VEGA INDUSTRIES, LTD.

FINANCIAL STATEMENTS
MARCH 31, 2022 AND 2021

VEGA INDUSTRIES, LTD.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Vega Industries, Ltd.

Opinion

We have audited the accompanying financial statements of Vega Industries, Ltd. (a Delaware Corporation), which comprise the balance sheets as of March 31, 2022 and 2021, 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.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Vega Industries, Ltd. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Vega Industries, Ltd.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Vega Industries, Ltd.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Vega Industries, Ltd.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Aprio, LLP

Atlanta, Georgia

May 11, 2022

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

ASSETS

	2022	2021
Current assets		
Cash and cash equivalents	$ 1,152,442	$ 1,707,709
Accounts receivable - trade, net	25,031,549	19,698,096
Other receivable	1,036,535	-
Employee advances	19,175	22,825
Notes receivable - related parties	-	350,000
Inventory	26,821,870	15,034,986
Other current assets	-	28,814
Total current assets	54,061,571	36,842,430
Property and equipment, at cost		
Computer equipment	29,592	25,053
Equipment	152,506	152,506
Vehicles	81,730	81,730
Less accumulated depreciation	(237,579)	(227,015)
Total property and equipment, net	26,249	32,274
Other assets		
Security deposits	16,295	16,295
Other non-current assets	4,421	-
Total assets	$ 54,108,536	$ 36,890,999

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

LIABILITIES AND STOCKHOLDER'S EQUITY

	2022	2021
Current liabilities		
Accounts payable	$ 51,736,156	$ 34,901,863
Accrued liabilities	308,803	287,414
Income taxes payable	144,971	265,266
Total current liabilities	52,189,930	35,454,543
Stockholder's equity		
Common stock, $1 par value, 50,000 shares authorized; 50,000 shares issued and outstanding at March 31, 2022 and 2021	50,000	50,000
Retained earnings	1,868,606	1,386,456
Stockholder's equity	1,918,606	1,436,456
Total liabilities and stockholder's equity	$ 54,108,536	$ 36,890,999

See accompanying notes to financial statements

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

	2022	2021
Sales, net of returns and discounts	$ 67,197,690	$ 68,670,648
Cost of sales	63,360,326	66,260,165
Gross profit	3,837,364	2,410,483
Selling, general, and administrative expenses	3,196,762	2,370,847
Income from operations	640,602	39,636
Other income (expense)		
Miscellaneous income	130	33,166
Income before provision for income taxes	640,732	72,802
Provision for income taxes	158,582	28,392
Net income	$ 482,150	$ 44,410

See accompanying notes to financial statements

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

	Common Stock		Retained	
	Shares	Amount	Earnings	Total
Balance at April 1, 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
Net income	-	-	482,150	482,150
Balance at March 31, 2022	50,000	$ 50,000	$ 1,868,606	$ 1,918,606

See accompanying notes to financial statements

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

	2022	2021
Cash flows from operating activities		
Net income	$ 482,150	$ 44,410
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	10,563	11,660
Change in operating assets and liabilities:		
Accounts receivable - trade	(5,333,453)	(639,016)
Employee advances	3,650	11,843
Other receivable	(1,036,535)	-
Inventory	(11,786,884)	9,128,410
Other current assets	28,814	9,156
Other non-current assets	(4,421)	-
Accounts payable	16,834,293	(8,201,490)
Accrued liabilities	21,390	268,545
Income taxes payable	(120,295)	(2,863)
Total adjustments	(1,382,878)	586,245
Cash provided by (used in) operating activities	(900,728)	630,655
Cash flows from investing activities		
Acquisition of property and equipment	(4,539)	(1,429)
Payments received on notes receivable - related parties	350,000	93,765
Cash provided by investing activities	345,461	92,336
Net change in cash and cash equivalents	(555,267)	722,991
Cash and cash equivalents, beginning of the year	1,707,709	984,718
Cash and cash equivalents, end of year	$ 1,152,442	$ 1,707,709

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2022	2021
Cash paid during the years for:		
Interest	$ 0	$ 0
Income taxes	259,102	5,149

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, 2022 and 2021.

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, 2022 and 2021, 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 the estimated useful life of the assets of 5 years. Depreciation expense for the years ended March 31, 2022 and 2021, totaled $10,563 and $11,660, 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 classifies shipping and handling amounts billed to customers as revenue and shipping and handling costs as a component of cost of goods sold.

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.

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.

Note A
Summary of Significant Accounting Policies (Continued)

The Company is no longer subject to income tax examinations for years prior to 2018.

Note B
Other Receivable

Other receivable include a drawback claim for duties on imported materials previously paid under the Canadian Special Import Measures Act.

Note C
Income Taxes

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

	2022	2021
Current tax expense		
Federal	$ 119,683	$ 14,038
State	38,899	14,354
Current provision for income taxes	$ 158,582	$ 28,392

Note D
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 office facilities expiring at various dates through 2024.

Note D
Commitments and Contingencies (Continued)

At March 31, 2022, future minimum lease payments under noncancelable operating leases were as follows:

Year Ending March 31	Amount
2023	$ 52,048
2024	36,929
2025	8,940
	$ 97,917

Rent expense under these agreements totaled $48,895 and $46,273 for the years ended March 31, 2022 and 2021, respectively.

Note E
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 approximately $17,000 and $21,000 by the Company for the years ended March 31, 2022 and 2021, respectively. No discretionary contributions were made for the years ended March 31, 2022 and 2021.

Note F
Concentrations

Significant Vendor:

A significant vendor is defined as one from which the company receives at least 10% of its total purchases. The Company purchases a substantial portion of its inventory from Vega Industries (Middle East) F.Z.C. (Vega ME), which is a related party through common ownership, and is located in Ajman, UAE. Total purchases from Vega ME comprised 99% of the Company's annual purchases at March 31, 2022 and 2021, respectively. The accounts payable balance included approximately $51,736,000 and $34,902,000 to Vega ME at March 31, 2022 and 2021, respectively.

Note F
Concentrations (Continued)

Significant Customer:

A significant customer is defined as one from whom at least 10% of annual revenue is derived. The Company had sales to three customers totaling approximately $33,251,000 and $20,730,000, which comprised approximately 49% and 30% of annual revenues for the years ended March 31, 2022 and 2021, respectively. The accounts receivable balance included approximately $12,678,000 and $7,996,000 from these customers at March 31, 2022 and 2021, respectively.

Foreign Revenue:

Approximately 24% and 51% of total revenue was generated from customers outside of the United States during the years ended March 31, 2022 and 2021, respectively. The accounts receivables balance included approximately $9,536,000 and $11,796,000 from these customers at March 31, 2022 and 2021, respectively.

Note G
Related Party Transactions

The Company purchases its inventory from Vega ME. 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.

At March 31, 2021, the Company had an interest free note receivable of $350,000 from Vega ME. During the year ended March 31, 2022, the note receivable balance was paid off.

Note H
Subsequent Events

The Company evaluated subsequent events through May 11, 2022, 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 financial statements.