VEGA INDUSTRIES, LTD.

FINANCIAL STATEMENTS
MARCH 31, 2021 AND 2020

VEGA INDUSTRIES, LTD.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vega Industries, Ltd.

We have audited the accompanying financial statements of Vega Industries, Ltd., which comprise the balance sheets as of March 31, 2021 and 2020, and the related statements of income, stockholder's equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statement

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 of 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 estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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, 2021 and 2020, 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.

Aprio, LLP

Atlanta, Georgia

May 12, 2021

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

ASSETS

	2021	2020
Current assets		
Cash and cash equivalents	$ 1,707,709	$ 984,718
Accounts receivable - trade, net	19,698,096	19,059,080
Employee advances	22,825	34,668
Notes receivable - related parties	350,000	443,765
Inventory	15,034,986	24,163,396
Other current assets	28,814	37,970
Total current assets	36,842,430	44,723,597
Property and equipment, at cost		
Computer equipment	25,053	23,623
Equipment	152,506	152,506
Vehicles	81,730	81,730
Less accumulated depreciation	(227,015)	(215,355)
Total property and equipment, net	32,274	42,504
Other assets		
Security deposits	16,295	16,295
Total assets	$ 36,890,999	$ 44,782,396

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

LIABILITIES AND STOCKHOLDER'S EQUITY

	2021	2020
Current liabilities		
Accounts payable	$ 34,901,863	$ 43,103,353
Accrued liabilities	549,206	280,660
Income taxes payable	3,474	6,337
Total current liabilities	35,454,543	43,390,350
Stockholder's Equity		
Common stock, $1 par value, 50,000 shares authorized; 50,000 shares issued and outstanding at March 31, 2021 and 2020	50,000	50,000
Retained earnings	1,386,456	1,342,046
Stockholder's equity	1,436,456	1,392,046
Total liabilities and stockholder's equity	$ 36,890,999	$ 44,782,396

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
STATEMENTS OF INCOME
FOR THE YEARS ENDED MARCH 31,

	2021	2020
Sales, net of returns and discounts	$ 68,670,648	$ 74,950,059
Cost of sales	66,260,165	72,384,424
Gross profit	2,410,483	2,565,635
Selling, general, and administrative expenses	2,385,201	2,501,023
Income from operations	25,282	64,612
Other income (expense)		
Miscellaneous income (expense)	33,166	10,475
Gain on disposal of property and equipment	-	11,484
Total other income	33,166	21,959
Income before provision for income taxes	58,448	86,571
Provision for income taxes	14,038	18,813
Net income	$ 44,410	$ 67,758

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
STATEMENTS OF STOCKHOLDER'S EQUITY
FOR THE YEARS ENDED MARCH 31,

	Common Stock		Retained	
	Shares	Amount	Earnings	Total
Balance at April 1, 2019	50,000	$ 50,000	$ 1,274,288	$ 1,324,288
Net income	-	-	67,758	67,758
Balance at March 31, 2020	50,000	50,000	1,342,046	1,392,046
Net income	-	-	44,410	44,410
Balance at March 31, 2021	50,000	$ 50,000	$ 1,386,456	$ 1,436,456

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31,

	2021	2020
Cash flows from operating activities		
Net income	$ 44,410	$ 67,758
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	11,660	14,499
Gain on disposition of property and equipment	-	(11,484)
Change in operating assets and liabilities:		
Accounts receivable - trade	(639,016)	(128,198)
Employee advances	11,843	(5,988)
Inventory	9,128,410	(1,423,804)
Other current assets	9,156	6,549
Accounts payable	(8,201,490)	1,838,174
Accrued liabilities	268,545	(77,361)
Income taxes payable	(2,863)	(45,970)
Total adjustments	586,245	166,417
Cash provided by operating activities	630,655	234,175
Cash flows from investing activities		
Net advances made on notes receivable - related parties	-	(270,574)
Acquisition of property and equipment	(1,429)	(45,015)
Proceeds from disposition of property and equipment	-	15,017
Net payments received on notes receivable - related parties	93,765	-
Cash provided (used) by investing activities	92,336	(300,572)
Net change in cash and cash equivalents	722,991	(66,397)
Cash and cash equivalents, beginning of the year	984,718	1,051,115
Cash and cash equivalents, end of year	$ 1,707,709	$ 984,718

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash paid during the years for:		
Interest	$ 0	$ 0
Income taxes	5,149	56,574

See accompanying notes to financial statements

Note A
Summary of Significant Accounting Policies

Nature of Operations:

Vega Industries, Ltd. (the "Company") is a 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").

Use of Estimates:

The preparation of financial statements in conformity with 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 financial statement. Estimates are used for, but not limited to, the accounting for doubtful accounts, inventory valuation, and useful lives of property and equipment. Actual results could differ from these estimates.

Cash and Cash Equivalents:

For the purpose of the statements of cash flows, the Company considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Concentration of Credit Risk Arising From Cash Deposits in Excess of Insured Limits:

The Company maintains cash balances at several financial institutions that at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant risks on cash.

Accounts Receivable - Trade:

The Company extends credit to customers located primarily throughout North America based on the size of the customer, its payment history, and other factors. The Company generally does not require collateral to support customer receivables. The Company provides an allowance for doubtful accounts based upon a review of the outstanding accounts receivable, historical collection information and existing economic conditions. The Company determines if receivables are past due based on days outstanding, and amounts are written off when determined to be uncollectible by management. The maximum accounting loss from the credit risk associated with accounts receivable is the amount of the receivable recorded, which is the face amount of the receivable, net of the allowance for doubtful accounts. The Company did not have any allowances for doubtful accounts at March 31, 2021 and 2020.

Inventory:

Inventory, which consist primarily of grinding media, is stated at the lower of weighted average cost or net realizable value and is valued using the first-in, first-out method. At March 31, 2021 and 2020, the Company determined no provisions are needed for the estimated effect of obsolete and slow-moving inventories.

Note A
Summary of Significant Accounting Policies (Continued)

Property and Equipment:

Property and equipment are stated at cost. Expenditures for maintenance and repairs are expensed currently, while renewals and betterments that materially extend the life of an asset are capitalized. The cost of assets sold, retired, or otherwise disposed of, and the related allowance for depreciation are eliminated from the accounts, and any resulting gain or loss is recognized.

Depreciation of property and equipment is provided using the straight-line method over a estimated useful life of the assets of 5 years. Depreciation expense for the period ended March 31, 2021 and 2020, totaled $11,660 and $14,499, respectively.

Revenue Recognition:

Revenue from the sale of products is recognized when performance obligations under the terms of the contracts with customers are satisfied. The Company's performance obligation generally consists of the promise to deliver grinding media and related products to the customer. Revenue is recognized at a point in time upon when control of the asset is transferred to the customer. The Company's transaction price is usually fixed.

Shipping and Handling Costs:

The Company elects to use the practical expedients to account for any shipping after the customer obtains control as fulfillment activities rather than a separate performance obligation. Shipping and handling billed to customers are included in sales and cost of sales.

Advertising:

The Company expenses advertising costs as incurred. Advertising expenses were $0 and $9,858 for the years ended March 31, 2021 and 2020, respectively.

Income Taxes:

The Company accounts for income taxes using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on the deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company records valuation allowances against deferred tax assets as deemed necessary.

Note A
Summary of Significant Accounting Policies (Continued)

The Company accounts for the uncertainty in income taxes as prescribed by the minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

The Company records interest related to unrecognized tax benefits in interest expense and penalties in selling, general, and administrative expenses. The Company is no longer subject to income tax examinations for years prior to 2018.

Foreign Currency Translation:

The Company sells product to several non-domestic 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 losses of $138,121 and $12,149 during the years ending March 31, 2021 and 2020, respectively.

Note B
Income Taxes

The provision for income taxes consists of the following for the years ended March 31:

	2021	2020
Current tax expense		
Federal	$ 12,038	$ 16,813
State	2,000	2,000
Current provision for income taxes	$ 14,038	$ 18,813

Note C
Commitments and Contingencies

Litigation:

The Company has legal proceedings arising from the normal course of business. The Company believes that the ultimate outcome of the proceedings will not have a material adverse impact on the Company's financial position, results of operations, or cash flows.

Operating Leases:

The Company has entered into noncancelable operating lease agreements for its USA office spaces with the lease terms expiring June 2021. In May 2021, the Company entered into an agreement extending the lease terms to June 2024. Additionally, the Company has a lease agreement for its Canadian office space expiring April 2023.

Note C
Commitments and Contingencies (Continued)

At March 31, 2021, future minimum lease payments under noncancelable operating leases were as follows:

Year Ending March 31	Amount
2022	$ 50,651
2023	52,048
2024	36,929
2025	8,940
	$ 148,568

Rent expense under these agreements totaled $46,273 and $44,093 for the years ended March 31, 2021 and 2020, respectively.

Note D
Employee Retirement Plans

The Company sponsors an employee retirement plan known as Vega Industries, Ltd. 401(k) Plan. Under the plan, employees may contribute up to the maximum contributions as set periodically by the Internal Revenue Service. The Company matches employee contributions up to a maximum of 50% of the participant's salary deferral, limited to 6% of the employee's salary.

Matching contributions were $20,893 and $19,553 by the Company for the years ended March 31, 2021 and 2020, respectively. No discretionary contributions were made for the years ended March 31, 2021 and 2020.

Note E
Concentrations

Significant Vendor:

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

Significant Customer:

A significant customer is defined as one from whom at least 10% of annual revenue is derived. The Company had sales to two customers totaling $20,730,000, which comprised approximately 30% of total sales for the year ended March 31, 2021. The accounts receivable balance included approximately $7,996,000 from these two customers at March 31, 2021.

The Company had sales to three customers totaling $35,892,398, which comprised approximately 48% of total sales for the year ended March 31, 2020. The accounts receivable balance included approximately $10,335,646 from these three customers at March 31, 2020.

Note F
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. On April 1, 2020, the Company entered into a sole distributor and marketing agreement to sell and distribute mining liners ("EEMS liners") with one of a kind technology for Vega ME within the USA and Canada. The EEMS liners come with a performance and productivity enhancement guarantee ("guarantee") in the form of reduced power consumption, reduced wear rate, enhanced through-put and improved grinding efficiency. Any EEMS liners purchased by the Company that fail to meet the guarantee as agreed upon with the customer, Vega ME will issue a credit note for the purchased product. During the year, Vega ME credited the Company approximately $870,000 for EEMS liners that did not meet the guarantee. Total purchases from Vega ME were $53,212,008 and $70,383,498 for the years ended March 31, 2021 and 2020, respectively.

Amounts due to related companies were as follows:

	2021	2020
Accounts Payable		
Vega ME	$ 34,901,863	$ 43,096,120

The Company had a note receivable of $350,000 and $443,765 for the years ended March 31, 2021 and 2020, 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.

Note G
Reclassification

Certain items in the 2020 financial statement presentation have been reclassified to conform to the 2021 presentation. Such reclassifications have no effect on previously reported net income.

Note H
Subsequent Events

The Company evaluated subsequent events through May 12, 2021, when these financial statements were available to be issued.

Management is not aware of any significant events that occurred subsequent to the balance sheet date, and prior to the filing of this report, that would have a material impact on the consolidated financial statements.