VEGA INDUSTRIES, LTD.

FINANCIAL STATEMENTS
March 31, 2018 and 2017

VEGA INDUSTRIES, LTD.
Nashville, Tennessee

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Vega Industries, Ltd.
Nashville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of Vega Industries, Ltd., which comprise the balance sheets as of March 31, 2018 and 2017, and the related statements of income and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the 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 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Vega Industries, Ltd. as of March 31, 2018 and 2017, 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.

Crowe Horwath LLP

Crowe Horwath LLP

Franklin, Tennessee
May 8, 2018

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
March 31, 2018 and 2017

	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	$ 953,162	$ 1,347,884
Accounts receivables	10,090,160	8,306,646
Related party receivables (Note 4)	90,796	236,533
Inventories	12,655,305	12,030,345
Note receivable - related party (Note 4)	298,880	995,917
Other current assets	73,973	67,703
Deferred income taxes (Note 3)	586	1,048
	24,162,862	22,986,076
Fixed assets, net (Note 2)	33,476	56,606
Other assets	15,197	15,197
	$ 24,211,535	$ 23,057,879
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable - related parties (Note 4)	$ 22,858,201	$ 21,557,264
Customer advances	-	215,203
Income taxes payable	56,600	1,518
Accrued expenses	127,569	222,910
	23,042,370	21,996,895
Long-term liabilities		
Deferred income taxes - long-term (Note 3)	6,103	14,187
Stockholder's equity		
Common stock, $1 par value; 50,000 shares authorized, issued and outstanding	50,000	50,000
Retained earnings	1,113,062	996,797
	1,163,062	1,046,797
	$ 24,211,535	$ 23,057,879

See accompanying notes to financial statements.

VEGA INDUSTRIES, LTD.
STATEMENTS OF INCOME AND RETAINED EARNINGS
Years ended March 31, 2018 and 2017

	2018	2017
Sales, net of returns and discounts	$ 36,182,240	$ 36,698,516
Cost of sales	33,377,636	34,411,428
Gross profit	2,804,604	2,287,088
Selling, general, and administrative expenses	2,651,224	2,279,378
Income from operations	153,380	7,710
Other income	18,150	-
Income before income tax expense (benefit)	171,530	7,710
Federal and state income tax expene (benefit)		
Current	61,708	3,049
Deferred	(6,443)	593
	55,265	3,642
Net income	116,265	4,068
Retained earnings at beginning of year	996,797	992,729
Retained earnings at end of year	$ 1,113,062	$ 996,797

See accompanying notes to financial statements.

VEGA INDUSTRIES, LTD.
STATEMENTS OF CASH FLOWS
Years ended March 31, 2018 and 2017

	2018	2017
Cash flows from operating activities		
Net income	$ 116,265	$ 4,068
Adjustments to reconcile net income to net cash from operating activities		
Depreciation	22,362	29,624
Deferred taxes	(6,443)	593
Loss on disposal of fixed assets	1,969	-
Changes in assets and liabilities		
Accounts receivable	(1,783,514)	3,297,473
Inventories	(624,960)	1,756,977
Related party receivable	145,737	(236,533)
Other current assets	(6,270)	(25,429)
Refundable income taxes	-	1,491
Other assets	-	(13,985)
Accounts payable- related parties	1,300,937	(5,016,833)
Accrued expenses	(95,341)	(198,365)
Income taxes payable	53,903	1,518
Customer advances	(215,203)	199,930
Net cash from operating activities	(1,090,558)	(199,471)
Cash flows from investing activities		
Purchase of fixed assets	(1,201)	-
Receipts (advance) on notes receivable - related party	697,037	(288,286)
Net cash from investing activities	695,836	(288,286)
Net change in cash and cash equivalents	(394,722)	(487,757)
Cash and cash equivalents at beginning of year	1,347,884	1,835,641
Cash and cash equivalents at end of year	$ 953,162	$ 1,347,884
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ -	$ -
Income taxes	$ 5,500	$ -

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business Description: Vega Industries, Ltd. (the "Company") is a C-Corporation primarily engaged in the distribution of grinding media and related products to customers in the United States and abroad. The Company was incorporated in the state of Delaware in November 2001. The Company is a wholly-owned subsidiary of Vega Industries, Ltd., a United Kingdom corporation ("Vega UK").

Cash and Cash Equivalents: For the purpose of the statement of cash flows, cash includes cash and cash equivalents with original maturities of 90 days or less.

Revenue Recognition: Revenue from the sale of products is recognized when the products are shipped to customers.

Inventories: Inventories, which consist primarily of grinding media, are stated at the lower of cost or market, with cost determined by the average cost method, which approximates the first-in, first-out method.

Fixed Assets: Fixed assets are stated at cost. Expenditures for betterments and improvements are capitalized and expenditures for normal repair and maintenance are expensed as incurred. The Company provides for depreciation of fixed assets using the straight-line method over the estimated useful lives of the assets. Depreciation expense amounted to $22,362 and $29,624 for the years ended March 31, 2018 and 2017, respectively.

Income Taxes: The Company accounts for income tax expense using the liability method. Current expense represents the estimated tax obligation per the income tax return, and deferred expense represents the change in the estimated future tax effects of temporary differences and carryforwards. Deferred tax assets and liabilities are computed by applying enacted income tax rates to the expected reversals of temporary differences between financial reporting and income tax reporting, and by considering carryforwards for operating losses and tax credits. A valuation allowance adjusts deferred tax assets to the net amount that is more likely than not to be realized.

The Company recognizes a tax position as a benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management is not aware of any uncertain tax positions at March 31, 2018.

The Company's major tax jurisdictions are the United States federal and various state jurisdictions. The Company does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

The Company would recognize interest and/or penalties related to income tax matters in other expenses. The company recognized no interest or penalties for the years ending March 31, 2018 and 2017.

Accounts Receivable: The Company accounts for accounts receivable based on the amounts billed to customers. Most billings and past due receivables are determined based on contractual terms. The Company does not accrue interest on any of its accounts receivable.

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Allowance for Doubtful Accounts: The allowance for doubtful accounts is determined by management based on the Company's historical losses, specific customer circumstances, and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables when all attempts to collect have failed. Management has not recorded an allowance for doubtful accounts at March 31, 2018 and 2017, as they believe all amounts to be collectible.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentration of Credit Risk: Financial instruments that potentially subject the Company to concentrations of credit risk consist principally of cash on deposit and accounts receivable from customers. The Company's cash deposits are primarily in financial institutions in Tennessee and may at times exceed federally insured amounts. Concentrations of credit risk with respect to accounts receivable are limited to customers primarily in the industry in which the Company is engaged. The Company performs ongoing credit evaluations of its customers' financial conditions and generally requires no collateral from its customers.

Advertising Costs: The Company expenses advertising costs as incurred. Advertising costs for the years ended March 31, 2018 and 2017 were $22,336 and $14,099, respectively.

Reclassifications: Certain prior year amounts have been reclassified to conform with the current year presentation. These reclassifications had no effect on net income or stockholder's equity.

Translation of Foreign Currency: The Company sells products to several nondomestic customers. Foreign currency transaction gains and losses (transactions denominated in a currency other than local currency) are generally included in selling, general and administrative expenses, and resulted in gains (losses) of $(45,484) and $159,361 for the years ending March 31, 2018 and 2017, respectively.

Subsequent Events: Management has performed an analysis of the activities and transactions subsequent to March 31, 2018 to determine the need for any adjustments or disclosures for the year then ended. Management has performed their analysis through May 8, 2018, the date the financial statements were available to be issued.

NOTE 2 - FIXED ASSETS

Fixed assets consists of the following:

	2018	2017
Equipment	$ 163,347	$ 163,347
Computer equipment	17,801	18,569
Automobiles	75,625	75,625
	256,773	257,541
Less: accumulated depreciation	(223,297)	(200,935)
	$ 33,476	$ 56,606

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NOTE 3 - INCOME TAXES

The provision (benefit) for income taxes consists of the following:

	2018	2017
Current		
Federal	$ 59,708	$ 2,507
State	2,000	542
	61,708	3,049
Deferred		
Federal	(6,777)	840
State	334	(247)
	(6,443)	593
	$ 55,265	$ 3,642

The composition of the deferred tax assets (no valuation allowance considered necessary) and liabilities in the accompanying balance sheets is as follows:

	2018	2017
Current		
Capitalized inventory costs	$ 586	$ 1,048
Long-term		
Depreciation	(6,103)	(14,187)
	$ (5,517)	$ (13,139)

NOTE 4 - RELATED PARTY TRANSACTIONS

The Company purchases its inventory from Vega Industries (Middle East) F.Z.C. (Vega ME), which is a related party through common ownership and controlling interest. Purchases from related parties were $34,065,822 and $34,555,956 for the years ended March 31, 2018 and 2017, respectively.

Amounts due (to) from related companies were as follows:

	2018	2017
Accounts Receivable		
Vega ME	$ 90,796	$ 236,533
Accounts Payable		
Vega ME	(22,858,201)	(21,557,264)
Net related party payables	$ (22,767,405)	$ (21,320,731)

The Company had a note receivable of $298,880 and $995,917 for the years ended March 31, 2018 and 2017, respectively, due from Vega ME. The note receivable is unsecured and is non-interest bearing. The note is due on demand and is classified as current.

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NOTE 5 - CONCENTRATIONS

Sales to four customers approximated 64% of total sales and accounts receivable from these four customers approximated 63% of total accounts receivable at March 31, 2018. Sales to three customers approximated 56% of total sales and accounts receivable from these three customers approximated 43% of total accounts receivable at March 31, 2017.

The Corporation purchases a substantial portion of its inventory from Vega ME, which is located in Ajman, UAE (see Note 4).

NOTE 6 - 401(K) PLAN

The Company has a defined contribution 401(K) plan covering all employees who are 21 years of age. The Company matches 50% of employee contributions up to 6% of wages. The Company recognized an expense of $0 and $6,392 for the years ended March 31, 2018 and 2017, respectively.

NOTE 7 - OPERATING LEASE AGREEMENTS

The Company has entered into noncancelable operating lease agreements for its office spaces with the lease terms expiring April 2018. Subsequent to year end the Company entered into a new lease agreement for its office space expiring June 2021. Future minimum rental payments, including subsequent office lease renewal, are as follows:

Year Ending March 31,		
2019	$	40,058
2020		29,870
2021		29,694
2022		7,496
	$	107,118

Total rent expense was $34,060 and $34,399 for the years ended March 31, 2018 and 2017, respectively.