORY AUDITORS AS OF MARCH 31, 2023

YVERDON-LES-BAINS, MAY 1, 2023

Report of the statutory auditor to the General Meeting of Rhizen Pharmaceuticals Ltd, Basel

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rhizen Pharmaceuticals Ltd, which comprise the statement of financial position as at 31 March 2023, statement of profit or loss and other comprehensive income, notes, statement of changes in equity and statement of cash flows, including a summary of significant accounting policies.

In our opinion, the accompanying¹ financial statements comply with Swiss law and the Company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Other Information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' Responsibilities for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: <https://www.expertsuisse.ch/en/audit-report>. This description forms an integral part of our report.

Report on Other Legal and Regulatory Requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

GF Audit SA, succursale d'Yverdon-les-Bains

Vincent Lebet

1 mai 2023

Qualified Electronic Signature by  SwissID

Licensed audit Expert
N°103'661
(Auditor in charge)

JEREMIE PASCHE

1 mai 2023

Qualified Electronic Signature by  SwissID

Licensed auditor
N°112'679

Yverdon-les-Bains, May 1, 2023

Enclosures :

- Financial statements (statement of financial position, statement of profit or loss and other comprehensive income, notes, statement of changes in equity and statement of cash flows)
- Financial statements Swiss Branch

Rhizen Pharmaceuticals AG, Swiss Branch

Statement of financial position for the year ended 31 March 2023

| | Note | 31.03.2023 USD | 31.03.2022 USD |
|-------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | 6 | 2'798'133 | 3'401'920 |
| Cash at bank | 7 | 5'463'609 | 4'214'725 |
| | | 8'261'743 | 7'616'645 |
| Non Current assets | | | |
| Investment | 8 | 99'000 | 109'372 |
| Total assets | | 8'360'743 | 7'726'016 |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 9 | 122'760 | 122'760 |
| Retained Earnings | | -9'242'998 | -3'188'232 |
| Total equity | | -9'120'238 | -3'065'472 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 17'480'981 | 10'791'488 |
| | | 17'480'981 | 10'791'488 |
| Total equity and liabilities | | 8'360'743 | 7'726'016 |

Rhizen Pharmaceuticals AG, Swiss Branch

Statement of profit or loss and other comprehensive income
as at 31 March 2023

| | Note | 31.03.2023 USD | 31.03.2022 USD |
|-------------------------------------|------|-------------------|-------------------|
| Revenue | 4 | - | 2'648'558 |
| General & Administrative expenses | 4.1 | 6'054'767 | 10'392'324 |
| Profit / (loss) before tax | | -6'054'767 | -7'743'766 |
| Income tax expense | 5 | - | - |
| Profit / (loss) for the year | | -6'054'767 | -7'743'766 |

Rhizen Pharmaceuticals AG, Swiss Branch

Schedule to the financial statements for the year ended 31 March

2023

| 4. Revenue | 31.03.2023 | 31.03.2022 |
|----------------------|------------|------------------|
| | USD | USD |
| Miscellaneous Income | - | 2'648'558 |
| Total | - | 2'648'558 |

| 4.1 General & Administrative expenses | 31.03.2023 | 31.03.2022 |
|---------------------------------------|------------------|-------------------|
| | USD | USD |
| Research And Development Expense | 3'310'556 | 6'766'723 |
| Professional Fees | 1'630'285 | 1'843'831 |
| Salary in Foreign Currency | 649'460 | 785'708 |
| Patent Filing,Registration & Attorney | 94'500 | 346'844 |
| Lab Consumables Consumed - MM | 71'624 | - |
| Insurance - General | 78'397 | 246'184 |
| Office Exp | 55'373 | 93'415 |
| Subscription | 29'163 | 83'409 |
| Accounting Services | 28'468 | 57'952 |
| Postage | 25'034 | 21'782 |
| Computer Expenses | 25'000 | - |
| Rates And Taxes | 16'215 | 51'881 |
| Misc. Expenses General | 12'856 | 21'111 |
| Bank Charges | 9'431 | 15'607 |
| Freight And Forwarding - Direct | 7'942 | - |
| Rent Others | 7'500 | 2'400 |
| Auditors Remuneration | 2'225 | 28'549 |
| Exchange Gain - Vendors | 297 | -15'585 |
| Exchange Loss - Vendors | 67 | 3'234 |
| Travelling Expense | - | 18'677 |
| Legal Fees | - | 19'154 |
| Software Expense | - | 11 |
| Telephone - Internet | - | 279 |
| Telephone - Mobile | - | 1'158 |
| Milestone Payments | 372 | - |
| Total | 6'054'767 | 10'392'324 |

Rhizen Pharmaceuticals AG, Swiss Branch
Schedule to the financial statements for the year ended 31 March
2023

| 5. Tax Charge | 31.03.2023 | 31.03.2022 |
|----------------------|-------------------|-------------------|
| | USD | USD |
| Income Tax Expense | - | - |

6. Trade and other receivables

| | 31.03.2023 | 31.03.2022 |
|---|-------------------|-------------------|
| | USD | USD |
| Amounts owed by ultimate parent company | | |
| Amounts owed by Branch, Subsidiary and Associates | 2'780'849 | 3'384'007 |
| Prepayments | 17'167 | 9'450 |
| Indirect taxation | 117 | 8'463 |
| | 2'798'133 | 3'401'920 |

Note: The amounts due by the ultimate parent company and by the shareholder are unsecured, interest free and repayable on demand.

7. Cash at bank

| | 31.03.2023 | 31.03.2022 |
|--------------|-------------------|-------------------|
| | USD | USD |
| Deposit | 5'000'000 | - |
| Cash at bank | 463'609 | 4'214'725 |
| | 5'463'609 | 4'214'725 |

8. Investments

| | 31.03.2023 | 31.03.2022 |
|--|-------------------|-------------------|
| | USD | USD |
| Investment in TG Therapeutics, New York (0.433%) | - | 372 |
| Investment in Rhizen Pharmaceutical Inc., Bridgewater (100%) | - | 10'000 |
| Investment in Dahlia Therapeutics SA, La Chaux-de-Fonds (100%) | 99'000 | 99'000 |
| | 99'000 | 109'372 |

9. Share capital

| | 31.03.2023 | 31.03.2022 |
|---|-------------------|-------------------|
| | USD | USD |
| Authorised share capital | | |
| 124,000 Ordinary shares of CHF 1 each | 122'760 | 122'760 |
| Issued and fully paid-up share capital | | |
| 124,000 Ordinary shares of CHF 1 each | 122'760 | 122'760 |

Rhizen Pharmaceuticals AG, Swiss Branch

**Schedule to the financial statements for the year ended 31 March
2023**

10. Trade and other payables

| | 31.03.2023 | 31.03.2022 |
|-------------------------------------|-------------------|------------|
| | USD | USD |
| Advance from Customers | 11'414'268 | 4'404'450 |
| Accruals | 16'000 | 11'026 |
| Amount due to Parent company/Branch | 5'693'583 | 5'695'012 |
| Provision for Income Tax | 309'363 | 688'500 |
| Other payables | 47'767 | -7'500 |
| | 17'480'981 | 10'791'488 |

11. Ultimate controlling party

The company's ultimate parent company is Alembic Pharmaceuticals Limited, of Alembic Road, Gorwa, Vadodara-390007, Gujarat, India.

Rhizen Pharmaceuticals AG, Swiss Branch

Statement of changes in equity for the year ended 31 March 2023

| | Share Capital | Accumulated Losses | Total |
|-----------------------------|---------------|-----------------------|------------|
| | USD | USD | USD |
| At 1 April 2021 | 122'760 | 4'555'534 | 4'678'294 |
| Result for the year | - | -7'743'766 | -7'743'766 |
| Other comprehensive income | - | - | - |
| Total Comprehensive expense | - | - | - |
| As at 31 March 2022 | 122'760 | -3'188'232 | -3'065'472 |
| At 1 April 2022 | 122'760 | -3'188'232 | -3'065'472 |
| Result for the year | - | -6'054'767 | -6'054'767 |
| Other comprehensive income | - | - | - |
| Total Comprehensive income | - | - | - |
| As at 31 March 2023 | 122'760 | -9'242'999 | -9'120'239 |

Rhizen Pharmaceuticals AG, Swiss Branch

Statement of cash flows

for the year ended 31 March 2023

| | | 31.03.2023 | 31.03.2022 |
|---|------|------------------|-------------------|
| | Note | USD | USD |
| Cash flows from operating activities | | | |
| Profit / loss before tax | 4 | -6'054'767 | -7'743'766 |
| Working capital changes: | | | |
| Change in trade and other receivables | | 603'786 | 1'745'422 |
| Change in trade and other payables | | 6'689'493 | -2'597'454 |
| Net cash generated from operating activities | | 1'238'512 | -8'595'797 |
| Net movement in cash and cash equivalents | | 1'238'512 | -8'595'797 |
| Cash and cash equivalents at beginning of year | | 4'214'725 | 12'810'522 |
| Cash and cash equivalent at end of year | 7 | 5'453'237 | 4'214'725 |

Rhizen Pharmaceuticals AG

Consolidated Statement of financial position for the year ended 31 March 2023

| | Note | 31.03.2023 USD | 31.03.2022 USD |
|-------------------------------------|------|-------------------|-------------------|
| ASSETS | | | |
| Current assets | | | |
| Trade and other receivables | 6 | 6'717'111 | 8'861'295 |
| Cash at bank | 7 | 12'727'373 | 9'857'509 |
| | | <u>19'444'484</u> | <u>18'718'804</u> |
| Non Current assets | | | |
| Investment | 8 | 99'000 | 109'372 |
| Total assets | | <u>19'543'484</u> | <u>18'828'176</u> |
| EQUITY | | | |
| Capital and reserves | | | |
| Share capital | 9 | 122'760 | 122'760 |
| Retained Earnings | | 2'283'712 | 10'007'343 |
| Total equity | | <u>2'406'473</u> | <u>10'130'103</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 10 | 17'137'012 | 8'698'073 |
| | | <u>17'137'012</u> | <u>8'698'073</u> |
| Total equity and liabilities | | <u>19'543'484</u> | <u>18'828'176</u> |

Rhizen Pharmaceuticals AG

Consolidated Statement of profit or loss and other comprehensive income
as at 31 March 2023

| | Note | 31.03.2023 USD | 31.03.2022 USD |
|-------------------------------------|------|-------------------|-------------------|
| Revenue | 4 | - | 27'647'623 |
| General & Administrative expenses | 4.1 | 7'723'631 | 26'263'862 |
| Profit / (loss) before tax | | -7'723'631 | 1'383'761 |
| Income tax expense | 5 | - | - |
| Profit / (loss) for the year | | -7'723'631 | 1'383'761 |

Rhizen Pharmaceuticals AG

Schedule to the financial statements for the year ended 31 March 2023

| 4. Revenue | 31.03.2023 | 31.03.2022 |
|--------------------------------|-------------------|-------------------|
| | USD | USD |
| Sales Export | - | 16'999'065 |
| Income from Operations | - | 8'000'000 |
| Miscellaneous Income | - | 2'648'558 |
| Milestone Income | -2'229'180 | |
| Provision for Milestone Income | 2'229'180 | |
| Total | - | 27'647'623 |

| 4.1 General & Administrative expenses | 31.03.2023 | 31.03.2022 |
|---|-------------------|-------------------|
| | USD | USD |
| Research And Development Expense | 4'963'556 | 8'884'771 |
| Cost of Sales - FERT | - | 5'449'125 |
| Royalty | - | 4'000'000 |
| Cost of Goods Sold - Adjst | - | 4'000'000 |
| Professional Fees | 1'632'335 | 1'843'931 |
| Salary in Foreign Currency | 649'460 | 785'708 |
| Patent Filing, Registration & Attorney | 94'500 | 346'844 |
| Insurance - General | 78'398 | 246'184 |
| Cost of Sales - HALB | - | 243'600 |
| Office Exp | 67'732 | 93'415 |
| Subscription | 29'163 | 83'409 |
| Postage | 25'034 | 64'103 |
| Accounting Services | 28'468 | 57'952 |
| Rates And Taxes | 16'215 | 51'881 |
| Auditors Remuneration | 2'225 | 30'694 |
| Misc. Expenses General | 12'971 | 24'276 |
| Legal Fees | - | 19'154 |
| Travelling Expense | - | 18'677 |
| Bank Charges | 10'770 | 17'332 |
| Rent Others | 7'500 | 13'710 |
| Exchange Loss - Vendors | 67 | 3'234 |
| Telephone - Mobile | - | 1'158 |
| Telephone - Internet | - | 279 |
| Software Expense | - | 11 |
| Computer Expenses | 25'000 | - |
| Freight And Forwarding - Direct | 7'942 | - |
| Lab Consumables Consumed - MM | 71'624 | - |
| Exchange Gain - Vendors | 297 | -15'585 |
| Milestone Payments | 372 | |
| | 7'723'631 | 26'263'862 |

Rhizen Pharmaceuticals AG

Schedule to the financial statements for the year ended 31 March 2023

| 5. Tax Charge | 31.03.2023 | 31.03.2022 |
|--------------------|------------|------------|
| | USD | USD |
| Income Tax Expense | - | - |

6. Trade and other receivables

| | 31.03.2023 | 31.03.2022 |
|---|------------------|------------------|
| | USD | USD |
| Deposit Given | 27'375 | 27'375 |
| Amounts owed by Branch, Subsidiary and Associates | 6'672'452 | 8'816'008 |
| Prepayments | 17'167 | 9'450 |
| Indirect taxation | 117 | 8'463 |
| | 6'717'111 | 8'861'295 |

7. Cash at bank

| | 31.03.2023 | 31.03.2022 |
|--------------|-------------------|------------------|
| | USD | USD |
| Deposit | 5'000'000 | - |
| Cash at bank | 7'727'373 | 9'857'509 |
| | 12'727'373 | 9'857'509 |

8. Investments

| | 31.03.2023 | 31.03.2022 |
|--|---------------|----------------|
| | USD | USD |
| Investment in TG Therapeutics, New York (0.433%) | - | 372 |
| Investment in Rhizen Pharmaceutical Inc., Bridgewater (100%) | - | 10'000 |
| Investment in Dahlia Therapeutics SA, La Chaux-de-Fonds (100%) | 99'000 | 99'000 |
| | 99'000 | 109'372 |

9. Share capital

| | 31.03.2023 | 31.03.2022 |
|---|------------|------------|
| | USD | USD |
| Authorised share capital | | |
| 120,000 Ordinary shares of CHF 1 each | 122'760 | 122'760 |
| Issued and fully paid-up share capital | | |
| 120,000 Ordinary shares of CHF 1 each | 122'760 | 122'760 |

Rhizen Pharmaceuticals AG

Schedule to the financial statements for the year ended 31 March
2023

10. Trade and other payables

| | 31.03.2023 | 31.03.2022 |
|-------------------------------------|-------------------|------------------|
| | USD | USD |
| Advance from Customers | 14'744'024 | 6'095'165 |
| Accruals | 16'000 | 13'171 |
| Amount due to Parent company/Branch | 2'019'858 | 1'908'737 |
| Provision for Income Tax | 309'363 | 688'500 |
| Other payables | 47'767 | -7'500 |
| | <u>17'137'012</u> | <u>8'698'073</u> |

Rhizen Pharmaceuticals AG

Consolidated Statement of changes in equity for the year ended 31 March 2023

| | Share Capital | Accumulated Losses | Total |
|-----------------------------|---------------|-----------------------|------------|
| | USD | USD | USD |
| At 1 April 2021 | 122'760 | 8'623'582 | 8'746'342 |
| Result for the year | - | 1'383'761 | 1'383'761 |
| Other comprehensive income | - | - | - |
| Total Comprehensive expense | - | - | - |
| As at 31 March 2022 | 122'760 | 10'007'343 | 10'130'103 |
| At 1 April 2022 | 122'760 | 10'007'343 | 10'130'103 |
| Result for the year | - | -7'723'631 | -7'723'631 |
| Other comprehensive income | - | - | - |
| Total Comprehensive income | - | - | - |
| As at 31 March 2023 | 122'760 | 2'283'712 | 2'406'472 |

Rhizen Pharmaceuticals AG
Consolidated Statement of cash flows
for the year ended 31 March 2023

| | | 31.03.2023 | 31.03.2022 |
|---|-------------|-------------------|--------------------|
| | Note | USD | USD |
| Cash flows from operating activities | | | |
| Profit / loss before tax | 4 | -7'723'631 | 1'383'761 |
| Working capital changes: | | | |
| Change in trade and other receivables | | 2'144'184 | -2'262'544 |
| Change in trade and other payables | | 8'438'939 | -12'775'456 |
| Net cash generated from operating activities | | 2'859'492 | -13'654'239 |
| Cash Flow from Investing Activity | | 10'372 | - |
| Net movement in cash and cash equivalents | | 2'869'864 | -13'654'239 |
| Cash and cash equivalents at beginning of year | | 9'857'509 | 23'511'748 |
| Cash and cash equivalent at end of year | 7 | 12'727'373 | 9'857'508 |

Notes to the financial statements as at 31 March 2023

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial information are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

1.1 Use of estimates and judgements

Accounting policies

Accounting convention and basis of preparation

These financial statements are presented using the USD, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by Swiss laws. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entity, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with Swiss laws requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies

1.2 Basis of measurement

Assets and liabilities are measured at historical cost.

1.3 Functional and presentation currency

These financial statements are presented in USD, which is the Company's functional currency.

1.4 The accompanying financial statements comprise the following periods:

- Statements of financial position as of March 31, 2023.
- Statements of comprehensive income by function for the periods between April 1, 2022 and March 31, 2023.
- Statements of changes in equity for the periods between April 1, 2022 and March 31, 2023.
- Statements of cash flows for the periods between April 1, 2022 and March 31, 2023.

2 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.1 Revenue recognition

Revenue is recognized when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time - requires judgement. The Company recognizes revenue from sale of goods based on a five step model:

Step 1: Identify the contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2: Identify the performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good to the customer.

Step 3: Determine the transaction price: The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties.

Step 4: Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation.

2.2 Accounts receivables

Receivables are stated at their normal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The management undertakes a periodic review of the amount recoverable from Accounts & other receivables and determines recoverability based on various factors such as ageing of receivables, payment history, collateral available & other knowledge about the receivables.

2.3 Trade payables

Payables are stated at nominal amounts payable for goods or services rendered.

2.4 Provisions

Provisions are recognized when the company has a present obligation as a result of past event & it is probable that the outflow of resources will be required to settle the obligation.

2.5 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term investments that are held to meet short-term cash commitments rather than for investment or other purposes.

3. Financial risk management

Financial risk factors

The Company has exposure to the following risks arising from financial instruments and are the most significant risks to which the entity is exposed to:

- Credit risk
- Liquidity risk
- Market risk

Credit risk

The entity's risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position.

The company continuously monitors defaults of customers and other counterparts and incorporates this information into credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is secured by collateral or other credit enhancements. The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Liquidity risk

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the entity's obligations when they become due.