VEGA INDUSTRIES, LTD.

FINANCIAL STATEMENTS
MARCH 31, 2023 AND 2022

VEGA INDUSTRIES, LTD.

TABLE OF CONTENTS

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, 2023 and 2022, 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, 2023 and 2022, 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 12, 2023

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

ASSETS

	2023	2022
Current assets		
Cash and cash equivalents	$ 1,630,215	$ 1,152,442
Accounts receivable - trade	13,036,582	25,031,549
Other receivable	625,337	1,036,535
Employee advances	12,563	19,175
Due from related party	350,000	-
Inventory	29,085,609	26,821,870
Prepaid expenses	10,405	-
Prepaid income taxes	4,075	-
Total current assets	44,754,786	54,061,571
Property and equipment, at cost		
Computer equipment	35,481	29,592
Equipment	152,506	152,506
Vehicles	40,314	81,730
Less accumulated depreciation	(220,084)	(237,579)
Total property and equipment, net	8,217	26,249
Other assets		
Security deposits	16,295	16,295
Other non-current assets	6,312	4,421
Total assets	$ 44,785,610	$ 54,108,536

See accompanying notes to financial statements

VEGA INDUSTRIES, LTD.
BALANCE SHEETS
MARCH 31,

LIABILITIES AND STOCKHOLDER'S EQUITY

	2023	2022
Current liabilities		
Accounts payable	$ 41,985,667	$ 51,736,156
Accrued liabilities	312,914	308,803
Income taxes payable	-	144,971
Total current liabilities	42,298,581	52,189,930
Stockholder's equity		
Common stock, $1 par value, 50,000 shares authorized; 50,000 shares issued and outstanding at March 31, 2023 and 2022	50,000	50,000
Retained earnings	2,437,029	1,868,606
Stockholder's equity	2,487,029	1,918,606
Total liabilities and stockholder's equity	$ 44,785,610	$ 54,108,536

See accompanying notes to financial statements

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

	2023	2022
Sales, net of returns and discounts	$ 86,135,939	$ 67,194,100
Cost of sales	82,143,643	63,356,736
Gross profit	3,992,296	3,837,364
Selling, general, and administrative expenses	3,180,827	3,160,051
Income from operations	811,469	677,313
Other income (expense)		
Interest income	82	130
Loss on foreign currency transactions	(58,708)	(36,711)
Total other expense	(58,626)	(36,581)
Income before provision for income taxes	752,843	640,732
Provision for income taxes	184,420	158,582
Net income	$ 568,423	$ 482,150

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, 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
Net income	-	-	568,423	568,423
Balance at March 31, 2023	50,000	$ 50,000	$ 2,437,029	$ 2,487,029

See accompanying notes to financial statements

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

	2023	2022
Cash flows from operating activities		
Net income	$ 568,423	$ 482,150
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	11,497	10,563
Loss on disposition of property and equipment	12,425	-
Change in operating assets and liabilities:		
Accounts receivable - trade	11,994,967	(5,333,453)
Other receivable	411,198	(1,036,535)
Employee advances	6,612	3,650
Due from related party	(350,000)	-
Inventory	(2,263,739)	(11,786,884)
Prepaid expenses	(10,405)	-
Prepaid income taxes	(4,075)	-
Other current assets	-	28,814
Other non-current assets	(1,891)	(4,421)
Accounts payable	(9,750,489)	16,834,293
Accrued liabilities	4,110	21,390
Income taxes payable	(144,971)	(120,295)
Total adjustments	(84,761)	(1,382,878)
Cash provided by (used in) operating activities	483,662	(900,728)
Cash flows from investing activities		
Acquisition of property and equipment	(5,889)	(4,539)
Payments received on due from related party	-	350,000
Cash provided by (used in) investing activities	(5,889)	345,461
Net change in cash and cash equivalents	477,773	(555,267)
Cash and cash equivalents, beginning of the year	1,152,442	1,707,709
Cash and cash equivalents, end of year	$ 1,630,215	$ 1,152,442

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2023	2022
Cash paid during the years for:		
Income taxes	$ 333,466	$ 259,102

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 one domestic commercial bank, these balances can exceed the FDIC insured deposit limit of $250,000 per financial institution. At March 31, 2023 and 2022, the Company’s cash balances held at the commercial bank exceeded the FDIC limit by $1,377,231 and $900,121, respectively. Additionally, the Company maintains insignificant cash balances at one Canadian bank. The Company has not experienced any losses through the date when the financial statements were available to be issued.

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, 2023 and 2022.

Note A
Summary of Significant Accounting Policies (Continued)

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, 2023 and 2022, the Company determined no provisions are needed for the estimated effect of obsolete and slow-moving inventories.

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.

Leases:

The Company adopted ASC 842 – Leases, effective April 1, 2022, with all the available practical expedients, retrospectively at the beginning of the period of adoption. There was no retained earnings impact on the adoption of ASC 842. The Company determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. The Company recognizes a lease liability and a right of use (ROU) asset at the commencement date of each lease. The lease liability is initially and subsequently recognized based on the present value of the contract's future lease payments.

Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate, if it is readily determinable, or the Company's incremental borrowing rate. The Company's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment.

The Company has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise. The Company recognizes lease costs associated with its short-term leases on a straight-line basis over the lease term. When contracts contain lease and non-lease components, the Company accounts for both components as a single lease component.

Note A
Summary of Significant Accounting Policies (Continued)

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.

The accounts receivable balance was $19,698,096 at April 1, 2021.

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.

The Company is no longer subject to income tax examinations for years prior to 2019.

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:

	2023	2022
Current tax expense		
Federal	$ 152,351	$ 119,683
State	32,069	38,899
Current provision for income taxes	$ 184,420	$ 158,582

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.

Leases:

The Company has obligations as a lessee for office space. All leases are classified as operating leases. Payments due under the lease contracts include mainly fixed payments. As of March 31, 2023, the Company did not record a lease liability and a ROU asset as the balances were immaterial to consolidated financial statements. The rent expense was approximately $50,000 and $49,000 for the years ended March 31, 2023 and 2022, 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 $18,000 and $17,000 by the Company for the years ended March 31, 2023 and 2022, respectively. No discretionary contributions were made for the years ended March 31, 2023 and 2022.

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 100% of the Company's annual purchases at March 31, 2023 and 2022, respectively. The accounts payable balance included approximately $41,985,000 and $51,736,000 to Vega ME at March 31, 2023 and 2022, respectively.

Significant Customer:

A significant customer is defined as one from whom at least 10% of annual revenue is derived. The Company had sales to one customer totaling $23,460,000, which comprised approximately 27% of total sales for the year ended March 31, 2023. The accounts receivable balance included approximately $2,361,000 from this customer at March 31, 2023.

The Company had sales to three customers totaling $33,251,000, which comprised approximately 49% of total sales for the year ended March 31, 2022. The accounts receivable balance included approximately $12,678,000 from these three customers at March 31, 2022.

Foreign Revenue:

Approximately 20% and 24% of total revenue was generated from customers outside of the United States during the years ended March 31, 2023 and 2022, respectively. The accounts receivables balance included approximately $4,296,000 and $9,536,000 from these customers at March 31, 2023 and 2022, respectively.

Note G
Related Party Transactions

At March 31, 2023, the Company had a $350,000 receivable from Vega ME for recovery of salary paid to the Company's employees whose time was devoted for Vega ME marketing and sales for which the Company has not benefited during the year ended March 31, 2023.

Note H
Subsequent Events

The Company evaluated subsequent events through May 12, 2023, 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 in addition to the office lease renewal disclosed below.

Office Lease Renewal:

The Company entered into a lease renewal for its Canada office, effective May 1, 2023. Rent payments related to the lease renewal will be approximately $2,000 per month with the lease expiring on April 30, 2025.