

TRIREME SYSTEMS LTD.

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Trireme Systems Ltd.
Unaudited Financial Statements
December 31 2015

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TRIREME SYSTEMS LTD.

Disclaimer

The Company currently uses QuickBooks® in the USA managed by management in Baltimore office and retains an outside accounting firm in the UK to produce unaudited financial statements for Aralia Ltd. Trireme has retained an Accounting firm in Baltimore, MD to prepare State and Federal tax filings. The Company uses an Accrual basis accounting method in the USA and the UK.

These accounts are dated December 31, 2015, are prepared as of February 8, 2016 by management.

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1 Notes about Preparation of Accounts.

- Aralia Ltd. accounts have been prepared by Neville Weston Ltd. an accountancy firm in the UK but have not been audited.

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2 **Trireme Unaudited Consolidated Profit and Loss - Unaudited**

		TRIREME SYSTEMS LTD. UNAUDITED CONSOLIDATED PROFIT & LOSS STATEMENT			
		2015	2014	\$ Change	% Change
GRANT RECEIVED		\$ 163,021	\$ 44,743	\$ 118,278	264%
OTHER REVENUE		\$ 1,781,128	\$ 2,451,237	\$ (670,110)	-27%
TOTAL		\$ 1,944,149	\$ 2,495,981	\$ (551,832)	-22%
COGS		\$ 222,129	\$ 479,269	\$ (257,140)	-54%
GROSS PROFIT		\$ 1,722,020	\$ 2,016,712	\$ (294,692)	-15%
OPERATING EXPENSES					
Research and Development		\$ 349,635	\$ 656,722	\$ (307,087)	-47%
Sales & Marketing					
Sales Expense		\$ 369,560		\$ (369,560)	0%
Marketing Expense		\$ 20,619	\$ 6,166	\$ 14,454	234%
		\$ 390,179	\$ 6,166	\$ 384,013	6228%
General & Administrative				\$ -	
Finance, Admin and Accounting		\$ 11,696	\$ 13,527	\$ (1,832)	-14%
Executive Expense		\$ 57,302	\$ 66,592	\$ (9,290)	-14%
Operating Expense		\$ 373,205	\$ 365,026	\$ 8,179	2%
Communication Expense		\$ 20,997	\$ 24,601	\$ (3,603)	-15%
Professional Fees		\$ 58,519	\$ 39,719	\$ 18,799	47%
Travel and Entertainment		\$ 36,522	\$ 78,712	\$ (42,190)	-54%
Miscellaneous		\$ 11	\$ (45)	\$ 57	
Office Expense		\$ 80,040	\$ 80,526	\$ (487)	-1%
Insurance		\$ 84,546	\$ 75,718	\$ 8,829	12%
Depreciation Expense		\$ 2,366	\$ 2,854	\$ (487)	-17%
		\$ 725,204	\$ 747,231	\$ (22,026)	-3%
Total Operating Expenses		\$ 1,465,018	\$ 1,410,118	\$ 54,900	4%
OPERATING INCOME (LOSS)		\$ 257,001	\$ 606,593	\$ (349,592)	-58%
	Other (Income) / Expense	\$ (123,922)	\$ 3,587,429	\$ (3,711,350)	-103%
	Interest Expense, net	\$ 43,426	\$ 56,031	\$ (12,606)	-22%
INCOME BEFORE TAX		\$ 337,498	\$ (3,036,867)	\$ 3,374,364	
	Taxes	\$ 6,829	\$ 11,084	\$ (4,255)	-38%
NET INCOME		\$ 330,669	\$ (3,047,950)	\$ 3,378,619	

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3 Trireme Consolidated Balance Sheet - Unaudited

TRIREME SYSTEMS, LTD UNAUDITED CONSOLIDATED BALANCE SHEET

CURRENT ASSETS	2015	2014	\$ Change	% Change
Current Assets:				
Cash	\$ 316,508	\$ 194,528	\$ 121,980	62.71%
Accounts Receivable	\$ 182,024	\$ 473,386	\$ (291,362)	-61.55%
Inventory	\$ -	\$ -	\$ -	0.00%
Investment	\$ -	\$ -	\$ -	0.00%
Other Current Assets	\$ 197,336	\$ 415,860	\$ (218,524)	-52.55%
Total Current Assets	\$ 695,868	\$ 1,083,774	\$ (387,907)	-35.79%
OTHER ASSETS				
Fixed Assets net of depreciation	\$ 11,025	\$ 12,462	\$ (1,436)	-11.53%
Other Assets	\$ 88,942	\$ 99,714	\$ (10,772)	-10.80%
Total Other Assets	\$ 99,967	\$ 112,175	\$ (12,208)	-10.88%
TOTAL ASSETS	\$ 795,835	\$ 1,195,950	\$ (400,115)	-33.46%
LIABILITIES AND CAPITAL				
CURRENT LIABILITIES				
Accounts payable	\$ 326,465	\$ 400,817	\$ (74,352)	-18.55%
Other Current Liabilities	\$ 1,542	\$ 26,051	\$ (24,509)	-94.08%
Notes Payable	\$ 540,168	\$ 1,035,722	\$ (495,553)	-47.85%
Accrued expenses	\$ 2,111,781	\$ 2,265,641	\$ (153,860)	-6.79%
Total Current Liabilities	\$ 2,979,956	\$ 3,728,230	\$ (748,274)	-20.07%
OTHER LIABILITIES				
Long Term Liabilities				
Total Liabilities	\$ 2,979,956	\$ 3,728,230	\$ (748,274)	-20.07%
Preferred Stock Series A at Par	\$ 1,488	\$ 1,488	\$ -	0.00%
Preferred Stock Series C at Par	\$ 64	\$ 64	\$ -	0.00%
Common Stock	\$ 35,702	\$ 35,702	\$ -	0.00%
ADDITIONAL PAID IN CAPITAL - Series A	\$ 14,880,312	\$ 14,880,312	\$ -	0.00%
ADDITIONAL PAID IN CAPITAL - Series C	\$ 643,736	\$ 643,736	\$ -	0.00%
ADDITIONAL PAID IN CAPITAL	\$ 4,973,410	\$ 4,973,410	\$ -	0.00%
RETAINED EARNINGS	\$ (22,839,272)	\$ (19,887,142)	\$ (2,952,130)	14.84%
NET INCOME	\$ 330,669	\$ (3,047,950)	\$ 3,378,619	-110.85%
BSTA	\$ (210,229)	\$ (131,900)	\$ (78,330)	59.39%
Minority Interest			\$ -	
CAPITAL	\$ (2,184,121)	\$ (2,532,280)	\$ 348,159	-13.75%
TOTAL LIABILITIES AND CAPITAL	\$ 795,835	\$ 1,195,950	\$ (400,115)	-33.46%

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4 Trireme Consolidated Cash Flow Statement - Unaudited

TRIREME SYSTEMS, LTD UNAUDITED CONSOLIDATED CASH FLOW

OPERATING ACTIVITIES	2015	2014	\$ Change	% Change
Net Income	\$ 330,669	\$ (3,047,950)	\$ 3,378,619	-111%
<u>Add: Non Cash Items</u>				
Depreciation	\$ 2,366	\$ 2,854	\$ (487)	-17%
Amortization	\$ -	\$ -	\$ -	0%
Loss on Investments	\$ -	\$ 3,266,650	\$ (3,266,650)	-100%
<u>Change in Working Capital:</u>				
Receivables	\$ 218,606	\$ (354,540)	\$ 573,147	-162%
Accounts Payable	\$ (7,117)	\$ 126,311	\$ (133,428)	-106%
Other Current Assets	\$ 177,844	\$ 292,011	\$ (114,167)	-39%
Inventory	\$ -	\$ -	\$ -	
Other Current Liabilities	\$ 10,719	\$ 13,746	\$ (3,027)	-22%
Accrued Expenses	\$ (143,179)	\$ (194,933)	\$ 51,754	-27%
Notes Payable	\$ (453,165)	\$ (197,019)	\$ (256,146)	130%
Other Assets	\$ -	\$ -	\$ -	
BSTA	\$ (9,856)	\$ 1,782	\$ (11,638)	-653%
Net cash provided by Operating Activities	\$ 126,887	\$ (92,872)	\$ 219,759	-237%
INVESTING ACTIVITIES				
Capital Expenditures	\$ (2,122)	\$ (1,252)	\$ (870)	69%
Net cash provided by Investing Activities	\$ (1,252)	\$ (1,252)	\$ (0)	0%
FINANCING ACTIVITIES				
Investment in Subsidiaries	\$ -	\$ -	\$ -	
Preferred Shares	\$ -	\$ -	\$ -	
Common Shares	\$ -	\$ -	\$ -	
Additional Paid In Capital	\$ -	\$ -	\$ -	
Minority Interest	\$ -	\$ -	\$ -	
BSTA	\$ -	\$ -	\$ -	0%
Net cash provided by Financing Activities	\$ -	\$ -	\$ -	0%
Net Cash Increase for period	\$ 123,377	\$ (92,342)	\$ 215,719	-234%
Cash at beginning of period	\$ 193,131	\$ 286,870	\$ (93,740)	-33%
Cash at the end of period	\$ 316,508	\$ 293,800	\$ 22,708	8%

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Management's Discussion of Results and Analysis

Results for the fiscal year ended December 31, 2015 compared to December 31, 2014.

Revenue for the fiscal year ended December 31, 2015 totaled approximately \$1,944,149 reflecting a decrease of approximately \$551,831 over the fiscal year ended December 31, 2014. The revenue is mainly attributable to multiple projects with the same client in Baltimore, as well as few development grant contracts with United Kingdom government agencies. The decline in revenue is attributable to fluctuation in work orders under the projects in Baltimore. (*See page 13*)

Cost of goods sold for the fiscal year ended December 31, 2015 decreased to approximately \$222,129 compared to approximately \$479,269 for the fiscal year ended December 31, 2014. The decrease is mainly attributable to fewer hardware sales and costs associated with the resale of servers to the customer in Baltimore. In addition, an employee was transferred from the UK to the USA and a percentage of such expenses were previously booked under COGS in the UK and so have reduced such costs in the UK.

Gross profit margin for the fiscal year ended December 31, 2015 increased to 88% compared to 81% in the fiscal year ended December 31, 2014. The gross profit margin increase is mainly due to the reduction in servers for resale under Phase IV in Baltimore which have a lower profit margin.

Research and Development expenses for the year ended December 31, 2015 decreased to approximately \$349,635 compared to approximately \$656,722 for the year ended December 31, 2014. This decrease reflects the expenses related to reduced time from consultants, employees and management time needed to complete development grant projects in the UK.

General and administrative expenses for the fiscal year ended December 31, 2015 totaled approximately \$725,204 reflecting a decrease of approximately \$22,000 over the fiscal year ended December 31, 2014 of \$747,231.

Sales and marketing expenses for the fiscal year ended December 31, 2015 totaled approximately \$390,179 reflecting an increase over the fiscal year ended December 31, 2014 of \$6,166. The increase in expenses is attributable to the Company aligning employees to devote more time to sales and marketing, developing partnerships, attending industry conferences in the USA and

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UK, and transferring an employee from the UK to the USA to support pre sales efforts. In addition executive management time was largely engaged with sales efforts in Europe and North Africa.

Operating Income for the fiscal year ended December 31, 2015 totaled approximately \$257,001 compared to an operating profit of approximately \$606,593 in the fiscal year ended December 31, 2014.

Other (income) and expenses for the fiscal year ended December 31, 2015 totaled approximately (\$123,922) in 2015. This income is due to the balance of loan from CSI being forgiven, that offset the loss from a further write down in the Work in Progress related to the work completed on a project in Mexico but unable to invoice for. In 2014 a total of non-cash expenses were \$3,587,429 due to the loss of investment from the disposal of Peak Wireless, and a percentage write down from the Work in Progress in the UK.

Interest Expense declined to \$43,426 in 2015 from \$56,031 in 2014 as gradual paying down of loans to Notes holders took place throughout the year.

(Details of expenses for each entity including Trireme can be seen on *page 13*.)

Taxes in 2015 reflect decreased tax payments to respective authorities and no credit back was received from the UK Government. The taxes paid during 2015 were for reduced level of franchise taxes, and state income tax and property taxes.

Net profit for the fiscal year ended December 31, 2015 totaled approximately \$330,669 compared to a loss of approximately \$(3,047,950) for the fiscal year ended December 31, 2014. when Peak Wireless was disposed of.

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5 Notes to Comparative Consolidated Financial Statements

Summary of Accounting Policies

Organization

Trireme Systems Ltd. (“Trireme”), a Delaware corporation, is holding company that today through its subsidiaries surveillance products and services, for the commercial and security needs of businesses and government agencies.

Consolidation

Investee companies in which Trireme directly or indirectly owns more than 50% of the outstanding voting securities or over which Trireme has effective control over are generally accounted for under the consolidation method of accounting. Under this method, an investee company’s balance sheet and results of operations are reflected in Trireme’s consolidated financial statements.

The consolidated financial statements include the accounts of Trireme Systems Ltd., Aralia Systems, Inc. and Aralia Systems Ltd. for 2015 (together the “Company”).

The consolidated financial statements include the accounts of Trireme Systems Ltd., Aralia Systems, Inc. and Aralia Systems Ltd. for 2014 (together the “Company”).

All significant inter-company accounts and transactions have been eliminated.

Revenue Recognition

The Company recognizes revenue from selling hardware at the date of delivery, additional revenues from rendering services are recognized when services are completed and billed. Lastly, revenue from selling software is recognized at the time the license is exchanged. Essentially, this means that revenue is recognized when an invoice has been sent.

Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Company considers money market accounts to be cash equivalents.

Cost of Goods Sold

Aralia US expenses all its support from the UK and software licensing costs deploying its contracts under COGS. Aralia Ltd employees who worked under the Baltimore project are booked under COGS. During 2015 Aralia Inc. This is, in turn booked as Income (Turnover) in the UK and both are eliminated in consolidation.

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Research and Development

Multiple grants were awarded to the Company during the year for research and development projects. Allocation of engineering, travel and management costs were allocated to R&D. The UK government continues to invest in Aralia through R&D funding. Intellectual Property Rights (IPR) generated solely by Aralia under these schemes is retained by Aralia, and IPR generated by the academic partners is available to Aralia on exclusive preferential terms.

Fixed Assets

The Company records fixed assets at cost and provides for depreciation and amortization over the estimated useful lives of the assets. Expenditures for major additions and improvements are capitalized and minor replacements, maintenance and repairs are charged to expense as incurred. Fixed assets are being depreciated over the estimated useful life of the asset ranging from 3 to 7 years on a straight line basis.

Foreign currencies

Assets and liabilities in foreign currencies are translated into dollars at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into dollars at the rate of exchange ruling at the date of the transaction. The BSTA line item on the balance sheet reflects the changes and significant fluctuations in foreign exchange rates between the US and UK over the past year(s).

Work Done

Aralia UK in the profit and loss account includes work done or performed during the year, exclusive of Value Added Tax.

Work in Progress

Aralia UK wrote off approximately \$179,844 of the WIP during 2015 related to work incurred for the Mexico City project in prior years that were deemed uncollectable.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Notes payable

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The Company had a liability of approximately \$ 540,168 as of December 31, 2015, compared to a liability of approximately \$1,035,722 at year end December 31 2014. The difference is attributable to gradual pay down of loans and the forgiveness of the balance on the CSI loan.

The balance of loans have interest rates accruing ranging from 8% to 18%. A breakdown of Loans as of December 31, 2015 is as follows;

<u>Lender</u>	<u>Balance</u>
Halanna Management	\$ 306,119
Cecilia Chan	\$ 50,582
JHJ Holdings	\$ 40,901
Arthur Lowenstein	<u>\$ 142,566</u>
	\$ 540,168

Assets

The Company's Accounts Receivables at December 31 2015 for approximately \$182,024 is largely from multiple projects with one customer in Baltimore for Aralia Inc.

Other Current Assets is mainly attributable to retainers with accountants and general counsel, as well as security deposit with Landlord.

Liabilities:

An Accounts Payable of \$250,002 is a liability of Trireme, and approximately 95% is owed to four creditors including the previous accounting firm retained by former management, previous landlord and former members of management. Approximately \$70,000 is owed by Aralia Ltd. to trade vendors, subcontractors and accountants, and employee's expenses.

Accrued Expenses totaled approximately \$2,111,781. A total of \$2,105,306 is accrued to Trireme former management and current employees, and a further \$6,475 is owed by Aralia Inc. towards an insurance policy.

Anticipated Events

As cash flows allow, management is paying down accounts payable, accrued salaries, notes payable holders and the National Insurance monies owed.

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6 Trireme Detailed Consolidated Profit and Loss 2015

TRIREME SYSTEMS LTD.
UNAUDITED CONSOLIDATED PROFIT & LOSS STATEMENT
Jan 1 - Dec 31 2015

	* see footnote	TSL	ARALIA INC	ARALIA LTD	Eliminations	Consolidated P&L
GRANTS RECEIVED				\$ 163,021		\$ 163,021
REVENUE	A	\$ 272,650	\$ 1,882,629	\$ 1,021,696	\$ (1,395,848)	\$ 1,781,128
TOTAL REVENUE		\$ 272,650	\$ 1,882,629	\$ 1,184,717	\$ (1,395,848)	\$ 1,944,149
COGS	B		\$ 1,225,234	\$ 120,093	\$ (1,123,198)	\$ 222,129
GROSS PROFIT		\$ 272,650	\$ 657,395	\$ 1,064,624	\$ (272,650)	\$ 1,722,020
OPERATING EXPENSES						
Research and Development	C	\$ -	\$ 6,938	\$ 342,697	\$ -	\$ 349,635
Sales & Marketing	D					
Sales Expense		\$ -	\$ 83,464	\$ 286,095	\$ -	\$ 369,560
Marketing Expense		\$ -	\$ 449	\$ 20,170	\$ -	\$ 20,619
			\$ 83,913	\$ 306,266	\$ -	\$ 390,179
General & Administrative						\$ -
Finance, Admin and Accounting	E	\$ 6,408	\$ 2,077	\$ 3,211	\$ -	\$ 11,696
Executive Expense		\$ -	\$ -	\$ 57,302	\$ -	\$ 57,302
Operating Expense		\$ -	\$ 373,205	\$ -	\$ -	\$ 373,205
Communication Expense		\$ -	\$ 9,622	\$ 11,376	\$ -	\$ 20,997
Professional Fees	F	\$ 43,016	\$ 272,650	\$ 15,503	\$ (272,650)	\$ 58,519
Travel and Entertainment	G		\$ 23,915	\$ 12,607	\$ -	\$ 36,522
Miscellaneous			\$ 11	\$ -	\$ -	\$ 11
Office Expense		\$ 247	\$ 35,468	\$ 44,326	\$ -	\$ 80,040
Insurance	H	\$ 16,108	\$ 68,007	\$ 431	\$ -	\$ 84,546
Depreciation Expense		\$ -	\$ 1,382	\$ 984	\$ -	\$ 2,366
		\$ 65,778.26	\$ 786,336	\$ 145,740	\$ (272,650)	\$ 725,204
Non Recurring						
Loss on Affiliate Investments		\$ -	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses		\$ 65,778	\$ 877,188	\$ 794,702	\$ (272,650)	\$ 1,465,018
OPERATING INCOME (LOSS)		\$ 206,871.74	\$ (219,792)	\$ 269,922	\$ -	\$ 257,001
Other (Income) / Expense	I			\$ (123,922)	\$ -	\$ (123,922)
Interest Expense, net		\$ 43,426	\$ -	\$ -	\$ -	\$ 43,426
INCOME BEFORE TAX		\$ 163,446	\$ (219,792)	\$ 393,844	\$ -	\$ 337,498
Taxes		\$ 4,311	\$ 2,518	\$ -	\$ -	\$ 6,829
NET INCOME		\$ 159,135.32	\$ (222,310.10)	\$ 393,844	\$ -	\$ 330,669

- A Trireme collects revenue from Invoicing Aralia Systems Inc. for management fees to cover monthly expenses and to pay down loans and accrued expenses.
Aralia Inc. revenue is entirely from multiple projects with the client in Baltimore, MD.
- B Cost of Goods Sold decreased at Aralia Systems Inc. due to less reselling of server hardware for Baltimore projects.

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- C Research and Development decreased during the year due to less time and costs associated with development contracts in the UK and partially reduced by an allocated percentage of an employee time moving from the UK to USA.
- D Sales and marketing increased due to an alignment of employees to focus on sales efforts, attending industry trade shows, developing partnerships, transferring an employee from the UK to the USA to focus on pre sales efforts, and advertising in the USA and UK.
- E Finance and administration costs have reduced slightly at all levels.
- F Professional fees increased as the Company retained general counsel to advise on a number corporate governance issues throughout the year.
- G Travel and Entertainment decreased due to a reduction in travel for the development contracts with the University of West of England, and travel associated with conferences and pre sales allocated to Sales and Marketing.
- H Insurance expenses increased due to increase in premiums for Company policies and an employee that transferred to the USA from the UK.
- I Other (Income) was due to the balance of the loan forgiven by CSI that offset a partial write down of the Work in Progress.

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7 Trieme Detailed Consolidated Balance Sheet 2015

TRIEME SYSTEMS, LTD
UNAUDITED CONSOLIDATED BALANCE SHEET
Jan 1 - Dec 31 2015

ASSETS	* see footnote	TSL	ARALIA INC	ARALIA LTD	Eliminations	Consolidated Balance Sheet
CURRENT ASSETS						
Current Assets:						
Cash		\$ 433	\$ 141,456	\$ 174,619	\$ -	\$ 316,508
Accounts Receivable	J		\$ 176,238	\$ 181,118	\$ (175,332)	\$ 182,024
Inventory			\$ -	\$ -	\$ -	\$ -
Investment		\$ 2,674,657	\$ 949,550	\$ -	\$ (3,624,207)	\$ -
Other Current Assets	K	\$ 19,208	\$ 219,643	\$ 167,507	\$ (209,022)	\$ 197,336
Total Current Assets		\$ 2,694,297	\$ 1,486,888	\$ 523,243	\$ (4,008,561)	\$ 695,868
OTHER ASSETS						
Fixed Assets net of depreciation		\$ -	\$ 2,170	\$ 8,856	\$ -	\$ 11,025
Other Assets		\$ -	\$ -	\$ 88,942	\$ -	\$ 88,942
Total Other Assets		\$ -	\$ 2,170	\$ 97,797	\$ -	\$ 99,967
TOTAL ASSETS		\$ 2,694,297.26	\$ 1,489,058	\$ 621,041	\$ (4,008,561)	\$ 795,835
LIABILITIES AND CAPITAL						
CURRENT LIABILITIES						
Accounts payable	L	\$ 250,002	\$ 181,772	\$ 70,022	\$ (175,332)	\$ 326,465
Other Current Liabilities		\$ 1,542	\$ -	\$ 219,022	\$ (219,022)	\$ 1,542
Notes Payable	M	\$ 540,168	\$ -	\$ -	\$ -	\$ 540,168
Accrued expenses	N	\$ 2,105,306	\$ 6,475	\$ -	\$ -	\$ 2,111,781
Total Current Liabilities		\$ 2,897,019	\$ 188,247	\$ 289,044	\$ (394,354)	\$ 2,979,956
OTHER LIABILITIES						
Long Term Liabilities		\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities		\$ 2,897,019	\$ 188,247	\$ 289,044	\$ (394,354)	\$ 2,979,956
Preferred Stock Series A at Par		\$ 1,488	\$ -	\$ -	\$ -	\$ 1,488
ADDITIONAL PAID IN CAPITAL - Series A		\$ 14,880,312	\$ -	\$ -	\$ -	\$ 14,880,312
Preferred Stock Series C at Par		\$ 64	\$ -	\$ -	\$ -	\$ 64
ADDITIONAL PAID IN CAPITAL - Series C		\$ 643,736	\$ -	\$ -	\$ -	\$ 643,736
Common Stock		\$ 35,702	\$ -	\$ -	\$ -	\$ 35,702
ADDITIONAL PAID IN CAPITAL - Common		\$ 4,973,410	\$ 2,674,657	\$ 729,321	\$ (3,403,978)	\$ 4,973,410
RETAINED EARNINGS		\$ (20,896,569)	\$ (1,151,536)	\$ (791,168)	\$ -	\$ (22,839,272)
NET INCOME		\$ 159,135	\$ (222,310)	\$ 393,844	\$ -	\$ 330,669
BSTA	O	\$ -	\$ -	\$ -	\$ (210,229)	\$ (210,229)
Minority Interest		\$ -	\$ -	\$ -	\$ -	\$ -
CAPITAL		\$ (202,721)	\$ 1,300,811	\$ 331,997	\$ (3,614,207)	\$ (2,184,121)
TOTAL LIABILITIES AND CAPITAL		\$ 2,694,297	\$ 1,489,058	\$ 621,041	\$ (4,008,561)	\$ 795,835

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- J Aralia Inc. accounts receivable were consistent between Net 45 to Net 60 days
- K Other Current Assets are mainly attributable to the balance of Work In Progress at Aralia Ltd, in addition to retainers and security deposit.
- L Accounts Payable at Aralia Ltd. were attributable to vendors, subcontractor and minor employee expenses.
- M Notes Payable decrease is primarily attributable to gradual pay down of loans and forgiveness of the balance of the CSI loan.
- N Accrued expenses decreased due to gradual pay down of unpaid salary to current management, as well as balance of national insurance premiums accrued by Aralia Ltd.
- O BSTA is exclusively related to foreign exchange at Aralia Ltd and Aralia Inc. and the value of the investment recorded in Aralia Ltd books and the amount owed to Aralia Inc. by Aralia Ltd.

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8 Trireme Detailed Consolidated Cash Flow 2015

TRIREME SYSTEMS, LTD
UNAUDITED CONSOLIDATED CASH FLOW
Jan 1 - Dec 31 2015

	* see footnote	TSL	ARALIA INC	ARALIA LTD	Eliminations	Consolidated CashFlow
OPERATING ACTIVITIES						
Net Income		\$ 159,135	\$ (222,310)	\$ 393,844	\$ -	\$ 330,669
<u>Add: Non Cash Items</u>						
Depreciation		\$ -	\$ 1,382	\$ 984	\$ -	\$ 2,366
Amortization				\$ -		\$ -
Loss on Investments		\$ -		\$ -		\$ -
<u>Change in Working Capital:</u>						
Receivables		\$ -	\$ 283,150.85	\$ (64,545)		\$ 218,606
Accounts Payable		\$ 63	\$ (6,216)	\$ (964)		\$ (7,117)
Other Current Assets		\$ (2,000)	-	\$ 179,844		\$ 177,844
Inventory		\$ -	\$ (1,389)	-		\$ (1,389)
Other Current Liabilities		\$ -	-	\$ 10,719		\$ 10,719
Accrued Expenses		\$ (57,409)	\$ 2,420	\$ (88,190)		\$ (143,179)
Notes Payable		\$ (103,174)	-	\$ (349,991)		\$ (453,165)
Other Assets		\$ -	-			\$ -
BSTA	P			\$ (9,856)		\$ (9,856)
Net cash provided by Operating Activities		\$ (3,385)	\$ 57,038	\$ 71,846	\$ -	\$ 125,499
INVESTING ACTIVITIES						
Capital Expenditures		\$ -	\$ (2,122)	-		\$ (2,122)
Net cash provided by Investing Activities		\$ -	\$ (2,122)	-	\$ -	\$ (2,122)
FINANCING ACTIVITIES						
Investment in Subsidiaries			\$ -	\$ -	\$ -	\$ -
Preferred Shares		\$ -	\$ -	\$ -	\$ -	\$ -
Common Shares		\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid In Capital		\$ -	\$ -	\$ -	\$ -	\$ -
Minority Interest		\$ -	\$ -	\$ -	\$ -	\$ -
BSTA		\$ -	\$ -	\$ -	\$ -	\$ -
Net cash provided by Financing Activities		\$ -	\$ -	\$ -	\$ -	\$ -
Net Cash Increase for period		\$ (3,385)	\$ 54,916	\$ 71,846	\$ -	\$ 123,377
Cash at beginning of period		\$ 3,817	\$ 86,540	\$ 102,773	\$ -	\$ 193,131
Cash at the end of period		\$ 433	\$ 141,456	\$ 174,619		\$ 316,508

P. BSTA for Aralia Ltd is attributable to the foreign exchange differences between Dec 31 2015 and Dec 31 2014.

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9 Aralia Only Consolidated Profit and Loss 2015/2014

ARALIA SYSTEMS CONSOLIDATED
PROFIT and LOSS UNAUDITED Y/Y COMPARISON

	2015	2014	\$ Change	% Change
GRANTS RECEIVED	\$ 163,021	\$ 44,743	\$ 118,278	264.35%
OTHER REVENUE	\$ 1,781,128	\$ 2,451,237	\$ (670,110)	-27.34%
TOTAL REVENUE	\$ 1,944,149	\$ 2,495,981	\$ (551,832)	-22.11%
COGS	\$ 222,129	\$ 479,269	\$ (257,140)	-53.65%
GROSS PROFIT	\$ 1,722,020	\$ 2,016,712	\$ (294,692)	-14.61%
OPERATING EXPENSES				
Research and Development	\$ 349,635	\$ 656,722	\$ (307,087)	-46.76%
Sales & Marketing				
Sales Expense	\$ 369,560	\$ -	\$ 369,560	
Marketing Expense	\$ 20,619	\$ 6,166	\$ 14,454	234.43%
	\$ 390,179	\$ 6,166	\$ 384,013	6228.30%
General & Administrative				
Finance, Admin and Accounting	\$ 5,288	\$ 4,738	\$ 550	11.60%
Executive Expense	\$ 57,302	\$ 66,592	\$ (9,290)	-13.95%
Operating Expense	\$ 373,205	\$ 365,026	\$ 8,179	2.24%
Communication Expense	\$ 20,997	\$ 24,601	\$ (3,603)	-14.65%
Professional Fees	\$ 288,153	\$ 325,925	\$ (37,773)	-11.59%
Travel and Entertainment	\$ 36,522	\$ 78,712	\$ (42,190)	-53.60%
Miscellaneous	\$ 11	\$ (362)	\$ 374	-103.13%
Office Expense	\$ 79,793	\$ 80,526	\$ (733)	-0.91%
Insurance	\$ 68,438	\$ 59,239	\$ 9,199	15.53%
Depreciation Expense	\$ 2,366	\$ 2,854	\$ (487)	-17.08%
	\$ 932,076	\$ 1,007,852	\$ (75,776)	-7.52%
Non Recurring				
Loss on Affiliate Investments	\$ -	\$ -	\$ -	
Total Operating Expenses	\$ 1,671,890	\$ 1,670,739	\$ 1,151	0.07%
OPERATING INCOME (LOSS)	\$ 50,130	\$ 345,972	\$ (295,843)	-85.51%
Other (Income) / Expense	\$ (123,922)	\$ 324,624	\$ (448,546)	-138.17%
Interest Expense, net	\$ -	\$ -	\$ -	
INCOME BEFORE TAX	\$ 174,052	\$ 21,348	\$ 152,703	715.29%
Taxes	\$ 2,518	\$ 2,296	\$ 222	9.68%
NET INCOME	\$ 171,534	\$ 19,053	\$ 152,481	800.30%

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TRIREME SYSTEMS LTD.

10 Aralia Only Consolidated Balance Sheet 2015/2014

ARALIA SYSTEMS CONSOLIDATED
BALANCE SHEET UNAUDITED Y/Y COMPARISON

ASSETS	2015	2014	\$ Change	% Change
CURRENT ASSETS				
Current Assets:				
Cash	\$ 316,075	\$ 190,711	\$ 125,364	65.74%
Accounts Receivable	\$ 182,024	\$ 473,386	\$ (291,362)	-61.55%
Inventory	\$ -	\$ -	\$ -	
Investment	\$ -	\$ -	\$ -	
Other Current Assets	\$ 178,128	\$ 398,652	\$ (220,524)	-55.32%
Total Current Assets	\$ 676,227	\$ 1,062,749	\$ (386,522)	-36.37%
OTHER ASSETS				
Fixed Assets net of depreciation	\$ 11,025	\$ 12,462	\$ (1,436)	-11.53%
Other Assets	\$ 88,942	\$ 99,714	\$ (10,772)	-10.80%
Total Other Assets	\$ 99,967	\$ 112,175	\$ (12,208)	-10.88%
TOTAL ASSETS	\$ 776,194	\$ 1,174,924	\$ (398,730)	-33.94%
LIABILITIES AND CAPITAL				
CURRENT LIABILITIES				
Accounts payable	\$ 76,463	\$ 150,878	\$ (74,415)	-49.32%
Other Current Liabilities	\$ -	\$ 24,509	\$ (24,509)	-100.00%
Notes Payable	\$ -	\$ 392,379	\$ (392,379)	-100.00%
Accrued expenses	\$ 6,475	\$ 102,925	\$ (96,451)	-93.71%
Total Current Liabilities	\$ 82,937	\$ 670,691	\$ (587,754)	-87.63%
OTHER LIABILITIES				
Long Term Liabilities	\$ -	\$ -	\$ -	
Total Liabilities	\$ 82,937	\$ 670,691	\$ (587,754)	-87.63%
Preferred Stock	\$ -	\$ -	\$ -	\$ -
Common Stock	\$ -	\$ -	\$ -	\$ -
ADDITIONAL PAID IN CAPITAL	\$ 2,674,657	\$ 2,674,657	\$ -	\$ -
RETAINED EARNINGS	\$ (1,942,704)	\$ (2,057,577)	\$ 114,873	-5.58%
NET INCOME	\$ 171,534	\$ 19,053	\$ 152,481	-800.30%
BSTA	\$ (210,229)	\$ (131,900)	\$ (78,330)	59.39%
Minority Interest				
CAPITAL	\$ 693,257	\$ 504,233	\$ 189,024	37.49%
TOTAL ASSETS	\$ 776,194	\$ 1,174,924	\$ (398,730)	-33.94%

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TRIREME SYSTEMS LTD.

11 Aralia Only Consolidated Cash Flow 2015/2014

ARALIA SYSTEMS CONSOLIDATED
CASHFLOW UNAUDITED Y/Y COMPARISON

	2015	2014	\$ Change	% Change
OPERATING ACTIVITIES				
Net Income	\$ 171,534	\$ 19,053	\$ 152,481	800.30%
Add: Non Cash Items				
Depreciation	\$ 2,366	\$ 2,854	\$ (487)	-17.08%
Amortization				
Loss on Investments				
Change in Working Capital:				
Receivables	\$ 218,606	\$ (354,540)	\$ 573,147	-161.66%
Accounts Payable	\$ (7,181)	\$ 167,265	\$ (174,446)	-104.29%
Other Current Assets	\$ 178,456	\$ 292,011	\$ (113,555)	-38.89%
Inventory	\$ -	\$ -	\$ -	0.00%
Other Current Liabilities	\$ 10,719	\$ 13,746	\$ (3,027)	0.00%
Accrued Expenses	\$ (85,770)	\$ (127,207)	\$ 41,438	-32.57%
Notes Payable	\$ (349,991)	\$ (109,365)	\$ (240,626)	220.02%
Other Assets	\$ -	\$ 522	\$ (522)	-100.00%
BSTA	\$ (9,856)	\$ 1,782	\$ (11,638)	-653.24%
Net cash provided by Operating Activities	\$ 128,883	\$ (93,880)	\$ 222,764	-237.28%
INVESTING ACTIVITIES				
Capital Expenditures	\$ (2,122)	\$ (1,252)	\$ (870)	69.48%
Net cash provided by Investing Activities	\$ (2,122)	\$ (1,252)	\$ (870)	69.48%
FINANCING ACTIVITIES				
Investment in Subsidiaries	\$ -	\$ -	\$ -	0.00%
Preferred Shares	\$ -	\$ -	\$ -	0.00%
Common Shares	\$ -	\$ -	\$ -	0.00%
Additional Paid In Capital	\$ -	\$ -	\$ -	0.00%
Minority Interest	\$ -	\$ -	\$ -	0.00%
BSTA	\$ -	\$ -	\$ -	0.00%
Net cash provided by Financing Activities	\$ -	\$ -	\$ -	0.00%
Net Cash Increase for period	\$ 126,762	\$ (95,132)	\$ 221,894	-233.25%
Cash at beginning of period	\$ 189,313	\$ 286,365	\$ (97,052)	-33.89%
Cash at the end of period	\$ 316,075	\$ 191,233	\$ 124,842	65.28%

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TRIREME SYSTEMS LTD.

12 Aralia Only detailed Profit and Loss 2015

ARALIA SYSTEMS CONSOLIDATED
PROFIT and LOSS UNAUDITED 2015

	ARALIA INC	ARALIA LTD	Eliminations	Consolidated P&L
GRANTS RECEIVED		\$ 163,021		\$ 163,021
OTHER REVENUE	\$ 1,882,629	\$ 1,021,696	\$ (1,123,198)	\$ 1,781,128
TOTAL REVENUE	\$ 1,882,629	\$ 1,184,717	\$ (1,123,198)	\$ 1,944,149
COGS	\$ 1,225,234	\$ 120,093	\$ (1,123,198)	\$ 222,129
GROSS PROFIT	\$ 657,395	\$ 1,064,624		\$ 1,722,020
OPERATING EXPENSES				
Research and Development	\$ 6,938	\$ 342,697		\$ 349,635
Sales & Marketing				
Sales Expense	\$ 83,464	\$ 286,095	\$ -	\$ 369,560
Marketing Expense	\$ 449	\$ 20,170	\$ -	\$ 20,619
	\$ 83,913	\$ 306,266	\$ -	\$ 390,179
General & Administrative				\$ -
Finance, Admin and Accounting	\$ 2,077	\$ 3,211	\$ -	\$ 5,288
Executive Expense		\$ 57,302	\$ -	\$ 57,302
Operating Expense	\$ 373,205	\$ -		\$ 373,205
Communication Expense	\$ 9,622	\$ 11,376		\$ 20,997
Professional Fees	\$ 272,650	\$ 15,503		\$ 288,153
Travel and Entertainment	\$ 23,915	\$ 12,607	\$ -	\$ 36,522
Miscellaneous	\$ 11	\$ -	\$ -	\$ 11
Office Expense	\$ 35,468	\$ 44,326	\$ -	\$ 79,793
Insurance	\$ 68,007	\$ 431	\$ -	\$ 68,438
Depreciation Expense	\$ 1,382	\$ 984	\$ -	\$ 2,366
	\$ 786,336	\$ 145,740	\$ -	\$ 932,076
Non Recurring				
Loss on Affiliate Investments	\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 877,188	\$ 794,702	\$ -	\$ 1,671,890
OPERATING INCOME (LOSS)	\$ (219,792)	\$ 269,922	\$ -	\$ 50,130
Other (Income) / Expense	\$ -	\$ (123,922)	\$ -	\$ (123,922)
Interest Expense, net	\$ -	\$ -	\$ -	\$ -
INCOME BEFORE TAX	\$ (219,792)	\$ 393,844	\$ -	\$ 174,052
Taxes	\$ 2,518	\$ -	\$ -	\$ 2,518
NET INCOME	\$ (222,310)	\$ 393,844	\$ -	\$ 171,534

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TRIREME SYSTEMS LTD.

13 Aralia only detailed Balance Sheet 2015

ARALIA SYSTEMS CONSOLIDATED
BALANCE SHEET UNAUDITED 2015

ASSETS	ARALIA INC	ARALIA LTD	Eliminations	Consolidated Balance Sheet
CURRENT ASSETS				
Current Assets:				
Cash	\$ 141,456	\$ 174,619	\$ -	\$ 316,075
Accounts Receivable	\$ 176,238	\$ 181,118	\$ (175,332)	\$ 182,024
Inventory	\$ -	\$ -	\$ -	\$ -
Investment	\$ 949,550	\$ -	\$ (949,550)	\$ -
Other Current Assets	\$ 219,643	\$ 167,507	\$ (209,022)	\$ 178,128
Total Current Assets	\$ 1,486,888	\$ 523,243	\$ (1,333,904)	\$ 676,227
OTHER ASSETS				
Fixed Assets net of depreciation	\$ 2,170	\$ 8,856	\$ -	\$ 11,025
Other Assets	\$ -	\$ 88,942	\$ -	\$ 88,942
Total Other Assets	\$ 2,170	\$ 97,797	\$ -	\$ 99,967
TOTAL ASSETS	\$ 1,489,058	\$ 621,041	\$ (1,333,904)	\$ 776,194
LIABILITIES AND CAPITAL				
CURRENT LIABILITIES				
Accounts payable	\$ 181,772	\$ 70,022	\$ (175,332)	\$ 76,463
Other Current Liabilities	\$ -	\$ 219,022	\$ (219,022)	\$ -
Notes Payable	\$ -	\$ -	\$ -	\$ -
Accrued expenses	\$ 6,475	\$ -	\$ -	\$ 6,475
Total Current Liabilities	\$ 188,247	\$ 289,044	\$ (394,354)	\$ 82,937
OTHER LIABILITIES				
Long Term Liabilities	\$ -	\$ -	\$ -	\$ -
Total Liabilities	\$ 188,247	\$ 289,044	\$ (394,354)	\$ 82,937
Preferred Stock	\$ -	\$ -	\$ -	\$ -
Common Stock	\$ -	\$ 729,321	\$ (729,321)	\$ -
ADDITIONAL PAID IN CAPITAL	\$ 2,674,657	\$ -	\$ -	\$ 2,674,657
RETAINED EARNINGS	\$ (1,151,536)	\$ (791,168)	\$ -	\$ (1,942,704)
NET INCOME	\$ (222,310)	\$ 393,844	\$ -	\$ 171,534
BSTA	\$ -	\$ -	\$ (210,229)	\$ (210,229)
Minority Interest	\$ -	\$ -	\$ -	\$ -
CAPITAL	\$ 1,300,811	\$ 331,997	\$ (939,551)	\$ 693,257
	\$ 1,489,058	\$ 621,041	\$ (1,333,904)	\$ 776,194

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14 Aralia only detailed Cash Flow 2015

ARALIA SYSTEMS CONSOLIDATED
CASHFLOW UNAUDITED 2015

	ARALIA INC	ARALIA LTD	Eliminations	Consolidated CashFlow
OPERATING ACTIVITIES				
Net Income	\$ (222,310)	\$ 393,844	\$ -	\$ 171,534
<u>Add: Non Cash Items</u>				
Depreciation	\$ 1,382	\$ 984	\$ -	\$ 2,366
Amortization		\$ -		\$ -
Loss on Investments		\$ -		\$ -
<u>Change in Working Capital:</u>				
Receivables	\$ 283,151	\$ (64,545)		\$ 218,606
Accounts Payable	\$ (6,216)	\$ (964)		\$ (7,181)
Other Current Assets	\$ (1,389)	\$ 179,844		\$ 178,456
Inventory	\$ -	\$ -		\$ -
Other Current Liabilities	\$ -	\$ 10,719		\$ 10,719
Accrued Expenses	\$ 2,420	\$ (88,190)		\$ (85,770)
Notes Payable	\$ -	\$ (349,991)		\$ (349,991)
Other Assets	\$ -	\$ -		\$ -
BSTA	\$ -	\$ (9,856)		\$ (9,856)
Net cash provided by Operating Activities	\$ 57,038	\$ 71,846	\$ -	\$ 128,883
INVESTING ACTIVITIES				
Capital Expenditures	\$ (2,122)	\$ -		\$ (2,122)
Net cash provided by Investing Activities	\$ (2,122)	\$ -	\$ -	\$ (2,122)
FINANCING ACTIVITIES				
Investment in Subsidiaries	\$ -	\$ -	\$ -	\$ -
Preferred Shares	\$ -	\$ -	\$ -	\$ -
Common Shares	\$ -	\$ -	\$ -	\$ -
Additional Paid In Capital	\$ -	\$ -	\$ -	\$ -
Minority Interest	\$ -	\$ -	\$ -	\$ -
BSTA	\$ -	\$ -	\$ -	\$ -
Net cash provided by Financing Activities	\$ -	\$ -	\$ -	\$ -
Net Cash Increase for period	\$ 54,916	\$ 71,846	\$ -	\$ 126,762
Cash at beginning of period	\$ 86,540	\$ 102,773	\$ -	\$ 189,313
Cash at the end of period	\$ 141,456	\$ 174,619	\$ -	\$ 316,075