CUMI USA, INC. AND SUBSIDIARY

Consolidated Financial Statements for the Period from Inception (October 2, 2024) to March 31, 2025 Together with Independent Auditor's Report

Bonadio & Co., LLP
Accounting, Consulting & More

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INDEPENDENT AUDITOR'S REPORT

May 6, 2025

To the Stockholder and Management of
CUMI USA, Inc. and Subsidiary:

Opinion
We have audited the accompanying consolidated financial statements of CUMI USA, Inc. (a Delaware corporation) and Subsidiary (the Company), which comprise the consolidated balance sheet as of March 31, 2025, and the related consolidated statements of income, changes in stockholder's equity and cash flows for the period from inception (October 2, 2024) to March 31, 2025, and the related notes to the financial statements.

In our opinion the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CUMI USA, Inc. and Subsidiary as of March 31, 2025, and the results of their operations and their cash flows for the period from inception (October 2, 2024) to March 31, 2025 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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(Continued)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 consolidated 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 consolidated 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 the Company'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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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.

Bonadio & Co., LLP

CUMI USA, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEET
MARCH 31, 2025

ASSETS

CURRENT ASSETS:	
Cash	$ 626,681
Accounts receivable	447,026
Inventory	707,442
Prepaid expenses and other current assets	53,432
Total current assets	1,834,581
PROPERTY AND EQUIPMENT, net	1,582,153
GOODWILL	1,725,499
INTANGIBLE ASSETS, net	2,190,000
	$ 7,332,233

LIABILITIES AND STOCKHOLDER'S EQUITY

CURRENT LIABILITIES:	
Accounts payable	$ 81,000
Accrued expenses	93,734
Total current liabilities	174,734
LONG-TERM LIABILITIES:	
Deferred income tax liability	136
Total liabilities	174,870
STOCKHOLDER'S EQUITY:	
Common stock	7,100,000
Retained earnings	57,363
Total stockholder's equity	7,157,363
	$ 7,332,233

The accompanying notes are an integral part of these consolidated statements.

CUMI USA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF INCOME
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 2024) TO MARCH 31, 2025

REVENUES	$ 1,805,823
COST OF REVENUES	(954,449)
Gross profit	851,374
OPERATING EXPENSES	(794,231)
Income from operations	57,143
OTHER INCOME	356
Income before provision for income taxes	57,499
PROVISION FOR INCOME TAXES	(136)
NET INCOME	$ 57,363

The accompanying notes are an integral part of these consolidated statements.

CUMI USA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 2024) TO MARCH 31, 2025

	Common Stock	Retained Earnings	Total Stockholder's Equity
BALANCE, October 2, 2024	$ -	$ -	$ -
Common stock issuance	7,100,000	-	7,100,000
Net income	-	57,363	57,363
BALANCE, March 31, 2025	$ 7,100,000	$ 57,363	$ 7,157,363

The accompanying notes are an integral part of these consolidated statements.

CUMI USA, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD FROM INCEPTION (OCTOBER 2, 2024) TO MARCH 31, 2025

CASH FLOW FROM OPERATING ACTIVITIES:		
Net income	$	57,363
Adjustments to reconcile net income		
to net cash flow from operating activities		
Amortization - intangibles		170,000
Depreciation		32,674
Deferred income taxes		136
Changes in:		
Accounts receivable		(9,152)
Inventory		33,137
Prepaid expenses and other current assets		11,549
Accounts payable		80,500
Accrued expenses		60,099
Net cash flow from operating activities		436,306
CASH FLOW FROM INVESTING ACTIVITIES:		
Acquisition of Silicon Carbide Products Acquisition, LLC, net of cash acquired		(6,909,625)
Net cash flow from investing activities		(6,909,625)
CASH FLOW FROM FINANCING ACTIVITIES:		
Proceeds from common stock issuance		7,100,000
Net cash flow from financing activities		7,100,000
NET CHANGE IN CASH		626,681
CASH - beginning of period		-
CASH - end of period	$	626,681

The accompanying notes are an integral part of these consolidated statements.

1. THE COMPANY

CUMI USA, Inc. and Subsidiary (collectively, "the Company") is comprised of the parent company, CUMI USA, Inc. ("CUMI USA"), which owns 100% of the membership units of Silicon Carbide Products, LLC ("SCP"). CUMI USA was formed on October 2, 2024 for the purpose of acquiring the membership interests of SCP. In conjunction with the acquisition described in Note 2, Silicon Carbide Products, Inc. was merged into Silicon Carbide Products, LLC.

Silicon Carbide Products, LLC is a manufacturer of ceramic components for high stress industrial applications and serves original equipment manufacturers and engineering/fabrication companies worldwide.

2. BUSINESS ACQUISITION

On October 30, 2024, CUMI USA acquired 100% of the membership interests of SCP for consideration of $6,872,044 plus a net working capital adjustment of $175,900. The acquisition was funded with cash.

The acquisition was recorded as a business combination under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 805, *Business Combinations*, resulting in assets and liabilities being recorded at fair value.

The following table summarizes estimated fair values of the assets acquired and the liabilities assumed:

Cash	$ 138,319
Accounts receivable	437,874
Inventory	740,579
Prepaid expenses and other current assets	64,981
Property and equipment	1,614,827
Brand name	240,000
Customer relationships	1,650,000
Intellectual property	300,000
Non-competes	170,000
Accounts payable	(500)
Accrued expenses	(33,635)
Total identifiable net assets	5,322,445
Goodwill	1,725,499
Total fair value of consideration	$ 7,047,944

2. BUSINESS ACQUISITION (Continued)

The excess of the purchase price paid over the identifiable net assets of $5,322,445 was recorded as goodwill. The transaction was a strategic acquisition and the goodwill recognized is principally attributable to the expected synergies and market expansion. The goodwill is expected to be deductible for income tax purposes. The Company incurred immaterial expenses related to the transaction.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation

The consolidated financial statements include the accounts of CUMI USA, Inc. and its wholly owned subsidiary, Silicon Carbide Products, LLC. All significant intercompany accounts and transactions have been eliminated.

Cash

Cash includes bank demand deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable are customer obligations due under normal trade terms. The Company performs continuing credit evaluation of customers' financial condition, and the Company generally does not require collateral. The Company operates in the manufacturing of ceramic components for high stress industrial applications and its accounts receivable are primarily derived from dealers within the industries served. At each reporting date, the Company recognizes an expected allowance for credit losses. In addition, this estimate is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist and receivables evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of the Company's historical losses relative to gross receivables. The current and expected future economic conditions are not expected to change significantly as compared with the economic conditions included in the historical information. Given historically low write-offs, the Company has not recorded an allowance for credit losses as of March 31, 2025.

Inventory

Inventory is recorded at the lower of cost or net realizable value. Cost is determined by using the first-in, first-out (FIFO) method.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

Property and equipment, including major renewals and betterments, are recorded at cost and are depreciated using the straight-line method over their estimated useful lives. Costs for repairs and maintenance are expensed as incurred. Upon retirement or disposal of an asset, the cost and related accumulated depreciation are eliminated and any gain or loss is included in operations. Depreciation is computed over the following periods:

Building	39 years
Production equipment	3 to 5 years
Furniture, fixtures and office equipment	3 to 5 years

Long-Lived Assets

The Company reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. The Company noted no events or circumstances that indicated that the carrying value of assets may not be recoverable as of March 31, 2025.

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of the net assets acquired in a business combination. The Company evaluates the carrying value of goodwill on an annual basis and upon the occurrence of events or circumstances that would more likely than not reduce the fair value below its carrying amount. Impairment, if any, will be recognized for the difference between the fair value of the Company and its carrying amount and will be limited to the carrying amount of goodwill. The Company had no impairment of goodwill during the period from inception (October 2, 2024) to March 31, 2025.

Intangible Assets

The Company's intangible assets consist of brand name, customer relationships, intellectual property, and non-compete agreements. Intangible assets have finite useful lives and are being amortized on a straight-line basis over the estimated useful lives of the assets. The Company periodically evaluates the reasonableness of the useful life of these intangible assets. The Company had no impairment of intangible assets during the period from inception (October 2, 2024) to March 31, 2025.

Leases

The Company determines if an arrangement is a lease at inception. For all underlying classes of assets, the Company has elected to not recognize right-of-use (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 fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred. The Company incurred short-term lease expense of $18,881 during the period from inception (October 2, 2024) to March 31, 2025.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Point in Time)
The majority of the Company's revenues are generated by delivery of products to the Company's customers and recognized at a point in time based on the Company's evaluation of when the customer obtains control of the products. Revenue is recognized when all performance obligations under the terms of a contract with the Company's customer are satisfied, and control of the product has been transferred to the customer. If customer acceptance clauses are present and it cannot be objectively determined that control has been transferred, revenue is only recorded when customer acceptance is received and all performance obligations have been satisfied. Sales of goods typically do not include multiple product and/or service elements. The Company does not typically have any significant financing components as payment is received shortly after the point of sale.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. Generally, sales are collected within two months following satisfaction of a performance obligation. At the time revenue is recognized, allowances are recorded, with the related reduction to revenue, for estimated product returns, allowances and price discounts based upon historical experience and related terms of customer arrangements.

Shipping and Handling
The Company considers all shipping and handling to be fulfillment activities and not a separate performance obligation. Shipping and handling costs are recorded as costs of revenues.

Sales and Other Taxes
Sales tax, value-added tax, and other taxes the Company collects concurrent with revenue-producing activities are excluded from revenue.

Incremental Costs
The Company has availed itself of the practical expedient available under ASC 606 to make a policy election to expense incremental costs of obtaining a contract with a customer, such as sales commissions, as the amortization period of such costs would be one year or less.

Advertising
Advertising costs are expensed as incurred and amounted to $1,375 for the period from inception (October 2, 2024) to March 31, 2025.

Research and Development Costs
Research and development costs are expensed to operations as incurred and are included in costs of revenues in the accompanying consolidated statement of income. Total research and development expense amounted to $100,347 for the period from inception (October 2, 2024) to March 31, 2025.

Income Taxes
Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements. Deferred tax assets and liabilities are recorded representing the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled.

Estimates
The preparation of consolidated financial statements in accordance 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 the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

4. REVENUE

Revenue Disaggregation Table
The following table shows revenues by major product categories recognized at a point in time. Within each product category, contract terms, conditions and economic factors affecting the nature, amount, timing and uncertainty around revenue recognition and cash flows are substantially similar. The commercial markets and selling channels are also similar.

The Company's net revenues by product category are as follows for the period from inception (October 2, 2024) to March 31, 2025:

Custom products	$ 1,268,059
High volume products	294,980
Engineering and tool design	57,577
Other	188,113
Discounts	(2,906)
	$ 1,805,823

Receivables and Contract Balances
Receivables represent the Company's right to consideration that is unconditional, except for the passage of time.

The Company did not have any contract assets at March 31, 2025.

Contract liabilities may include deferred revenues, other advanced payments and customer deposits. There were no such contract liabilities at March 31, 2025.

5. INVENTORY

The components of inventory consisted of the following at March 31, 2025:

Raw materials	$ 184,207
Work-in-process	523,235
Total	$ 707,442

6. PROPERTY AND EQUIPMENT

Property and equipment, net consisted of the following at March 31, 2025:

Building	$ 980,000
Land	370,000
Production equipment	181,288
Furniture, fixtures, and office equipment	83,539
	1,614,827
Less: Accumulated depreciation	(32,674)
	$ 1,582,153

Depreciation expense for the period from inception (October 2, 2024) to March 31, 2025 was $32,674.

7. INTANGIBLE ASSETS

Intangible assets consisted of the following at March 31, 2025:

	Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Brand Name	10	$ 240,000	$ (10,000)	$ 230,000
Customer Relationships	6	1,650,000	(114,583)	1,535,417
Intellectual Property	4	300,000	(31,250)	268,750
Non-competes	5	170,000	(14,167)	155,833
		$ 2,360,000	$ (170,000)	$ 2,190,000

Amortization expense related to intangible assets totaled $170,000 for the period from inception (October 2, 2024) to March 31, 2025.

The Company expects to amortize intangible assets in the future fiscal years as follows at March 31, 2025:

2026	$ 408,000
2027	408,000
2028	408,000
2029	376,750
2030	318,833
Thereafter	270,417
	$ 2,190,000

8. LINE OF CREDIT

On January 7, 2025, the Company entered into a line of credit agreement with a financial institution with a borrowing limit of the lesser of $700,000 or 75% of eligible accounts receivable plus 30% raw material inventory plus 50% finished goods inventory; interest is charged at the prime rate plus 0.50% and amounts borrowed are collateralized by the Company's assets. There were no amounts outstanding under the terms of the line of credit agreement at March 31, 2025.

Under the terms of the line of credit agreement, the Company is required to maintain a current ratio in excess of 2.0 which is evaluated as of year end. The Company was in compliance with this financial covenant at March 31, 2025.

9. STOCKHOLDER'S EQUITY

The Company is authorized to issue 100,000 shares of common stock, with $100 par value. As of March 31, 2025, there were 71,000 shares of common stock issued and outstanding.

10. INCOME TAXES

The provision for income taxes consisted of the following for the period from inception (October 2, 2024) to March 31, 2025:

Deferred tax expense	$ 136

The provision for income taxes differs from the "expected" provision for income taxes (computed by applying the U.S. Federal corporate income tax rate of 21% to income before taxes) as follows for the period from inception (October 2, 2024) to March 31, 2025:

Computed "expected" provision for income taxes	$ 12,075
Permanent differences	(11,939)
	$ 136

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's net deferred income taxes were as follows at March 31, 2025:

Deferred income tax assets (liabilities):	
Book over tax amortization of intangible assets	$ 19,180
Research and development	18,006
Net operating loss carryforwards	3,263
Tax over book depreciation of property and equipment	(30,735)
Prepaid expenses	(9,850)
Net deferred income tax liabilities	$ (136)

At March 31, 2025, the Company had approximately $15,500 of net operating loss carryforwards to be used to offset future taxable income. The net operating loss carry forward has no expiration date.

11. RELATED PARTY TRANSACTIONS

The Company occasionally purchases materials from Carborundum Universal Limited ("CUMI"), which owns 100% of the outstanding shares of CUMI USA Inc. common stock. The Company purchased materials totaling $41,110 for the period from inception (October 2, 2024) to March 31, 2025. At March 31, 2025, the Company had no outstanding amounts due to CUMI.

12. RETIREMENT PLAN

The Company maintains a profit-sharing plan that covers substantially all employees. The plan includes 401(k) salary deferral provisions allowing employees to elect deferral of a percentage of their compensation, limited to the annually determined Federal limits. The Company matches 100% of employees' deferrals on the first 3% of their compensation, and then 50% of employees' deferrals between 3% and 5%. The Company may make contributions to the Plan on a discretionary basis. The Company made contributions of $21,019 to the Plan for the period from inception (October 2, 2024) to March 31, 2025.

13. CONCENTRATIONS

The Company had sales to three customers which accounted for approximately 47% of total revenues for the period from inception (October 2, 2024) to March 31, 2025. Accounts receivable from two of these customers and one additional customer amounted to 44% of the Company's accounts receivable balance at March 31, 2025.

The Company had three vendors which accounted for approximately 38% of its material purchases for the period from inception (October 2, 2024) to March 31, 2025. One of these vendors and two others accounted for approximately 60% of the Company's accounts payable balance at March 31, 2025.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 6, 2025, which is the date the consolidated financial statements were available to be issued.