MONTGOMERY COSCIA GREILICH LLP

ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

DECEMBER 31, 2016 AND 2015

ORE HOLDINGS, INC. AND SUBSIDIARY

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS:	
Consolidated Balance Sheets as of December 31, 2016 and 2015	2
Consolidated Statements of Comprehensive Income and Loss For the Years Ended December 31, 2016 and 2015	3
Consolidated Statements of Changes in Stockholders' Equity (Deficit) For the Years Ended December 31, 2016 and 2015	4
Consolidated Statements of Cash Flows For the Years Ended December 31, 2016 and 2015	5
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	6

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Ore Holdings, Inc. and Subsidiary:

We have audited the accompanying consolidated financial statements of Ore Holdings, Inc. and Subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive loss, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Ore Holdings, Inc. and Subsidiary as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2016 AND 2015

		2016		2015
ASSETS				
Current assets				
Cash and cash equivalents	$	116,862	$	268,240
Marketable securities available for sale		-		47,740
Prepaid expenses and other current assets		11,978		10,417
Total current assets		128,840		326,397
Investments		-		-
Total assets	$	128,840	$	326,397
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)				
Current liabilities				
Accounts payable	$	113,788	$	23,467
Accrued liabilities		32,769		40,709
Due to related party		2,512		2,512
Total current liabilities		149,069		66,688
Stockholders' equity (deficit)				
Preferred stock, $0.01 par value; 2,000,000 shares authorized, 1,005,228 shares issued and outstanding		10,052		10,052
Common stock, $0.01 par value, 15,000,000 shares authorized, 8,663,519 shares issued and outstanding		86,635		86,635
Additional paid-in capital		392,426,627		392,426,627
Accumulated other comprehensive loss		-		(10,038)
Accumulated deficit		(392,543,543)		(392,253,567)
Total stockholders' equity (deficit)		(20,229)		259,709
Total liabilities and stockholders' equity (deficit)	$	128,840	$	326,397

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

ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
REVENUE	$ -	$ -
OPERATING EXPENSES		
General and administrative	88,346	270,966
Management fees	240,000	240,000
Total operating expenses	328,346	510,966
Loss from operations	(328,346)	(510,966)
OTHER INCOME (EXPENSE)		
Loss from equity investment	-	(861,850)
Realized gain on sale of marketable securities (includes $10,038 and $19,725 accumulated other comprehensive loss reclassification in 2016 and 2015, respectively)	42,282	214,132
Interest income	6,794	20,439
Total other income (expense)	49,076	(627,279)
Net loss before income tax expense	(279,270)	(1,138,245)
INCOME TAX EXPENSE	(10,706)	-
NET LOSS	(289,976)	(1,138,245)
OTHER COMPREHENSIVE LOSS		
Unrealized loss on marketable securities	-	(7,910)
COMPREHENSIVE LOSS	$ (289,976)	$ (1,146,155)

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

ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Loss	Equity (Deficit)
Balance January 1, 2015	**1,005,228**	**$ 10,052**	**8,663,519**	**$ 86,635**	**$ 392,426,627**	**$ (391,115,322)**	**$ (21,853)**	**$ 1,386,139**
Unrealized loss on marketable securities	-	-	-	-	-	-	(7,910)	(7,910)
Reclassification of unrealized net losses on marketable securities	-	-	-	-	-	-	19,725	19,725
Net Loss	-	-	-	-	-	(1,138,245)	-	(1,138,245)
Balance December 31, 2015	**1,005,228**	**$ 10,052**	**8,663,519**	**$ 86,635**	**$ 392,426,627**	**$ (392,253,567)**	**$ (10,038)**	**$ 259,709**
Reclassification of unrealized net losses on marketable securities	-	-	-	-	-	-	10,038	10,038
Net Loss	-	-	-	-	-	(289,976)		(289,976)
Balance December 31, 2016	**1,005,228**	**$ 10,052**	**8,663,519**	**$ 86,635**	**$ 392,426,627**	**$ (392,543,543)**	**$ -**	**$ (20,229)**

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

ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Cash flows from operating activities:		
Net loss	$ (289,976)	$ (1,138,245)
Adjustments to reconcile net loss to net cash used in operating activities:		
Loss from equity investment	-	861,850
Realized gain from marketable securities	(42,282)	(214,132)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	(1,561)	-
Accounts payable	90,321	22,655
Accrued liabilities	(7,940)	13,512
Net cash used in operating activities	(251,438)	(454,360)
Cash flows from investing activities:		
Proceeds from sale of marketable securities	100,060	389,677
Net cash provided by investing activities	100,060	389,677
Cash flows from financing activities:	-	-
Net decrease in cash and cash equivalents	(151,378)	(64,683)
Cash and cash equivalents, beginning of year	268,240	332,923
Cash and cash equivalents, end of year	$ 116,862	$ 268,240
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ -	$ -
Cash paid for federal income taxes	$ -	$ -

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

NOTE 1. BUSINESS OVERVIEW

Ore Holdings Inc. ("Ore Holdings") is currently focused on investing in profitable operations to maximize the use of its net operating loss carry forwards.

On October 20, 2009, Ore Pharmaceuticals Inc. ("Ore") completed a reorganization that was undertaken primarily in order to better protect the value of its approximately $330 million in gross net operating and capital loss carry forwards. As a result of the reorganization, Ore Pharmaceuticals Inc. became a wholly owned subsidiary of a new company, Ore Pharmaceuticals Holdings Inc. There were no changes in stockholders at the date of reorganization. In June 2011, Ore Pharmaceutical Holdings, Inc. changed its name to Ore Holdings, Inc. All the outstanding shares of Ore Pharmaceuticals, Inc. were converted into shares of Ore Holdings.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principle of Consolidation

The accompanying consolidated financial statements include the accounts of Ore Holdings and its wholly owned subsidiary, Ore Pharmaceuticals, Inc. (collectively "the Company"). All intercompany accounts and transactions have been eliminated in consolidation. Investment in an unconsolidated subsidiary, Ballantyne Brands, LLC ("Ballantyne"), representing an ownership of 26.66% is accounted for under the equity method.

Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. The Company believes the estimates and assumptions utilized are reasonable; however, actual results could differ from those estimates.

Fair Market Value of Financial Instruments

Estimated fair value of cash and cash equivalents, marketable securities, accounts payable, accrued expenses, and other liabilities approximate their carrying amounts in the consolidated financial statements. The Company's financial instruments include marketable securities. The marketable securities are carried at fair value with changes in fair value recognized in other comprehensive income. Valuations are based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

The Company follows a framework for consistently measuring fair value under generally accepted accounting principles, and the disclosures of fair value measurements. The framework provides a fair value hierarchy to classify the source of the information.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Market Value of Financial Instruments, Continued

The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value and include the following:

> Level 1—Quoted prices in active markets for identical assets or liabilities.
>
> Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.
>
> Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Cash and cash equivalents and marketable securities, the only Level 1 inputs applicable to the Company (there are no Level 2 or 3 inputs), are reported at fair value on the consolidated balance sheets.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Company maintains cash deposits with federally insured financial institutions that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts, and management considers the risk to be minimal.

Marketable Securities

Marketable securities are made up of available-for-sale securities that are priced at net asset value. The unrealized gains and losses earned on marketable securities are reported as other comprehensive income or loss in the consolidated statements of comprehensive loss and changes in stockholders' equity.

On August 3, 2016, the Company sold its marketable securities for $58,795 and recognized a net gain of $1,017, which is included in the consolidated statements of comprehensive loss. Included in this net gain, were unrealized losses of $10,038, which were reclassified from accumulated other comprehensive loss. During the year ended December 31, 2016, the Company received $41,265 from the sale of marketable securities that were previously written off which resulted in a gain on sale of $41,265. This gain is reported in the consolidated statements of comprehensive loss as other income.

On July 23, 2015, the Company sold some marketable securities for $138,222 and recognized a net loss on sale of $37,323, which is included in the consolidated statements of comprehensive loss. Included in this net loss, were unrealized losses of $19,725, which were reclassified from accumulated other comprehensive loss. During the year ended December 31, 2015, the Company received $251,455 from the sale of marketable securities that were previously written off which resulted in a gain on sale of $251,455. This gain is reported in the consolidated statements of comprehensive loss as other income.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Equity Investments

The Company accounts for equity investments in less than 50%, but more than 20% owned subsidiaries using the equity method, recognizing its proportional share of the net income or loss of such subsidiaries as income (loss) from equity method investments.

Income Taxes

The Company files a consolidated federal income tax return. Income taxes are allocated to each entity in the consolidated group based on the taxable temporary differences of each entity using the asset and liability method of accounting. Deferred tax assets and liabilities are recognized for temporary differences between financial statement carrying amounts and the tax bases of assets and liabilities, and are measured using the tax rates expected to be in effect when the differences reverse. Deferred tax assets are also recognized for operating loss and tax credit carry-forwards. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the results of operations in the period that includes the enactment date. A valuation allowance is used to reduce deferred tax assets when uncertainty exists regarding their realization. The Company recorded a full valuation allowance on its net deferred tax assets as of December 31, 2016 and 2015.

NOTE 3. EQUITY INVESTMENTS

In November 2012, the Company acquired a 33.33% equity interest in Ballantyne Brands, LLC ("Ballantyne") for $1,000,000. On July 15, 2013, Ballantyne issued Class B Common Units. As a result of this transaction the Company's interest in Ballantyne decreased to 26.66%. The majority owner of Ballantyne and the Company are affiliates, as both companies are a common major stockholder. The Company's share of the income (loss) from Ballantyne for the years ended December 31, 2016 and 2015 was $1,484,509 and ($2,596,723), respectively. Using the equity method of accounting for this investment, the loss incurred by Ballantyne during the year ended December 31, 2015 reduced the initial investment value to $0 and the Company determined the collectability of the tax distribution receivable from Ballantyne was doubtful and subsequently written off. As of December 31, 2015, the Company's investment in Ballantyne had a cumulative loss of ($1,733,553) to be recaptured by future Ballantyne earnings. During the year ended December 31, 2016, the Company recaptured $1,484,509 of this loss from its share of the net income of Ballantyne. As of December 31, 2016, ($249,044) of this loss remains to be recaptured by the Company from Ballantyne's future earnings.

NOTE 4. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31:

	2016	2015
Accrued professional fees	$ 22,063	$ 26,000
Federal income tax payable	10,706	-
Other accrued liabilities	-	14,709
Total accrued liabilities	$ 32,769	$ 40,709

NOTE 5. INCOME TAXES

Income Tax Expense

The Company paid no federal income taxes during the years ended December 31, 2016 and 2015, due to net operating losses that have been carried forward from prior years; however, the Company accrued $10,706 for federal income taxes as of December 31, 2016, due to the alternative minimum tax requirement for the year then ended.

Reconciliation of Provision/Benefits

A reconciliation of the provision (benefit) for income taxes with amounts determined by applying the statutory U.S. federal income tax rate (34.00%) to income before income taxes is as follows for the years ended December 31:

	2016	2015
Tax benefit at federal statutory rate	$ (102,000)	$ (387,000)
State income taxes, net of federal income tax effect	233,000	290,000
True up	1,039,000	767,000
Change in valuation allowance	(1,159,000)	(670,000)
Income tax expense	$ 11,000	$ -

Summary of Deferred Tax Assets

Deferred tax assets consist of the following as of December 31:

	2016	2015
Deferred Tax Assets		
NOL and tax credit carryforwards	$ 106,232,000	$ 107,311,000
Research and development credit carryforwards	5,644,000	5,644,000
Capital loss carryforwards	23,000	3,000
Purchased research and development	502,000	721,000
Stock based compensation	-	78,000
Other	1,270,000	1,073,000
	113,671,000	114,830,000
Valuation allowance	(113,671,000)	(114,830,000)
Net deferred tax assets	$ -	$ -

Realization of the deferred tax assets is dependent on future earnings, if any, the timing and amount of which is uncertain. Accordingly, a valuation allowance in the amount equal to the deferred tax assets as of December 31, 2016 and 2015 has been established to reflect these uncertainties.

As of December 31, 2016, the Company has a net operating loss carry forward and a research and development tax credit carry forward of $307,223,591 and $307,515,362, respectively, which will expire between 2018 and 2033.

Uncertain Income Tax Positions

The Company adopted ASC 740, *Accounting for Uncertainty in Income Taxes.* The current Company policy classifies any interest or statutory penalties on a tax position recognized on an underpayment of income taxes as a component of income tax expense. The Company has not taken any tax position that if challenged, would have a material effect on the consolidated financial statements or effective tax rate for the years ended December 31, 2016 and 2015.

NOTE 6. STOCKHOLDERS' EQUITY

Preferred Stock

The Company is authorized to issue 2,000,000 shares of preferred stock with a par value of $.01 per share. On November 12, 2013, the Company entered into an agreement with Steel Partners to exchange the debt outstanding to the Company under the terms of the promissory note for shares of Series A Convertible Preferred Stock ("Preferred Stock"). As part of the agreement, the Company exchanged the $6,031,370 of principal and unpaid accrued interest for 1,005,228 Preferred Stock at a price of $6 per share. Each share of Preferred Stock is convertible to forty shares of Common Stock. As of December 31, 2016 and 2015, there were 1,005,228 shares issued and outstanding.

Common Stock

The Company is authorized to issue 15,000,000 shares of Common Stock with a par value of $.01 per share. As of December 31, 2016 and 2015 there were 8,663,519 shares issued and outstanding.

Voting

Each holder of outstanding shares of Preferred Stock shall be entitled to vote with holders of outstanding shares of Common Stock, voting together as a single class. Preferred Stock shall be entitled to a number of votes equal to the number of Common Stock into which the share is convertible.

Liquidation

In the event of liquidation the Preferred Stock then outstanding shall be paid on a pro rata basis with the Common Stock determined on an as-converted basis.

Stock Options

On October 20, 2009, the stockholders approved the 2009 Omnibus Equity Incentive Plan ("2009 Plan"). The 2009 Plan replaces both the Company's prior stock plans: 1997 Equity Incentive Plan and 1997 Non-Employee Directors' Stock Option Plan ('Prior Plans"). The 2009 Plan authorizes the following types of discretionary awards: annual incentive awards, incentive stock options, non-qualified stock options, performance awards (shares or units), restricted stock, and stock appreciation rights. The 2009 Plan currently authorizes for up to 700,000 shares of Common Stock, in addition to the number of shares remaining available under the Prior Plans or the number of shares that may become available due to expiration, cancellation or forfeiture under the Prior Plans. The stock options granted under the 2009 Plan generally expire at the earlier of a specified period after termination of service or the date specified by the Committee at the grant date, but not more than ten years from the date of grant. There were no stock options granted during the years ended December 31, 2016 and 2015. As of December 31, 2016 and 2015, there were no stock options outstanding.

A summary of the Company's stock option activity and related information is as follows for the year ended December 31:

	2015	
	Number of Options	**Weighted average exercise price**
Balance at beginning of year	108,000	$ 3.03
Forfeited	(101,000)	2.20
Expired	(7,000)	17.05
Balance at end of year	-	$ -

NOTE 7. RELATED PARTY TRANSACTIONS

During 2010, the Company entered into a management services agreement with SP Corporate Services, LLC ("SP Corporate"), as part of the closing conditions with Steel Partners, LTD ("Steel Partners"), an affiliated Company, as defined by the services agreement. SP Corporate is 100% owned by Steel Partners. Under the terms of the agreement, the Company is required to pay an annual management fee of $240,000. Management fees are paid monthly and totaled $240,000 for each of the years ended December 31, 2016 and 2015. Included in accounts payable as of December 31, 2016 and 2015 is $105,625 and $20,000, respectively, due to Steel Partners.

NOTE 8. SUBSEQUENT EVENTS

In accordance with ASC 855, *"Subsequent Events"*, the Company has evaluated events and transactions occurring subsequent to December 31, 2016, the consolidated balance sheet date, through May 5, 2017, the date the consolidated financial statements were available to be issued, and determined that no such events or transactions would impact the consolidated financial statements for the year ended December 31, 2016.