

NATCO PHARMA, INC. T/A SAVEMART  
FINANCIAL REPORT  
FOR THE YEARS ENDED  
MARCH 31, 2023 AND MARCH 31, 2022

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Timothy G. Gearity, CPA  
185 Park Avenue  
Rutherford, NJ 07070

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Natco Pharma, Inc.

### Opinion

We have audited the accompanying financial statements of Natco Pharma, Inc. (a Corporation) which comprise the balance sheets as of March 31, 2023 and March 31, 2022 and the related statements of income/(loss), retained earnings and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Natco Pharma, Inc. as of March 31, 2023 and March 31, 2022 and the results of its operations, its cash flows and changes in its retained earnings for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### Opinion on Report on the "Supporting Schedules to the Statement of Income and Retained Earnings"

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The "Supporting Schedules to the Statement of Income and Retained Earnings", are presented for the purposes of providing additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and directly relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### Basis for Opinion(s)

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. We are required to be independent of Natco Pharma, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Natco Pharma, Inc.'s ability to continue as a going concern for one year from the date the financial statements are issued.

#### 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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered if individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements. In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Natco Pharma, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Natco Pharma, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

  
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Timothy G. Gearity, CPA

Rutherford, NJ 07070, USA

April 28, 2023

NATCO PHARMA, INC.  
BALANCE SHEET  
MARCH 31, 2023 AND MARCH 31, 2022

ASSETS

	MARCH 31, 2023	MARCH 31, 2022
CURRENT ASSETS		
Cash	\$ 318,990	\$ 343,846
Other Current Assets	16,280	52,496
TOTAL CURRENT ASSETS	<u>\$ 335,270</u>	<u>\$ 396,342</u>
NONCURRENT ASSETS		
Investment in NATCOfarma DO Brasil	\$ 2,674,794	\$ 2,674,794
Investment in Dash Pharmaceuticals LLC	28,715,000	18,000,000
Loan to Dash Pharmaceuticals LLC	0	4,000,000
TOTAL NONCURRENT ASSETS	<u>\$ 31,389,794</u>	<u>\$ 24,674,794</u>
TOTAL ASSETS	<u>\$ 31,725,064</u>	<u>\$ 25,071,136</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES		
Accrued Expenses and Other Current Liabilities	\$ 6,230	\$ 51,014
State of New Jersey Corporate Income Taxes Payable	2,000	0
TOTAL CURRENT LIABILITIES	<u>\$ 8,230</u>	<u>\$ 51,014</u>
LONG-TERM LIABILITIES		
Loan Payable to Natco Pharma (Canada), Inc.	\$ 0	\$ 4,000,000
TOTAL LONG-TERM LIABILITIES	<u>\$ 0</u>	<u>\$ 4,000,000</u>
TOTAL LIABILITIES	\$ 8,230	\$ 4,051,014
STOCKHOLDER'S EQUITY		
Common Stock, \$1,000 Par Value, 35,000 Shares Authorized, 28,565 Shares Issued and Outstanding as of March 31, 2023 and 35,000 Shares Authorized, 17,850 Issued and Outstanding as of March 31, 2022.	\$ 28,565,000	\$ 17,850,000
Retained Earnings	3,151,834	3,170,122
TOTAL STOCKHOLDER'S EQUITY	<u>\$ 31,716,834</u>	<u>\$ 21,020,122</u>
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	<u>\$ 31,725,064</u>	<u>\$ 25,071,136</u>

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.  
STATEMENT OF INCOME/(LOSS)  
AND RETAINED EARNINGS  
FOR THE YEARS ENDED  
MARCH 31, 2023 AND MARCH 31, 2022

	FOR THE YEAR ENDED MARCH 31, 2023	FOR THE YEAR ENDED MARCH 31, 2022
SALES	\$ 0	\$ 0
COST OF SALES		
Beginning Inventory	0	0
Purchases	0	0
Freight	0	0
Total	0	0
Advertising Expense	0	0
Total	0	0
Less: Ending Inventory	0	0
TOTAL COST OF SALES	0	0
GROSS PROFIT	0	0
OPERATING EXPENSES	0	0
INCOME BEFORE ADMINISTRATIVE EXPENSES	0	0
ADMINISTRATIVE EXPENSES	17,322	15,836
INCOME FROM OPERATIONS	(17,322)	(15,836)
OTHER INCOME (EXPENSE)	(1,828)	27,207
NET INCOME (LOSS) BEFORE INCOME TAXES	(19,150)	11,371
FEDERAL AND STATE INCOME TAXES		
Federal Income Tax Expense (Benefit)	(4,862)	(6,249)
State Income Taxes	4,000	0
Total Income Taxes	(862)	(6,249)
DEFERRED FEDERAL AND STATE INCOME TAXES		
Deferred Federal Income Taxes (Benefit)	0	1,649
Deferred State Income Taxes	0	0
Total Deferred Income Taxes	0	1,649
TOTAL INCOME TAXES	(862)	(4,600)
NET INCOME (LOSS)	\$ (18,288)	\$ 15,971
RETAINED EARNINGS		
Beginning Balance	\$ 3,170,122	\$ 3,154,151
Net Income	(18,288)	15,971
ENDING BALANCE	\$ 3,151,834	\$ 3,170,122

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED  
MARCH 31, 2023 AND MARCH 31, 2022

	FOR THE YEAR ENDED MARCH 31, 2023	FOR THE YEAR ENDED MARCH 31, 2022
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ (18,288)	\$ 15,971
Net change in operating assets and liabilities:		
(Increase) Decrease in Other Current Assets	36,216	(47,824)
(Increase) Decrease in Deferred Federal and State Income Taxes Benefit	0	1,649
Increase (Decrease) in Accounts Payable/Accrued Expenses	(44,784)	47,764
Increase (Decrease) in Federal and State Corporate Taxes Payable	2,000	0
Total Adjustments	(6,568)	1,589
Net Cash Provided/(Used) By Operating Activities	(24,856)	17,560
Cash Flows from Investing Activities:		
Sale/Redemption of Marketable Securities	0	2,998,000
Capital (Gains)/Loss on Sale of Marketable Securities	0	8,694
Investment in Dash Pharmaceuticals LLC	(10,715,000)	0
Net Cash Provided/(Used) By Investing Activities	(10,715,000)	3,006,694
Cash Flows from Financing Activities:		
Conversion to Common Shares of NATCO Pharma, Inc. from payoff of Loan Payable to NATCO Pharma, Ltd.		
Satisfaction of Loan Payable to NATCO Pharma, Ltd.		
Loan from NATCO Canada	4,000,000	4,000,000
Loan to Dash Pharmaceuticals LLC	(4,000,000)	(4,000,000)
NATCO Pharma Ltd. Acquisition of Additional Shares of NATCO Pharma, Inc.	10,715,000	15,200,000
NATCO Pharma, Inc. Acquisition of 100% of Dash Pharmaceuticals LLC	0	(18,000,000)
Net Cash Provided By Financing Activities	10,715,000	(2,800,000)
Net Increase/(Decrease) in Cash	(24,856)	224,254
Cash at Beginning of Period	343,846	119,592
Cash at End of Period	\$ 318,990	\$ 343,846

SUPPLEMENTAL DISCLOSURE

Income Taxes Paid:

Federal Taxes

	FOR THE YEAR ENDED MARCH 31, 2023	FOR THE YEAR ENDED MARCH 31, 2022
\$	0	0

See Accountants' Report and Accompanying Notes

NATCO PHARMA, INC.  
SUPPORTING SCHEDULES TO  
STATEMENT OF INCOME/(LOSS) AND  
RETAINED EARNINGS  
FOR THE YEAR ENDED  
MARCH 31, 2022 AND MARCH 31, 2021

	FOR THE YEAR ENDED MARCH 31, 2023	FOR THE YEAR ENDED MARCH 31, 2022
OPERATING EXPENSES		
Cash Over & Short & Refused Coupons	\$ 0	\$ 0
Contributions	0	0
Depreciation	0	0
Insurance-Health, Life, Disability	0	0
Lease Expense	0	0
Payroll Tax Expenses	0	0
Rent	0	0
Repairs and Maintenance	0	0
Salaries - Store	0	0
Salaries - Bonus	0	0
Salaries - Pharmacy	0	0
Vacation/Holiday/Sick Pay	0	0
Service Charges	0	0
Supplies	0	0
Telephone	0	0
Travel	0	0
Utilities	0	0
TOTAL OPERATING EXPENSES	\$ <u>0</u>	\$ <u>0</u>
ADMINISTRATIVE EXPENSES		
Bank Service Charges	\$ 881	\$ 1,086
Business Registration Fees	300	0
Legal and Accounting Fees	10,000	14,750
Office Expenses	6,141	0
TOTAL ADMINISTRATIVE EXPENSES	\$ <u>17,322</u>	\$ <u>15,836</u>
OTHER INCOME (EXPENSE)		
Interest Income - Marketable Securities	\$ 0	\$ 43,251
Interest Income - Loan to Dash Pharmaceuticals LLC	115,618	41,129
Capital Gains/(Loss) on Redemption of Marketable Securities	0	(8,694)
Other Expenses	(1)	0
Miscellaneous Income	0	35
Interest Expense	(117,445)	(48,514)
TOTAL OTHER INCOME (EXPENSE)	\$ <u>(1,828)</u>	\$ <u>27,207</u>

See Accountants' Report and Accompanying Notes



NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
STAND-ALONE FINANCIAL STATEMENTS DEFINED

Effective January 1, 2022 NATCO Pharma, Inc., hereafter referred to as "NPI", acquired 100% of the ownership interests of Dash Pharmaceuticals, LLC as explained further in the notes that follow. For the foreseeable future, Dash Pharmaceuticals, LLC will be submitting their financial reports separately from NPI directly to NATCO Pharma, Ltd., who will consolidate the financial reporting of the two entities for the next level of financial reporting. The financial statements presented here, on a stand-alone basis, will be limited to the activities of NPI only, the reporting of NPI's other ownership interest (NATCO farma Do Brasil, Ltd.) and include only those transactions with Dash Pharmaceuticals, LLC that have taken place directly between the two entities, which will generally be limited to NPI's equity contributions and loan activities including interest income associated with the outstanding loan receivable that had been due from Dash to NPI prior to the current March 31, 2023 year-end and interest expense associated with a loan of the same amount and term (\$4,000,000), 5 years and simple interest of 4.17% that had been payable by NPI to an affiliate, NATCO Pharma (Canada), Inc., also prior to the current March 31, 2023 year-end.

BUSINESS ACTIVITY

NATCO Pharma, Inc., a "C" Corporation, hereafter referred to as "NPI", was incorporated in the State of Delaware on October 10, 2006. NPI had originally been formed to acquire the assets of H. Morgan Corporation T/A Savemart on July 9, 2007. NPI had been engaged in the retail sale of health and beauty aids and the operation of a pharmacy at 241 West Roseville Road, Lancaster, Pennsylvania until the effective date of March 31, 2016 when the tangible and intangible assets of NATCO Pharma, Inc. were sold to Care Mart, Inc. The operations of the store were then transferred to the buyer.

Following the sale of the store NPI has been progressively making loans and investments in NATCOfarma DO Brazil, an affiliate of NPI. As of March 31, 2023, NPI had converted all of the outstanding loans and associated interest accruing on those loans into 13,102,296 common shares of NATCOfarma DO Brazil, for an 14.14% equity ownership position of the affiliate's common stock equity.

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

In the past year, NATCO Pharma, Ltd., the Parent Company of NPI, increased the number of NPI's authorized shares to 35,000 shares of which, to date, 28,565 shares have been issued and are 100% owned by the Parent Company, NATCO Pharma, Ltd., with a total capitalization of \$28,565,000 of common stock.

With an effective date of January 1, 2022, NPI acquired 100% of the membership ownership interests of Dash Pharmaceuticals LLC (hereafter referred to as Dash) for \$18,000,000 from its three founding members and CBC Capital who, prior to the sale, had owned 1,000 Class A Units of Dash and had been holding a \$4,000,000 note receivable from Dash. The \$4,000,000 note that had been due to CBC Capital from Dash was, in turn, paid off from the resources provided by the issuance to Dash of a five-year note payable to NPI for \$4,000,000 bearing simple interest at the rate of 4.17% per annum. The Dash founders are continuing in their management roles as employees of the newly-formed venture. Any and all obligations, Class A units, rights, etc. previously owned by CBC Capital have been satisfied and are no longer in effect.

The acquisition by NPI had been funded from the liquidation of NPI's entire portfolio of marketable securities and an initial equity investment of \$15,200,000 by the Parent Company on December 24, 2021. The funding for the CBC Capital loan payoff, in turn, had been provided to NPI by the five-year loan (referred to above) that NPI received from an affiliate, NATCO Pharma (Canada), Inc.

Additional infusions of equity funding of \$6,715,000 on May 22, 2022 and \$4,000,000 on December 8, 2022 had been made available to Dash during the fiscal year ended March 31, 2023. The proceeds of the December, 2022 funding were used to pay off the intercompany loan of \$4,000,000 that had been held by NPI along with the associated interest that had accumulated, in full. In turn, NPI paid off the entire amount of the outstanding loan of \$4,000,000 and associated interest that was owed to its affiliate, NATCO Pharma, (Canada), Inc.

Dash's primary business focus will continue to be to "develop partnerships, product licensing, sales, marketing, and the distribution of generic pharmaceutical products" with an emphasis on "the development and distribution of niche products across a variety of dosage forms and therapeutic categories."

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

BASIS OF ACCOUNTING

NPI presents its financial statements using the accrual basis method of accounting in compliance with accounting principles generally accepted in the U.S.A.

CASH

For purposes of the statement of cash flows, cash includes amounts on hand and amounts on deposit.

FAIR VALUE MEASUREMENTS

Generally accepted accounting principles provide a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities [Level 1 measurements] and the lowest priority to unobservable inputs [Level 3 measurements].

Assets and liabilities that are required to be recorded at fair value in the balance sheet are categorized based on the inputs to valuation techniques as follows:

Level 1. These are assets and liabilities where values are based on unadjusted quoted prices for identical assets in an active market that NPI has the ability to access. As of March 31, 2023 and March 31, 2022, there are no Level 1 assets or liabilities.

Level 2. These are assets and liabilities that are based on the following inputs:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs which are derived principally from or corroborated by observable market data by correlation or other means.

Level 3. These are assets and liabilities where inputs to the valuation methodology are unobservable and significant to the fair value measurement. As of March 31, 2023 and March 31, 2022 there are no Level 3 assets or liabilities.

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

The fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

INCOME TAXES

NPI has elected taxation as a "C" Corporation for federal and state income tax purposes. The provisions for income taxes are based on taxes payable or refundable for the current year. Deferred tax assets or liabilities are calculated by applying currently enacted income tax rates to temporary differences between the amount of taxable income and pretax financial income and between the tax bases of assets and liabilities and their reported amounts in the financial statements. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

NPI has implemented the guidance for uncertainty in income taxes under the provisions of FASB ASC 740. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not that the tax positions taken will be sustained upon examination by the tax authorities.

As of March 31, 2023, NPI had no uncertain tax positions, or interest and penalties that qualify for either recognition or disclosure in the financial statements.

With few exceptions, if any, NPI is no longer subject to federal, state or local income tax examinations by tax authorities for tax years ending prior to March 31, 2020.

USE OF ESTIMATES

The preparation of financial statements in accordance 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. Actual results could differ from those estimates.

DATE OF MANAGEMENT'S REVIEW

Subsequent events have been evaluated up to the date of the issuance of this report on April 28, 2023.

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

NOTE 2 - CONCENTRATION OF CREDIT RISK

NPI maintains a checking account with Fulton Bank. Accounts maintained at commercial banks are insured, in the aggregate per depositor, by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Management regularly monitors the financial conditions at the bank and tries to keep these risks at a minimum. NPI has not previously suffered any such losses. At March 31, 2023 NPI's operating account had a balance of \$318,990. Management is satisfied with the security of the current level of cash funds on hand being secure and necessary at this time to fulfill its current objectives.

NOTE 3 - OTHER CURRENT ASSETS

The analysis of "Other Current Assets" for the two respective time periods consist of the following:

	As at Mar. 31, <u>2023</u>	As at Mar. 31, <u>2022</u>
Interest Receivable from Loan to Dash Pharmaceuticals, LLC	\$ 0	\$ 41,129
Federal Income Tax Benefit/Overpayment	15,780	10,918
State of New Jersey Tax Benefit/ Overpayment	500	0
Federal 2021 Form 1042 Tax Overpayment	0	449
Total Other Current Assets	\$ <u>16,280</u> =====	\$ <u>52,496</u> =====

The Federal Income Tax Expense/Taxes Payable (Benefits/Overpayment) reported for the two time periods were calculated as indicated in the table below:

	As at Mar. 31, <u>2023</u>	As at Mar. 31, <u>2022</u>
Federal Taxable Income/(Loss)	\$ <u>(23,150)</u>	\$ <u>(29,757)</u>
Federal Corporate Tax Rate	x 21%	x 21%
Federal Tax Expense/(Benefit)	\$ <u>(4,862)</u>	\$ <u>(6,249)</u>
Miscellaneous Adjustment		3
Less: Federal Taxes Paid/Overpayment Applied from Prior Year	<u>(10,918)</u>	<u>(4,672)</u>
Federal Taxes Payable/(Overpaid)	\$ <u>(15,780)</u> =====	\$ <u>(10,918)</u> =====

NATCO PHARMA, INC.  
 NOTES TO FINANCIAL STATEMENTS (STAND ALONE)  
 FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

A Federal Form 1042 tax overpayment of \$449 was made to the United States Treasury in satisfaction of what is referred to as "Chapter 3" or "Chapter 4" Withholdings of the applicable taxes that are due on a payment of U.S. source income that is being distributed to a foreign entity or person and to remit those taxes directly to the United States Treasury. The overpayment will be refunded back to NPI when the annual Form 1042 is filed after the close of the 2021 calendar year.

**NOTE 4 - INVESTMENT IN NATCOFARMA DO BRASIL**

NPI began acquiring an equity position in the affiliated operations of NATCOfarma Do Brasil through a combination of cash contributions, conversion of outstanding receivables and accrued interest on a five-year note receivable balance that was held by NPI starting in March of 2017. NPI currently owns 13,102,296 shares for an 14.14% ownership interest in its affiliate. The "cost basis" of NPI's equity position for the two respective time periods is:

	As at Mar. 31, 2023	As at Mar. 31, 2022
Investment in NATCO farma Do Brasil	\$ 2,674,794	\$ 2,674,794
	=====	=====

**NOTE 5 - INVESTMENT IN DASH PHARMACEUTICALS LLC**

On January 1, 2022, NPI acquired all of the outstanding membership interests of the three founding members of Dash and redeemed the 1,000 Class A Units of Dash that had been held by CBC Capital who, prior to NPI's investment, had provided a revolving line of credit to Dash that had been secured by 100% of Dash's assets, with a payment of \$18,000,000. The three founding members are continuing in their management role for Dash but are now employees of Dash with employment agreements effective January 1, 2022.

On June 2, 2022 additional funds of \$6,715,000 were transferred by NPI to Dash for the purpose of investment and working capital needs. In the quarter ending December 31, 2022, the Parent Company of NPI, NATCO Pharma, Ltd., provided \$4,000,000 to NPI to invest in Dash. These funds were immediately utilized by Dash to payoff the five-year loan for \$4,000,000 that NPI held with Dash (see Note 6).

As of March 31, 2023 \$28,715,000 has been invested by NPI in Dash Pharmaceuticals, LLC.

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

NOTE 6 - LOAN TO DASH PHARMACEUTICALS LLC

A loan of \$4,000,000 had been extended to Dash by NPI on January 1, 2022. The term of the loan was for five years, incurring simple interest at the rate of 4.17% per annum payable at the end of each calendar quarter. The repayment of principal is flexible within the term of the loan. The proceeds of the loan were utilized to repay the outstanding loan balance that Dash had incurred with CBC Capital and terminated the line of credit arrangement that had been in place prior to the acquisition of Dash by NPI.

As referred to in Note 5, the entire amount of the loan between NPI and Dash including outstanding interest was paid off on December 9, 2022.

NOTE 7 - ACCRUED EXPENSES/OTHER LIABILITIES

Accrued expenses and other current liabilities consist of the following:

	As at Mar. 31, <u>2023</u>	As at Mar. 31, <u>2022</u>
Accrued Interest Payable to NATCO Pharma (Canada), Inc.	\$ 0	\$ 48,514
Professional Fees Payable	2,500	2,500
Other Current Liabilities	<u>3,729</u>	<u>0</u>
Total Accrued Expenses/ Other Liabilities	\$ 6,229 =====	\$ 51,014 =====

NOTE 8 - LOAN PAYABLE TO NATCO PHARMA (CANADA), INC.

On December 23, 2021 NATCO Pharma (Canada), Inc. entered into a loan agreement with its affiliate, NPI for \$4,000,000. The terms of the five-year loan are that simple interest of 4.17% per annum is being assessed on the loan with interest being payable in quarterly installments on the last day of each calendar quarter. There is an early repayment option that allows NPI to repay the loan in-full or in-part at any time during the loan's tenure without incurring any additional charges.

The entire amount of this loan including outstanding interest was paid off on December 13, 2022. The funding for the payoff of this loan was received by NPI from the payoff of the loan that NPI had with Dash as referred to Notes 5 and 6.

NATCO PHARMA, INC.  
NOTES TO FINANCIAL STATEMENTS (STAND-ALONE)  
FOR THE YEARS ENDED MARCH 31, 2023 AND MARCH 31, 2022

NOTE 9 - COMMON STOCK

In December, 2021, NPI raised the number of authorized shares of its common stock which have a par value of \$1,000 per share to 35,000 shares. Of the newly-authorized shares, 15,200 shares were issued on December 24, 2021 to help fund the acquisition of Dash. On June 2, 2022 NPI issued an additional 6,715 shares of common stock to NATCO Pharma, Ltd., NPI's parent company, to fund the provision of \$6,715,000 in additional resources to the recently-acquired subsidiary. The Parent Company was issued 4,000 more shares following the December 8, 2022 cash infusion of \$4,000,000 of capital to payoff Dash's indebtedness to NPI. NATCO Pharma, Ltd. currently owns all 28,565 shares of NPI's issued common stock.

NOTE 10 - FEDERAL/STATE INCOME TAXES

FEDERAL AND STATE OF NEW JERSEY TAX EXPENSE:

Beginning with the period ending March 31, 2022 and for all subsequent years going forward following the acquisition of Dash by NPI which was effective January 1, 2022, both the Federal and State of New Jersey income taxes will be reported to the governmental agencies on a consolidated basis, where the results of the two operations are combined and intercompany transactions are eliminated. NPI will perform the consolidated tax filings for the two entities.

The provision for Federal income taxes reported for NPI on these financial statements is on a stand-alone basis. The Federal taxable income/(loss) being reported is limited to NPI's activities: administrative expenses, investment capital gains/(losses), interest income generated by NPI's portfolio of marketable securities and interest income less interest expense from intercompany loan activity.

See Note 3 for the tax analysis for NPI for the two respective time periods.

NOTE 11 - INTEREST INCOME

The interest income reported for the year ended March 31, 2023 was generated from the five-year note being held with Dash Pharmaceuticals, LLC (See Note 6). The interest income for the same time period for the previous year also included the quarterly installment(s) of interest generated by the short-term Axis Bank Bonds and money market account held in NPI's investment account with Oppenheimer & Co., Inc.



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	For the Year Ended Mar. 31, 2023	For the Year Ended Mar. 31, 2022
<u>Borrower</u>		
Dash Pharmaceuticals LLC	\$ 115,618	\$ 41,129
Axis Bank Bonds 2.875%	0	43,096
Oppenheimer Money Market	0	155
Total Interest Income	\$ 115,618	\$ 84,380
	=====	=====

**NOTE 12 - INTEREST EXPENSE**

The interest expense reported for the year ended March 31, 2023 of \$117,445 was incurred on the \$4,000,000 loan that had been provided by NATCO Pharma(Canada), Inc. (See Note 8).

**NOTE 13 - RELATED PARTY TRANSACTIONS**

NPI purchased 100% of the equity of Dash Pharmaceuticals for \$18,000,000 effective January 1, 2022 and made additional equity contributions of \$6,715,000 on June 2, 2022 and \$4,000,000 on December 8, 2022 (See Note 5). The total equity portion of the investment totals \$28,715,000 as of December 31, 2022. NPI had also advanced a five-year loan of \$4,000,000 to Dash when the acquisition of Dash took effect on January 1, 2022 (See Note 6). That loan, in turn, has since been paid in full on December 9, 2022 following the receipt of \$4,000,000 on December 8, 2022 referred to above. The loan earned year-to-date interest income, prior to its satisfaction, of \$115,618 (See Note 11).

As referred to in Note 4 to these financial statements, NPI had invested cash, converted notes receivable and associated interest receivable totaling \$2,674,794 to acquire 13,102,296 shares of common stock for an 14.14% equity position in the affiliated operations of NATCOfarma Do Brasil.

A five-year loan of \$4,000,000 had been extended to NPI from its affiliate, NATCO Pharma (Canada), Inc. (See Note 8). The loan incurred expense year-to-date of \$117,445 (See Note 12). This loan and all associated interest were paid in full in December, 2022.

As detailed in Note 9 the parent company, NATCO Pharma, Ltd. increased the number of NPI's authorized common shares as of December 31, 2022 to 35,000 common shares with a par value of \$1,000 per share. The Parent Company made four acquisitions of common shares in the past two years: 1,650 shares were added when the parent company converted NPI's indebtedness to them on March 1, 2021; 15,200 additional shares were purchased on

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December 24, 2021 to help fund the acquisition of Dash Pharmaceuticals LLC that took effect on January 1, 2022; 6,715 shares were obtained in June 2, 2022 when additional funding was provided to Dash and 4,000 shares were issued to provide the funding for the satisfaction of Dash's \$4,000,000 loan from NPI. As of December 31, 2022 the parent company continues to be the sole shareholder of NPI holding all 28,565 shares of NPI's issued common stock.

NOTE 14 - OPERATING LEASES

There are currently no operating leases for which NPI is directly responsible. All previous lease obligations had been transferred to Care-Mart, Inc. effective with the asset sale of the Savemart store assets on April 1, 2016.