

**SEMI-ANNUAL UNAUDITED REPORT FOR
THE SIX MONTHS ENDED
August 31, 2018**

QUADLOGIC CONTROLS CORPORATION

**33-00 Northern Blvd, 2nd Floor
Long Island City, NY 11101**

QUADLOGIC CONTROLS CORPORATION
BALANCE SHEETS
(In thousands, except share data)

	Unaudited	Audited
	August 31,	February 28,
<u>ASSETS</u>	<u>2018</u>	<u>2018</u>
Current Assets:		
Cash	\$ 64	\$ 128
Accounts receivable	1,985	1,755
Inventories	1,501	1,361
Prepaid expenses and other current assets	131	170
Total Current Assets	3,681	3,414
Property and Equipment, Net	550	649
Other Assets:		
Patent and trademarks costs, net	377	385
Other assets	401	389
Lease deposits	192	192
Total Other Assets	970	966
Total Assets	\$ 5,201	\$ 5,029
<u>LIABILITIES AND SHAREHOLDERS' DEFICIT</u>		
Current Liabilities:		
Accounts payable	\$ 1,551	\$ 1,418
Customers deposits	392	103
Accrued expenses and other current liabilities	695	780
Current portion of accrued compensation	914	678
Total Current Liabilities	3,552	2,979
Non-Current Liabilities		
Secured line of credit - borrowings	1,092	938
Accrued compensation	-	377
Other non-current liabilities	682	802
Total Non-Current Liabilities	1,774	2,117
Total Liabilities	5,326	5,096
Shareholders' Deficit:		
Common stock, \$0.001 par value; 20,000,000 authorized, 11,468,351 issued and outstanding	11	11
Additional paid-in capital	9,523	9,500
Accumulated deficit	(9,659)	(9,578)
Total shareholders' deficit	(125)	(67)
Total Liabilities and Shareholders' Deficit	\$ 5,201	\$ 5,029

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	6-months ended August 31, 2018	6-months ended August 31, 2017
Revenues:		
Meter sales	\$ 3,572	\$ 3,737
Royalty income	-	1,000
Billing and technical services	2,877	2,711
Total Revenues	6,447	7,448
Cost of Goods Sold:		
Cost of meters sold	2,405	2,405
Cost of billing and technical services	1,463	1,411
Total Cost of Goods Sold	3,868	3,816
Gross Profit	2,579	3,632
Operating Expenses:		
Selling	491	744
Research and development	697	858
General and administrative	1,378	1,697
Total Operating Expenses	2,566	3,299
Operating Income	13	333
Other Expense:		
Interest expense	(77)	(68)
Other expense, net	(18)	(16)
Total Other Expense	(95)	(84)
Net Income (Loss)	\$ (82)	\$ 249
Net Income (Loss) per Share:		
Basic & Fully Diluted	\$ (0.01)	\$ 0.02
Shares used in computing earnings per share	11,468,351	11,373,351

QUADLOGIC CONTROLS CORPORATION
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

	6-months ended	6-months ended
	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Cash Flows from Operating Activities:		
Net (loss) income	\$ (82)	\$ 249
Adjustment to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	114	99
Provision for doubtful accounts	12	12
Stock based compensation	24	35
Write-off patents	-	25
Changes in assets and liabilities:		
Accounts receivable	(242)	(22)
Inventories	(152)	(138)
Prepaid expenses and other current assets	39	61
Accounts payable	133	(205)
Customer deposits	289	(75)
Accrued expenses and other liabilities	(85)	(37)
Accrued compensation	(141)	(23)
Other non-current liabilities	(120)	(245)
Net Cash Provided by (Used In) Operating Activities	(211)	(264)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2)	(14)
Patent acquisition costs	(5)	(16)
Net Cash Provided by (Used in) Investing Activities	(7)	(30)
Cash flows from financing activities:		
Principal payments on debt	-	(28)
Borrowing from line of credit	6,765	7,692
Repayments of line of credit	(6,611)	(7,433)
Net Cash Provided by (Used in) Financing Activities	154	231
Net Increase (Decrease) in Cash	(64)	(63)
Cash, beginning of year	128	128
Cash, end of period	\$ 64	\$ 65