ORE HOLDINGS, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

DECEMBER 31, 2014 AND 2013

ORE HOLDINGS, INC. AND SUBSIDIARY

TABLE OF CONTENTS

MONTGOMERY COSCIA GREILICH LLP
Certified Public Accountants
972.748.0300 p
972.748.0700 f

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, 2014 and 2013, and the related consolidated statements of comprehensive income (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 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 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, 2014 and 2013, 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.

Montgomery Coscia Greilich LLP

MONTGOMERY COSCIA GREILICH LLP
Plano, Texas
June 17, 2015

ORE HOLDINGS, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Current assets		
Cash and cash equivalents	$ 332,923	$ 814,945
Marketable securities available for sale	211,470	206,150
Due from affiliates	596,350	596,350
Prepaid expenses and other current assets	10,417	9,491
Total current assets	1,151,160	1,626,936
Property and equipment, net	-	-
Investments	265,500	749,585
Total assets	$ 1,416,660	$ 2,376,521
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 812	$ 7,584
Accrued liabilities	27,197	24,851
Due to related party	2,512	-
Total current liabilities	30,521	32,435
Stockholders' equity		
Preferred stock, $0.01 par value; 2,000,000 shares authorized, 1,005,228 shares issued and outstanding as of December 31, 2014 and 2013	10,052	10,052
Common stock, $0.01 par value, 15,000,000 shares authorized, 8,663,519 shares issued and outstanding as of December 31, 2014 and 2013	86,635	86,635
Additional paid-in capital	392,426,627	392,426,627
Accumulated other comprehensive loss	(21,853)	(27,173)
Accumulated deficit	(391,115,322)	(390,152,055)
Total stockholders' equity	1,386,139	2,344,086
Total liabilities and stockholders' equity	$ 1,416,660	$ 2,376,521

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

ORE HOLDINGS, INC AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
REVENUE	$ -	$ -
OPERATING EXPENSES		
General and administrative	276,473	349,341
Management fees	240,000	240,000
Depreciation and amortization	-	1,475
Total operating expenses	516,473	590,816
Loss from operations	(516,473)	(590,816)
OTHER INCOME (EXPENSE)		
Income (loss) from equity investment	(484,085)	1,314,747
Realized loss on sale of marketable securities (includes $92,535 accumulated other comprehensive loss reclassification in 2013)	-	(61,519)
Interest income (expense), net	37,291	(554,518)
Total other income (expense)	(446,794)	698,710
Net income (loss) before income tax provision	(963,267)	107,894
Income tax provision	-	-
NET INCOME (LOSS)	(963,267)	107,894
OTHER COMPREHENSIVE INCOME		
Unrealized gain on marketable securities	5,320	32,615
COMPREHENSIVE INCOME (LOSS)	$ (957,947)	$ 140,509

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, 2014 AND 2013

	Preferred Stock		Common Stock		Additional	Accumulated	Accumulated Other Comprehensive	Total Stockholders'
	Shares	Amount	Shares	Amount	Paid-In Capital	Deficit	Loss	Equity (Deficit)
Balance December 31, 2012	-	$ -	8,663,519	$ 86,635	$ 386,405,309	$ (390,259,949)	$ (152,323)	$ (3,920,328)
Issuance of Series A convertible preferred stock	1,005,228	10,052	-	-	6,021,318	-	-	6,031,370
Unrealized gain on marketable securities	-	-	-	-	-	-	32,615	32,615
Reclassification of unrealized net losses on marketable securities	-	-	-	-	-	-	92,535	92,535
Net Income	-	-	-	-	-	107,894	-	107,894
Balance December 31, 2013	1,005,228	$ 10,052	8,663,519	$ 86,635	$ 392,426,627	$ (390,152,055)	$ (27,173)	$ 2,344,086
Unrealized gain on marketable securities	-	-	-	-	-	-	5,320	5,320
Net Loss	-	-	-	-	-	(963,267)	-	(963,267)
Balance December 31, 2014	**1,005,228**	**$ 10,052**	**8,663,519**	**$ 86,635**	**$ 392,426,627**	**$ (391,115,322)**	**$ (21,853)**	**$ 1,386,139**

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, 2014 AND 2013

	2014	2013
Cash flows from operating activities:		
Net income (loss)	$ (963,267)	$ 107,894
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	-	1,475
Loss (income) from equity investment	484,085	(1,314,747)
Realized loss on sale of marketable securities	-	61,519
Changes in operating assets and liabilities:		
Accounts receivable	-	17,250
Prepaid expenses and other current assets	(926)	(1,991)
Accounts payable	(6,772)	7,584
Due to related party	2,512	-
Accrued liabilities	2,346	569,201
Net cash used in operating activities	(482,022)	(551,815)
Cash flows from investing activities:		
Distributions received from equity investment	-	1,000,000
Proceeds from sale of marketable securities	-	207,221
Net cash provided by investing activities	-	1,207,221
Cash flows from financing activities:	-	-
Net increase (decrease) in cash and cash equivalents	(482,022)	655,406
Cash and cash equivalents, beginning of year	814,945	159,539
Cash and cash equivalents, end of year	$ 332,923	$ 814,945
Non-cash financing activities:		
Exchange of related party note payable and accrued interest for preferred stock	$ -	$ 6,031,370
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 redeploy its working capital and 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 33.33% through July 15, 2013 and 26.66% thereafter, 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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fair Market Value of Financial Instruments, Continued

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.

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 income (loss) and changes in stockholders' equity (deficit).

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.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation. Depreciation for financial reporting purposes commences when the assets are placed in service on a straight line basis over the estimated useful lives of the assets.

Expenditures for repairs and maintenance are charged to expense as incurred. Expenditures for major renewals and betterments, which extend the useful lives of the existing property and equipment, are capitalized and depreciated. Upon retirement or disposition of property and equipment, the cost and related accumulated depreciation are removed from the accounts and any gain or loss is recognized in the consolidated statements of operations.

Impairment of Long-Lived Assets

In accordance with ASC 360-10, *"Accounting for the Impairment or Disposal of Long-Lived Assets"*, the Company periodically reviews the carrying value of its long-lived assets, such as property and equipment and intangible assets, to test whether current events or circumstances indicate that such carrying value may not be recoverable. If the tests indicate that the carrying value of the asset is greater than the expected cash flows to be generated by such assets, then an impairment adjustment is recognized for the excess of the carrying value over fair value. There were no impairments recorded for the years ended December 31, 2014 and 2013.

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, 2014 and 2013.

NOTE 3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	Useful Lives	2014	2013
Computer	4 years	$ 29,454	$ 29,454
Software	4 years	12,816	12,816
Total cost		42,270	42,270
Less accumulated depreciation		(42,270)	(42,270)
Property and equipment, net		$ -	$ -

Depreciation expense was $0 and $1,475 for the years ended December 31, 2014 and 2013, respectively.

NOTE 4. 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 have a common major shareholder. Income (loss) from Ballantyne for the years ended December 31, 2014 and 2013 was ($484,085) and $1,314,747, respectively.

NOTE 5. ACCRUED LIABILITIES

Accrued liabilities consist of the following as of December 31:

	2014	2013
Accrued professional fees	$ 18,399	$ 24,851
Other accrued liabilities	8,798	-
Total accrued liabilities	$ 27,197	$ 24,851

NOTE 6. NOTES PAYABLE

On October 21, 2010, the Company entered into a related party secured promissory note with Steel Partners, LTD ("Steel Partners"), the majority owner of the Company. The note has a maturity date of October 21, 2015 and bears interest at 12% per annum. On November 12, 2013 the Company entered into an agreement with Steel Partners to exchange the debt, principal and accrued interest on the note, for 1,005,228 shares of Series A convertible preferred stock with a par value of $0.01 and a fair value of $6 per share, as of the date of exchange.

NOTE 7. INCOME TAXES

Income Tax Expense

The Company paid no federal income taxes during the years ended December 31, 2014 and 2013 due to net operating losses that have been carried forward from prior years. For the years ended December 31, 2014 and 2013 there were no income tax benefits.

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 to income before income taxes is as follows for the years ended December 31:

	2014	2013
Tax expense (benefit) at federal statutory rate	$ (328,000)	$ 37,000
State income taxes, net of federal income tax effect	1,555,000	(1,277,000)
True up	3,100,000	80,000
Change in valuation allowance	(4,327,000)	1,160,000
	$ -	$ -

NOTE 7. INCOME TAXES, CONTINUED

Summary of Deferred Tax Assets

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

	2014	2013
Deferred Tax Assets		
NOL and tax credit carryforwards	$ 107,499,000	$ 109,280,000
Research and development credit carryforwards	5,644,000	5,644,000
Capital loss carryforwards	85,000	3,366,000
Purchased research and development	958,000	1,279,000
Stock based compensation	124,000	253,000
Other	1,190,000	5,000
	115,500,000	119,827,000
Valuation allowance	(115,500,000)	(119,827,000)
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, 2014 and 2013 has been established to reflect these uncertainties.

As of December 31, 2014 the Company has a net operating loss carry forward and a research and development tax credit carry forward of $307,515,362 and $5,316,749, 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, 2014 and 2013. The statute of limitations differs from state to state; however, generally tax years 2010-2014 remain open to examination as of the consolidated balance sheet date.

NOTE 8. 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, 2014 and 2013 there were 1,005,228 shares issued and outstanding.

NOTE 8. STOCKHOLDERS' EQUITY, CONTINUED

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, 2014 and 2013 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, 2014 and 2013. As of December 31, 2014 and 2013 there were 108,000 and 126,000 stock options outstanding, respectively.

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

	2014		2013	
	Number of Options	**Weighted average exercise price**	**Number of Options**	**Weighted average exercise price**
Balance at beginning of year	126,000	$ 5.12	207,000	$ 4.51
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	(75,000)	0.66
Expired	(18,000)	17.65	(6,000)	40.00
Balance at end of year	108,000	$ 3.03	126,000	$ 5.12
Options exercisable at year end	108,000	$ 3.03	126,000	$ 5.12

NOTE 9. 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. SP Corporate Services, LLC 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, 2014 and 2013.

NOTE 10. SUBSEQUENT EVENTS

In accordance with ASC 855, *"Subsequent Events"*, the Company has evaluated events and transactions occurring subsequent to December 31, 2014, the consolidated balance sheet date, through June 17, 2015, 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, 2014.