

FINANCIAL STATEMENTS

World Transload and Logistics, LLC

Consolidated Financial Statements

March 31, 2019 and 2018
with report of independent auditor

Rakesh Jain, CPA PC

Certified Public Accountant

12440 Emily Ct., Suite 901,

Sugarland, TX 77478

Phone 832-844-5607

Fax: 972-961-7964

Web: www.jaincpa.us

World Transload and Logistics, LLC

CONSOLIDATED FINANCIAL STATEMENTS

Years ended March 31, 2019 and 2018

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REPORT OF INDEPENDENT AUDITOR

To
The Board of Managers
World Transload and Logistics, LLC and Subsidiaries
New Hope, Minnesota

We have audited the accompanying financial statements of World Transload and Logistics, LLC and its Subsidiaries (a Minnesota Limited Liability Company) which comprise the balance sheets as of March 31, 2019 and 2018, and related statements of income, changes in members' capital 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 consolidated 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

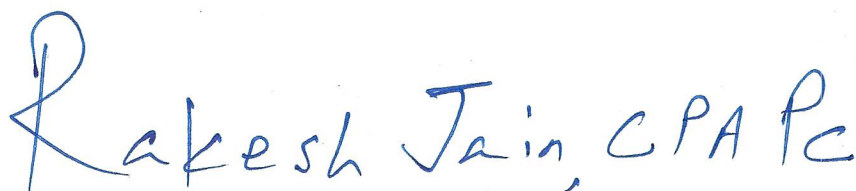
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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 consolidated financial statements referred to above present fairly, in all material respects, the financial positions of World Transload and Logistics, LLC and its Subsidiaries as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.



Rakesh Jain, CPA

Rakesh Jain, CPA PC

Certified Public Accountant

Place: - Sugarland, TX

Date: - May 06, 2019

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FINANCIAL STATEMENTS

World Transload and Logistics, LLC

Consolidated Balance Sheets

As of March 31, 2019 and 2018

Assets	2019	2018
Current		
Cash and cash equivalents	\$1,759,075	\$1,277,939
Accounts receivables:		
Trade receivables (Net of provision for doubtful debts \$ 79,456) - Previous Yr. \$ Nil	3,636,298	2,565,759
Others	7,897	6,396
Inventories	4,242,619	3,656,546
Prepaid expenses	126,373	122,476
Prepaid taxes	956,722	506,089
Deferred tax asset	24,512	131,192
Total current assets	10,753,496	8,266,397
Property, Plant & Equipment		
Land	802,468	802,468
Building	5,486,944	5,486,944
Leasehold improvements	550,200	531,193
Office furniture and equipment	1,309,515	1,308,923
Warehouse and manufacturing equipment	5,665,784	5,869,358
Vehicles	281,732	281,732
Less: accumulated depreciation	(8,954,103)	(8,743,068)
Property, Plant & Equipment, Net	5,142,540	5,537,550
Other Assets		
Security deposits	2,578	2,578
Non current Deferred income tax assets	794,484	-
Total Other Assets	797,062	2,578
Total Assets	16,693,098	13,806,525

See Notes to consolidated Financial Statements

World Transload and Logistics, LLC
 Consolidated Balance Sheets
 As of March 31, 2019 and 2018

Liabilities and Member's Interest	2019	2018
Current Liabilities		
Current portion of long term debt	\$600,000	\$925,131
Accounts payable- trade	1,334,605	901,222
Accrued expense	296,555	353,305
Accrued interest	4,125	9,700
Customers deposits	89,234	164,478
Income tax payable current	704,952	-
Total Current Liabilities	3,029,472	2,353,836
Long-term debt, net of current portions :		
Long- term debt - related party	0	0
Total long-term debt	0	0
Deferred Tax Liability	-	7,497
Total Liabilities	3,029,471	2,361,333
Membership Interest		
Membership interest	13,663,627	11,445,192
Total member's interest	13,663,627	11,445,192
Total Liabilities and Member's Interest	16,693,098	\$13,806,525

See Notes to consolidated Financial Statements

World Transload and Logistics, LLC
Consolidated Statement of Income
for the years ended March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Sales	\$14,829,820	\$13,778,874
Cost of sales - materials, labor and other costs	10,832,001	11,463,622
Gross Profit	<u>3,997,819</u>	<u>2,315,251</u>
Selling, General and Administrative Expenses		
Selling, general and administrative expenses	1,607,479	824,060
Finance charges	1,362	12,454
Depreciation and amortization	404,631	458,820
Total Selling, General and Administrative Expenses	<u>2,013,472</u>	<u>1,295,334</u>
Operating Income (Expenses):	<u>1,984,347</u>	<u>1,019,917</u>
Other Income (Expenses):		
Interest income	17,022	70,996
Interest expense	(61,001)	(365,261)
Rental income	-	-
Scrap income	189,635	153,089
Miscellaneous income	98,085	25,349
Total Other Income (Expenses), net	<u>243,741</u>	<u>(115,827)</u>
Income before income taxes	<u>2,228,086</u>	<u>904,091</u>
Income Taxes		
Income tax benefit/(expense)	(582,078)	-
Income tax benefit/(expense) - Prior year adjustment	(122,874)	432,153
Deferred tax benefit/(expense)	695,301	(147,359)
Total Income Taxes	<u>(9,651)</u>	<u>284,794</u>
Net Income (loss)	<u>\$2,218,435</u>	<u>\$1,188,885</u>

See Notes to consolidated Financial Statements

World Transload and Logistics, LLC

Consolidated Statement of Changes in membership interest

Year ending March 31, 2019 and 2018

	Members' Stated Capital Account	Additional Capital Contributed	Net Income	Retained Earnings	Total Membership Interest
Balance at March 31, 2017	\$9,842,579	\$0	\$0	\$413,728	\$10,256,307
Profit and loss for the year 2017-18			1,188,885		\$1,188,885
Adjustment			(1,188,885)	1,188,885	\$0
Balance at March 31, 2018	9,842,579	-	-	1,602,613	\$11,445,192
Profit and loss for the year 2018-19			2,218,436	-	\$2,218,436
Adjustment	-	-	-	-	\$0
Balance at March 31, 2018	\$9,842,579	\$0	\$2,218,436	\$1,602,613	\$13,663,628

See Notes to consolidated Financial Statements

World Transload and Logistics, LLC
Consolidated Statement of Cash Flows
For the years ended March 31, 2019 and 2018

	2019	2018
Cash Flows From Operating Activities:		
Net income	\$2,218,435	\$1,188,885
Provision for doubtful debt		
provided by operating activities:		
Depreciation and amortization	404,631	458,820
Changes in operating assets and liabilities:		
(Increase)/decrease in trade receivables	(1,070,539)	(1,113,469)
(Increase)/decrease in current portion of note receivable	-	3,033,333
(Increase)/decrease in other receivables	(1,502)	18,257
(Increase)/decrease in inventories	(586,073)	97,899
(Increase)/decrease in prepaid expenses and deposits	(3,897)	(11,938)
(Increase)/decrease in note receivable	-	6,066,667
(Increase)/decrease in deferred taxes	(687,805)	139,863
(Increase)/decrease in prepaid taxes	(450,632)	(118,922)
Increase/(decrease) in account payable - trade	433,383	22,829
Increase/(decrease) in current portion of note payable	(325,130)	(8,324,863)
Increase/(Decrease) in accrued expenses	(56,750)	48,967
Increase/(Decrease) in accrued interest	(5,575)	(585,435)
Increase/(Decrease) in other liability & deposits	(75,244)	69,618
Increase/(Decrease) in deferred tax liability	(7,497)	7,497
Increase/(Decrease) in Income tax payable	704,952	(432,153)
Net cash provided (used) by operating activities	490,757	565,854
Cash Flows from Investing Activities:		
Purchase of property and equipment	(9,621)	(90,636)
Net Proceeds from sale of subsidiary	-	-
Proceeds from sale of property		
Net cash used in investing activities:	(9,621)	(90,636)
Cash Flows from Financing Activities:		
Decrease in notes payable	-	-
(Increase)/Decrease in Long Term Debt	-	(1,416,903)
Net cash used in financing activities:	-	(1,416,903)
Net Increase/(decrease) in cash and cash equivalents	481,136	(941,685)
Cash and cash equivalents at the beginning of year	1,277,939	2,219,624
Cash and cash equivalents at the end of year	\$1,759,075	\$1,277,939
Interest paid	\$61,001	\$365,261

See Notes to Consolidated Financial Statements

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 1 – ORGANIZATION

Organization and operations

World Transload and Logistics, LLC and its wholly owned subsidiaries Tube Technologies, Inc., and Helical Anchors, Inc. (collectively referred to herein as the "Company") manufacture down hole tools for the water well, construction, mining, environmental, gas, oil, and utility construction industries, to customers located throughout the world. The Company also manufactures helical construction anchors for the utility and construction industries to customers located throughout the world.

Comparative Financial Statement

The financial statements presented along with the audit reports are in the comparative form.

Reclassification of Prior Year Amounts

Certain prior year amounts have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported results of operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

Generally Accepted Accounting Principles ("GAAP") requires certain Variable Interest Entities (VIEs) to be consolidated by the primary beneficiary of the entity if the equity investors in the entity do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidated financial statements include the accounts of World Transload and Logistics, LLC, its wholly owned subsidiaries Tube Technologies, Inc., and Helical Anchors, Inc., and two VIEs; 5101 Boone, LLP ("5101 BOONE") and Boone Real Property Holding, LLC, from which the Company leases a building. All significant intercompany balances, transactions, and profits have been eliminated in consolidation.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 2 – Summary of significant accounting policies - continued

Use of Estimates in Consolidated Financial Statements

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP"), management makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements, as well as reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash

The Company considers deposits that can be redeemed on demand and investments that have original maturities of less than three months when purchased to be cash equivalents. The Company maintains its cash in bank accounts with quality financial institutions that may at times exceed federally insured limits. To date, the Company has not experienced any losses in such accounts.

Accounts Receivable

Trade accounts receivable are stated at the amount the Company expects to collect. The Company maintains allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. Management considers the following factors when determining the collectability of specific customer accounts: customer credit-worthiness, past transaction history with the customer, current economic trends, and changes in customer payment terms.

If the financial condition of the Company's customers were to deteriorate, adversely affecting their ability to make payments, additional allowances would be required. Based on management's assessment, the Company provides for estimated uncollectible amounts through a charge to earnings and a credit to a valuation allowance. Balances that remain outstanding after the Company has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Management believes that the total accounts receivables of \$ 3,636,298 as on March 31, 2019 (Previous year \$ 2,565,759) are fully good and collectibles. This is after providing \$ 79,456 (Previous year - \$ Nil) as an allowance for doubtful accounts for the year ended on March 31, 2019.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 2 – Summary of significant accounting policies – continued

Inventories

Inventories are valued at average cost, which approximates the first-in, first-out (FIFO) method, including provisions for obsolescence commensurate with known or estimated exposures.

Property and Equipment

Property and equipment are carried at cost. Expenditures for major renewals and betterments, which substantially increase the useful lives of existing assets, are capitalized. Maintenance and repairs are charged to expense as incurred.

The Company provides for depreciation on property and equipment utilizing the straight-line and accelerated methods for financial reporting purposes at rates based on the following useful lives:

Buildings and leasehold improvements	7 to 39 Yrs.
Office furniture and equipment	3 to 10 Yrs.
Warehouse and manufacturing equipment	3 to 20 Yrs.
Vehicles	5 Yrs.

Advertising Costs

Advertising costs are expensed as incurred. The advertising costs charged to expense for the year ended March 31, 2019 was \$ NIL (Previous year \$ NIL)

Shipping and Handling Costs

Shipping and handling costs charged to customers have been included in net sales. Shipping and handling costs incurred by the Company have been included in cost of goods sold.

Sales Tax

The Company collects sales tax. The amount received is credited to a liability account and as payments are made, this account is charged. At any point in time, this account represents the net amount owed to the taxing authority for amounts collected but not yet remitted.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 2 – Summary of significant accounting policies - continued

Income Taxes

Prior to the sale of the membership units of WTL and 5101 BOONE, WTL was taxed under the provisions of Subchapter S of the Internal Revenue Code and 5101 BOONE was taxed as a partnership. Due to the sale of the membership of WTL and 5101 BOONE, each will be taxed as a C-corporation effective May 23, 2014.

The Company accounts for its income taxes using generally accepted accounting principles, which requires the establishment of deferred taxes for differences between financial statement and tax reporting purposes. As such, the Company's provision for income taxes is based on the asset and liability method of accounting whereby deferred tax assets and liabilities are recognized for 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 deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

Boone Real Property Holding, LLC is a disregarded entity for tax purposes as a single member LLC fully owned by WTL.

Management of the Company considers the likelihood of changes by taxing authorities in its filed income tax returns and recognizes a liability for or discloses potential significant changes that management believes are more likely than not to occur upon examination by tax authorities.

Management has not identified any uncertain tax positions in filed income tax returns that require recognition or disclosure in the accompanying consolidated financial statements. With few exceptions, the Company is no longer subject to U.S. federal, state, and local income tax examinations by tax authorities for years before. The Company classifies income tax related interest and penalties in income tax expense, when incurred. There were no income tax related interest or penalties to be accrued at March 31, 2019 (Previous year - \$ NIL).

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 3 – INVENTORY

As of March 31, 2019 and March 31, 2018, inventory consisted of the following:

	March 31, 2019	March 31, 2018
Raw materials	2,543,721	2,152,968
Stores and Spares	11,968	21,949
Work in process	33,326	98,215
Material in transit	-	318,030
Finished goods	1,653,604	1,065,383
	<u>4,242,619</u>	<u>3,656,545</u>

The Company evaluates the inventory purchased in the normal course of business for obsolescence and slow-moving items. Inventory is carried on the accompanying financial statements net of reserves.

NOTE 4 – INCOME TAXES

The provision for income taxes consists of the following components for the years ended March 31, 2019 and 2018:

Current Tax Expense:	March 31, 2019	March 31, 2018
Federal	396,229	-
Minnesota	185,850	-
	<u>582,079</u>	-
Deferred:		
Federal	471,239	100,309
Minnesota	224,063	47,050
Total Provision for Income taxes	<u>695,301</u>	<u>147,359</u>

The deferred tax asset and liability balances are primarily a result of the differences in net book value of depreciable and amortizable assets. Realization of the future tax benefits related to the net deferred tax assets is dependent on many factors including the Company's ability to generate taxable income. Management believes that, at a minimum, it is more likely than not that future taxable income will be sufficient to realize the recorded assets.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 5 – COMMITMENTS AND CONTINGENCIES

The Company is subject to occasional lawsuits and claims with respect to matters such as product performance arising out of the normal course of business. While the impact on future financial results is not subject to reasonable estimation because considerable uncertainty exists. Management believes, after consulting with counsel, that the ultimate liabilities resulting from such lawsuits and claims will not materially affect the results, liquidity or financial position of the Company.

NOTE 6 – 401(K) SALARY SAVINGS AND PROFIT SHARING PLAN

The Company has a 401(k) salary savings and profit sharing plan that covers all employees, subject to various eligibility requirements such as months of service and age limitations. At the discretion of the board of managers, the Company may make additional contributions based on profits. The company made matching contributions of \$ 19,189 and \$ 22,686 for the year ended March 31, 2019 and March 31, 2018 respectively.

NOTE 7 – MAJOR CUSTOMERS

The Company had sales to customers that individually contributed in excess of 10% of revenues are as follows for the years ended March 31, 2019 and March 31, 2018:

	March 31, 2019	March 31, 2018
Number of Customer	1	1
Revenue Contributed	\$ 5,571,004	\$ 3,995,811
Total Revenue	\$ 14,829,820	\$ 13,778,874
Percent of total revenue contributed	38%	29%
Accounts receivable from these customers	\$ 752,007	\$ 274,361

NOTE 8 – CONSOLIDATION OF VARIABLE INTEREST ENTITY

The owners of the Company established a separate legal entity, 5101 Boone Ave, LLP (Formerly TM Holdings), to own Company's office and manufacturing facility. The Company leases the buildings and manufacturing facilities from 5101 Boone Ave, LLP under a 20-year lease with total expected lease payments of \$ 11,952,000 during that period.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

Following generally accepted accounting principles for variable interest entities, the Company is the primary beneficiary of 5101 Boone Ave, LLP because the Company has the power to direct the activities of 5101 Boone Ave, LLP that most significantly impact 5101 Boone Ave, LLP's economic performance. Those activities include management oversight, hiring, and decision making.

Should additional financial support be needed for 5101 Boone, LLP in future, it is expected that the Company will provide that additional financial support due to the ownership and leasing relationships between the Company and 5101 Boone Ave, LLP.

The current sole sources of 5101 Boone, LLP's revenue is the lease payments made by the Company.

Selected information from 5101 Boone, LLP's balance sheet as of March 31, 2019 and 2018, results of operations for the period ended March 31, 2019 and 2018 are as follows:

	As of March 31, 2019	As of March 31 2018
Long -Term Assets	\$ 4,054,151	\$ 4,228,430
Total Assets	5,017,484	4,641,629
Long-term Liabilities	1,403,251	1,403,251
Total Liabilities	1,406,214	1,383,538
Membership Interest	3,611,270	3,258,091
Net Revenue	746,868	746,868
Operating Expenses	393,688	530,705
Net Income	353,180	216,163

The above assets are collateral for the related long-term debts on the balance sheet of the Company. Upon initial consolidation of 5101 Boone, LLP into the Company, no gain or loss was recognized.

World Transload and Logistics, LLC and Subsidiaries
Notes to Consolidated Financial Statements
Years ended March 31, 2019 and 2018

NOTE 9 – RELATED PARTY TRANSACTIONS

The company's members have ownership in various affiliated companies. The Company had transactions with three related party during for the year ended March 31, 2019 which included following sales/purchases:

Related Party	Transaction Type	Amount	O/s Balance
Drill Pipe International	Raw Material Purchase	88,598	58,181
Drill Pipe International	Sales	28,230	28,230
Jindal Saw Ltd., India	Raw Material Purchase	1,342,190	24,809
Jindal Saw USA, LLC	Interest Income on Loan	-	-
Jindal Saw USA, LLC	Fixed Assets Sale	4,677	4,677

NOTE 10 - SUBSEQUENT EVENTS

Management evaluates events occurring subsequent to the date of the consolidated balance sheet in determining the accounting for and disclosure of transactions and events that affect the consolidated financial statements. Subsequent events have been evaluated through April 23, 2019, which is the date the consolidated financial statements were available to be issued.