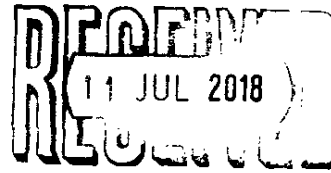


SEPARATOR SHEET



100012/20



**PHASOR, INC.
and Subsidiary**

**Consolidated Balance Sheets
December 31,**

	2016	2015
Assets		
Current assets:		
Cash	\$ 1,047,031	\$ 334,821
Accounts receivable	2,481	3,853
Corporate tax receivable	260,167	358,109
Prepaid expenses and other	206,130	180,520
Total current assets	<u>1,515,809</u>	<u>877,303</u>
Property and equipment, net	345,382	166,130
Other assets:		
Intangibles, net	<u>261,280</u>	<u>260,408</u>
Total assets	<u><u>\$ 2,122,471</u></u>	<u><u>\$ 1,303,841</u></u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 981,679	\$ 1,030,499
Accrued expenses	90,735	73,225
Accrued interest	710,880	587,600
Total current liabilities	<u>1,783,294</u>	<u>1,691,324</u>
Long-term liabilities:		
Convertible notes payable	6,629,775	4,910,211
Derivative liability	3,116,294	1,518,720
Deferred income	1,124,136	273,846
Total long-term liabilities	<u>10,870,205</u>	<u>6,702,777</u>
Stockholders' equity:		
Preferred stock, \$.0001 par value:		
5,000,000 shares authorized, 300,366		
issued and outstanding	30	30
Additional paid in capital	852,167	852,167
Common stock, \$.0001 par value:		
11,000,000 shares authorized, 5,764,397 in 2016 and		
5,362,501 in 2015 issued and outstanding	576	536
Additional paid in capital	14,117,401	12,656,134
Additional paid in capital - other	3,561,928	2,810,422
Accumulated deficit	(29,966,390)	(23,598,775)
Accumulated other comprehensive income	903,260	189,226
Total stockholders' equity	<u>(10,531,028)</u>	<u>(7,090,260)</u>
Total liabilities and stockholders' equity	<u><u>\$ 2,122,471</u></u>	<u><u>\$ 1,303,841</u></u>

The accompanying notes are an integral part of these financial statements.

**PHASOR INC.
and Subsidiary**

**Consolidated Statements of Comprehensive Loss
For the Years Ended December 31,**

	2016	2015
Revenue	\$ 2,005,387	\$ 1,536,074
Operating expenses	<u>6,155,165</u>	<u>5,901,300</u>
Loss from operations	(4,149,778)	(4,365,226)
Other expense:		
Interest expense	(935,796)	(628,010)
Loss on derivative liability	(1,597,574)	-
Loss on convertible note exchange	-	(1,390,122)
	<u>(2,533,370)</u>	<u>(2,018,132)</u>
Loss before income taxes	(6,683,147)	(6,383,358)
Income tax benefit	<u>(315,533)</u>	<u>(403,714)</u>
Net loss	(6,367,614)	(5,979,644)
Other comprehensive income that may be reclassified subsequently to profit and loss:		
Foreign currency translation adjustments	<u>714,034</u>	<u>49,622</u>
Total comprehensive loss	<u>\$ (5,653,580)</u>	<u>\$ (5,930,022)</u>

Vito A. DiMenna