

**GOUR MEDICAL AG  
ZUG**

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**REPORT OF THE STATUTORY AUDITOR**  
to the General Meeting  
on the financial statements as of  
**December 31, 2016**

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## Report of the Statutory Auditor to the General Meeting of Gour Medical AG, Zug

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We have audited the accompanying financial statements of Gour Medical AG, which comprise the balance sheet as at December 31, 2016, the income statement and the cash flow statement for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements for the year ended December 31, 2016 comply with Swiss law and the company's articles of association.

### Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the « Auditor's responsibilities for the audit of the financial statements » section of our report.

We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Report on key audit matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

Except for the matter described in the last paragraph of our report « additional information with regard to the over indebtedness of the company », we have determined that there were no other key audit matters to be communicated in our report.

### Other Matter

The financial statements of the company for the year ended December 31, 2015 were audited by an independent auditor whose report dated September 29, 2016, expressed an unqualified opinion on those financial statements.

### Responsibilities of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **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 a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. 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;
- 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 internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

In accordance with article 728a para. 1 item 3 CO and Swiss Auditing Standard 890, we do not confirm that an internal control system exists, properly designed for the preparation of financial statements according to the instructions of the Board of Directors.

We recommend that the financial statements submitted to you be approved.

Further, we draw your attention to the fact that the Company is over-indebted as per article 725 para. 2 CO. Due to the fact that the Company's creditors subordinated their claims amounting to CHF 500'000 and due to restructuring measures taken by the Board of Directors, as described in note 13, the Board of Directors has refrained from notifying the Court.

### **MAZARS SA**



Franck Paucod  
Licensed Audit Expert  
(Auditor in Charge)



Marie-Blanche Zahno  
Licensed Audit Expert

Geneva, June 20, 2017

### **Enclosure:**

- Financials statements (balance sheet, income statement, cash flow statement and notes)

## Gour Medical SA, Zug

### Balance sheet as at 31 December (in Swiss francs)

| Assets                                 | 31.12.2016      | 31.12.2015      |
|--|-----------------|-----------------|
| <b>Current assets</b>                  |                 |                 |
| Cash and cash equivalents              | 132'613         | 200'637         |
| Other current receivables              | 4'006           | 55              |
| due from third parties                 | 4'006           | 55              |
| Accrued income and prepaid expenses    | 715             |                 |
| <b>Total current assets</b>            | <b>137'334</b>  | <b>200'692</b>  |
| <b>Total assets</b>                    | <b>137'334</b>  | <b>200'692</b>  |
|  |                 |                 |
| Liabilities                            | 31.12.2016      | 31.12.2015      |
| <b>Short-term liabilities</b>          |                 |                 |
| Other short-term liabilities           | 20'934          | 1'329           |
| due from third parties                 | 20'934          | 1'329           |
| Accrued expenses and deferred income   | 72'939          | 45'834          |
| Short-term provisions                  |                 |                 |
| <b>Total short-term liabilities</b>    | <b>93'873</b>   | <b>47'163</b>   |
| <b>Long-term liabilities</b>           |                 |                 |
| Long-term interest-bearing liabilities | 500'000         | 500'000         |
| due from third parties                 | 500'000         | 500'000         |
| Other long-term liabilities            | 108'020         | -               |
| due from third parties                 | 108'020         |                 |
| <b>Total long-term liabilities</b>     | <b>608'020</b>  | <b>500'000</b>  |
| <b>Total liabilities</b>               | <b>701'893</b>  | <b>547'163</b>  |
| <b>Shareholders' equity</b>            |                 |                 |
| Share capital                          | 283'000         | 100'000         |
| Loss brought forward                   | -446'469        | -124'594        |
| Loss for the year/period               | -401'088        | -321'876        |
| <b>Total shareholders' equity</b>      | <b>-564'558</b> | <b>-346'469</b> |
| <b>Total liabilities</b>               | <b>137'334</b>  | <b>200'692</b>  |

## Gour Medical SA, Zug

**Profit and loss statement for the financial year/period  
ended 31 December  
(in Swiss francs)**

### P&L by nature of expense

|   | 2016            | 2015            |
|---|-----------------|-----------------|
| License agreement costs                   | -550            | -149'110        |
| Other operating expenses                  | -374'704        | -159'686        |
| <b>Earnings before interest and taxes</b> | <b>-375'254</b> | <b>-308'796</b> |
| Financial income                          | 55              | 15'145          |
| Financial expenses                        | -25'814         | -28'192         |
| <b>Earnings before taxes</b>              | <b>-401'013</b> | <b>-321'843</b> |
| <b>Loss before taxes</b>                  | <b>-401'013</b> | <b>-321'843</b> |
| Direct taxes                              | -75             | -33             |
| <b>Loss for the year/period</b>           | <b>-401'088</b> | <b>-321'876</b> |

## Gour Medical SA, Zug

### Cash flow statement for the financial year ended 31 December (in Swiss francs)

|  | 2016            | 2015            |
|--|-----------------|-----------------|
| Profit/loss for the year   | -401'088        | -321'877        |
| Net increase/decrease in current receivables   | -3'951          | -55             |
| Net increase/decrease in accrued income and prepaid expenses   | -715            | -               |
| Net increase/decrease in short-term liabilities (excluding financial liabilities)  | 19'605          | -21'836         |
| Net increase/decrease in accrued expenses and deferred income  | 27'105          | 40'174          |
| <b>Cash flow from operating activities</b>   | <b>-359'044</b> | <b>-303'594</b> |
| <b>Cash flow from investing activities</b>   | <b>-</b>        | <b>-</b>        |
| Net increase/decrease in long-term financial liabilities   | 108'020         | -               |
| Proceeds from capital increase   | 183'000         | -               |
| <b>Cash flow from financing activities</b>   | <b>291'020</b>  | <b>-</b>        |
| <b>Net increase/decrease in cash and cash equivalents and short-term investments with a quoted market price</b>              | <b>-68'024</b>  | <b>-303'594</b> |
| <b>Statement of net increase/decrease in cash and cash equivalents and short-term investments with a quoted market price</b> |                 |                 |
| As at January 1  | 200'637         | 504'231         |
| As at December 31  | 132'613         | 200'637         |
| <b>Net increase/decrease in cash and cash equivalents</b>  | <b>-68'024</b>  | <b>-303'594</b> |

**Notes to the 2016 financial statements  
(in Swiss francs)**

**1 General information**

Gour Medical SA ("the Company"), incorporated on July 22, 2014 in Zug, is a Swiss based veterinary biomedical company leveraging the advances in human research and applying them to medical solutions for companion animals. Integrated and innovative therapeutic solutions developed by the Company address companion animals' unmet medical needs by treating or preventing their most significant health issues.

The Company structured a balanced portfolio including non-regulated and regulated products.

**2 Significant accounting policies**

These financial statements have been prepared in accordance with the provisions of commercial accounting as set out in the Swiss Code of Obligations (Art. 957 to 963b CO, effective since January 1st, 2013).

Cash balances, denominated in Swiss francs, include cash deposited in demand bank accounts.

Unless otherwise stated, the other assets and liabilities are stated at their nominal values.

Prepayments are comprised of payments made in advance relating to the following year.

Accrued expenses include expenses of the current year which will not be received until after the balance sheet date.

**3 Foreign currencies**

Monetary and non-monetary items in foreign currency are translated into Swiss francs at the following exchange rates:

| Foreign currency | 2016 profit and loss statement | Balance sheet as at 31.12.2016 |
|------------------|--------------------------------|--------------------------------|
| 1 EUR            | 1.072                          | 1.072                          |

The exchange rates used for balance sheet items and for transactions conducted during the course of the year are the rates prevailing on December 31.

**4 Declaration on the number of full-time equivalents**

The Company has no employee.

**5 Pension liabilities**

There is no pension liability at December 31, 2016 (2015: nil).

**6 Contingent liabilities**

None

**7 Shares and options held by management, administrative bodies and employees**

|                               | Nominal values | No. of shares at 31.12.2016 |
|-------------------------------|----------------|-----------------------------|
| Management/board of directors | CHF 0.10       | 79'078.00                   |

**8 Significant events occurring after the balance sheet date**

None

**9 Fees paid to the auditor**

|                | 2016      | 2015      |
|----------------|-----------|-----------|
| Audit services | 25'900.00 | 14'000.00 |

**10 Long-term interest-bearing liabilities (1-5 years)**

|   | 31.12.2016        | 31.12.2015        |
|---|-------------------|-------------------|
| Loan  | 500'000.00        | 500'000.00        |
| <b>Due to third parties</b>                                     | <b>500'000.00</b> | <b>500'000.00</b> |
| <b>Total long-term interest-bearing liabilities (1-5 years)</b> | <b>500'000.00</b> | <b>500'000.00</b> |

The other long term liabilities (CHF 108'020 at December 31, 2016) have been incorporated into share capital and agio on June 19, 2017 (refer to note 13).



## Notes to the 2016 financial statements

(in Swiss francs)

### 11 Loan

A convertible loan has been obtained on November 26, 2014 for an amount of CHF 500'000.

The loan contract provides that should the Borrower be in a situation of overindebtedness within the meaning of Article 725 al. 2 CO, as shown in a Balance sheet to be delivered to the Lender, the Lender undertakes to subordinate any Part of the Convertible Loan within the meaning of Article 725 al. 2 CO, which is necessary (and only what is necessary) to cover the overindebtedness shown in the Balance sheet.

As the company had a negative equity at December 31, 2014 this convertible loan has been formally subordinated on March 24, 2015 for an amount of CHF 150'000. Additional subordination has not been formalized in 2016 or in 2017.

On January 31, 2017 a new agreement has been signed between the Company and the Lender.

In this new agreement, the Lender renounced to use its rights of conversion.

In addition, the parties have agreed to the following new terms:

\* the interest rate amounts to 5%

\* the loan payback mechanism is now as follows: the Borrower shall pay 7.5% of any fund raising until the loan principal and interest will be fully paid, with a minimum payment of CHF 50'000 to be paid at the end of each fund raising period.

The remaining part of the loan will have to be fully reimbursement before May 31, 2018.

### 12 Equity

On October 31, 2016 the share capital of the company has been increased from CHF 100'000 to CHF 283'000, by creation of 1'830'000 new shares at CHF 0.10 nominal value.

On November 29, 2016 the shareholders have authorized future capital increase for a total amount of CHF 141'500, by creation of 1'415'000 new shares at CHF 0.10 nominal value.

### 13 Overindebtedness

At December 31, 2016 the Company has a negative equity of CHF 564'559 (art. 725.2 CO).

The following restructuring measures have been taken:

\* the loan amounting to CHF 500'000 has been fully subordinated (maturity on May 31, 2018)

\* on June 19, 2017 the share capital has been increased by 38'124 shares, creating an additional equity of CHF 108'020 (share capital for CHF 3'812.40 and agio for CHF 104'207.60).

In addition, the Company has been listed on Euronext on December 1st, 2016 and a fundraising program has been planned for a potential amount of CHF 6'950'000.

Because of these restructuring measures, the Board of Directors has not informed the Judge about the situation of negative equity at December 31, 2016 (art. 725.2 CO).

### 14 Shareholder and Directors

The main shareholder of the Company is Mr. Serge Goldner.

The Directors of the Company have received the following options:

|   | Options allocated<br>in 2015 | Options allocated<br>in 2016 | Nominal Value<br>(CHF) |
|---|------------------------------|------------------------------|------------------------|
| Serge Goldner, Chairman                                 | 10,904                       | 19,886                       | 0.1                    |
| Patrick Scherrer, Board member (via SwissINNO Plus)     | 2,203                        | 26,085                       | 0.1                    |
| Christian Grandjean, Board member (via VLP Advisors AG) | 0                            | 20,000                       | 0.1                    |
| <b>Total Board of Directors</b>                         | <b>13,107</b>                | <b>65,971</b>                | <b>0.1</b>             |