

CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY

Consolidated Balance Sheets

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash	\$ 49,801	\$ 5,745
Receivables, net of allowance of \$317,659 at December 31, 2015 and 2014	33,081	2,319
Inventory	4,028,220	4,118,220
Prepaid expenses and other current assets	58,034	253,102
Total current assets	4,169,136	4,379,386
Security Deposits	15,000	15,000
Property and equipment, net	23,726	35,640
TOTAL ASSETS	\$ 4,207,862	\$ 4,430,026
LIABILITIES AND SHAREHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable	\$ 1,895,382	\$ 1,346,138
Liabilities under claims purchase agreement	1,995,320	1,995,320
Accounts payable, GEOMC	4,182,380	4,182,380
Accrued expenses and other liabilities	2,248,024	1,590,182
Deferred revenue	6,400	19,686
Notes payable	3,785,063	2,536,830
Series C convertible preferred stock liability	375,000	375,000
Series C convertible preferred stock derivative liability	66,177	66,177
Total current liabilities	14,553,746	12,111,713
Long term notes payable	67,919	56,659
Commitments and contingencies		
Shareholders' deficit:		
5% preferred stock, \$25 par value, 35,920 shares authorized, 2,427 shares issued and outstanding	60,675	60,675
Series B preferred stock, \$0.001 par value, 20,000 shares authorized, no shares issued and outstanding	-	-
Series C convertible preferred stock, \$1,000 par value, 750 shares authorized, 375 shares issued and outstanding	-	-
Common stock, \$.01 par value, 100,000,000 shares authorized at December 31, 2015, 40,000,000 shares authorized at December 31, 2014, 28,515,888 shares issued and outstanding at December 31, 2015 and 25,908,978 shares issued and outstanding at December 31, 2014	285,158	259,089
Capital in excess of par value	48,611,413	47,634,857
Accumulated deficit	(59,371,049)	(55,692,967)
Total shareholders' deficit	(10,413,803)	(7,738,346)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	\$ 4,207,862	\$ 4,430,026

See accompanying notes

CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY

Consolidated Statements of Operations

	Year ended December 31, 2015	Year ended December 31, 2014
Revenue		
Product sales	\$ 891,472	\$ 1,045,080
Cost of product sales	<u>279,687</u>	<u>440,668</u>
Gross profit from product sales	611,785	604,412
Other Revenue		
Retained royalties	34,748	27,782
Other income	<u>69,304</u>	<u>90,776</u>
Total other revenue	104,052	118,558
Operating expenses		
Selling expenses	250,995	213,419
Personnel and consulting expenses	1,700,166	1,368,299
General and administrative expenses	<u>1,463,396</u>	<u>1,371,035</u>
Total operating expenses	3,414,557	2,952,753
Operating loss	(2,698,720)	(2,229,783)
Other expense (income)		
Interest expense	976,774	964,070
Interest expense – accelerated upon conversion of OID notes	-	35,109
Loss on conversion of notes	2,588	63,867
Loss on settlement of note and warrant	-	132,301
Unrealized gain on derivative instruments	-	<u>(14,231)</u>
Total other expense	979,362	1,181,116
Loss before income taxes	(3,678,082)	(3,410,899)
Provision (benefit) for income taxes	-	-
Net loss	\$ (3,678,082)	\$ (3,410,899)
Basic and diluted loss per share	\$ (0.13)	\$ (0.15)
Basic and diluted weighted average number of common shares outstanding:	27,885,238	23,513,870

See accompanying notes

CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY

Consolidated Statements of Changes in Shareholders' Deficit

	Preferred Stock		Common Stock		Capital in excess of par value	Accumulated deficit	Total Shareholders' Deficit
	Shares outstanding	Amount	Shares outstanding	Amount			
Balance – January 1, 2014	2,427	\$ 60,675	19,952,907	\$ 199,529	\$ 46,077,394	\$ (52,282,068)	\$ (5,944,470)
Net loss	-	-	-	-	-	(3,410,099)	(3,410,099)
Common shares and warrants issued for consulting services	-	-	60,000	600	84,600	-	85,200
Common stock issued to directors	-	-	10,625	106	3,932	-	4,038
Stock option compensation expense	-	-	-	-	57,291	-	57,291
Common stock issued upon conversion of notes	-	-	1,732,946	17,329	394,280	-	411,609
Private offering of common stock and warrants	-	-	4,152,500	41,525	788,975	-	830,500
Warrant and beneficial conversion feature on notes payable	-	-	-	-	121,741	-	121,741
Liabilities settled under Liability Purchase Agreement	-	-	-	-	106,644	-	106,644
Balance – December 31, 2014	2,427	60,675	25,908,978	259,089	47,634,857	(55,692,697)	(7,738,346)
Net loss	-	-	-	-	-	(3,678,082)	(3,678,082)
Common shares and warrants issued for consulting services	-	-	740,000	7,400	206,400	-	213,800
Common stock issued to directors	-	-	12,500	125	2,000	-	2,125
Stock option compensation expense	-	-	-	-	61,186	-	61,186
Common stock issued upon conversion of notes	-	-	29,410	294	5,588	-	5,882
Private offering of common stock and warrants	-	-	1,825,000	18,250	346,750	-	365,000
Warrant and beneficial conversion feature on notes payable	-	-	-	-	354,632	-	354,632
Balance – December 31, 2015	2,427	\$ 60,675	28,515,888	\$ 285,158	\$ 48,611,413	\$ (59,371,049)	\$ (10,413,803)

See accompanying notes

CALMARE THERAPEUTICS INCORPORATED AND SUBSIDIARY

Consolidated Statements of Cash Flows

	Year ended December 31, 2015	Year ended December 31, 2014
Cash flows from operating activities:		
Net loss	\$ (3,678,082)	\$ (3,410,899)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16,475	17,547
Stock option compensation expense	61,186	57,291
Share-based compensation – common stock	2,125	4,038
Common stock and warrants to consultants	213,800	85,200
Bad debt expense	41	216,505
Unrealized gain on derivative instrument	-	(14,231)
Debt discount amortization	402,918	217,323
Noncash finance charges	-	17,591
Loss on conversion of notes	2,588	63,867
Loss on settlement of note and warrant	-	132,301
Changes in assets and liabilities:		
Receivables	(30,803)	(75,494)
Prepaid expenses and other current assets	195,068	(187,935)
Inventory	90,000	160,000
Accounts payable, accrued expenses and other liabilities	1,207,086	1,641,927
Deferred revenue	(13,286)	13,286
Net cash used in operating activities	<u>(1,530,883)</u>	<u>(1,061,683)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(4,561)	(45,581)
Net cash used in investing activities	<u>(4,561)</u>	<u>(45,581)</u>
Cash flows from financing activities:		
Proceeds from notes payable	1,257,000	467,500
Repayment of note and warrant settlement	(42,500)	(242,000)
Proceeds from common stock and warrants	365,000	830,500
Net cash provided by financing activities	<u>1,579,500</u>	<u>1,056,000</u>
Net increase (decrease) in cash	44,056	(51,264)
Cash at beginning of year	5,745	57,009
Cash at end of year	<u>\$ 49,801</u>	<u>\$ 5,745</u>
Supplemental Cash Flow Information		
Cash Paid for interest	\$ 10,000	\$ -

See accompanying notes