

**GLOBAL COMPOSITE
HOLDINGS INC.**

**FINANCIAL STATEMENTS
WITH INDEPENDENT
ACCOUNTANTS' COMPILATION
REPORT**

DECEMBER 31, 2021

GLOBAL COMPOSITE HOLDINGS INC.

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INDEPENDENT ACCOUNTANTS' COMPILATION REPORT

To the Board of Directors
Global Composite Holdings Inc.
Minneapolis, Minnesota

Management is responsible for the accompanying financial statements of Global Composite Holdings Inc. (a corporation), which comprise the balance sheet as of December 31, 2021, and the related statements of operations, stockholder's equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. We do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
March 1, 2022

GLOBAL COMPOSITE HOLDINGS INC.

FINANCIAL STATEMENTS

GLOBAL COMPOSITE HOLDINGS INC.
BALANCE SHEET
DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

ASSETS

CURRENT ASSETS

Cash		\$ 482,973
Notes receivable		<u>6,750,000</u>

TOTAL		<u>\$ 7,232,973</u>
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LIABILITIES AND STOCKHOLDER'S EQUITY (DEFICIT)

CURRENT LIABILITIES

Accrued interest		\$ 1,047,108
Related party note payable		<u>11,891,764</u>
TOTAL CURRENT LIABILITIES		<u>12,938,872</u>

STOCKHOLDER'S EQUITY (DEFICIT)

Common stock, \$.99631 par value, 3,010,000 shares authorized, 2,709,999 shares issued and outstanding		2,700,000
Additional paid-in capital		860,000
Accumulated deficit		<u>(9,265,899)</u>
TOTAL STOCKHOLDER'S (DEFICIT)		<u>(5,705,899)</u>

TOTAL		<u>\$ 7,232,973</u>
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The accompanying notes are an integral part of these financial statements.

GLOBAL COMPOSITE HOLDINGS INC.
STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

OPERATING REVENUE	\$ <u> -</u>
OPERATING EXPENSES	
Accounting	2,760
Bank charges	519
Licenses & permits	<u>158</u>
TOTAL OPERATING EXPENSES	<u>3,437</u>
NET (LOSS)	<u> \$ (3,437)</u>

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

GLOBAL COMPOSITE HOLDINGS INC.
STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT)
YEAR ENDED DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED EQUITY (DEFICIT)	TOTAL
BALANCE DECEMBER 31, 2020	\$ 2,700,000	\$ 860,000	\$ (9,262,462)	\$(5,702,462)
(DEDUCT)				
Net (loss)	-	-	(3,437)	(3,437)
BALANCE, DECEMBER 31, 2021	\$ 2,700,000	\$ 860,000	\$ (9,265,899)	\$(5,705,899)

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

GLOBAL COMPOSITE HOLDINGS INC.
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

CASH FLOWS FROM OPERATING ACTIVITIES	
Net (loss)	\$ (3,437)
CASH AT BEGINNING OF YEAR	<u>486,410</u>
CASH AT END OF YEAR	<u>\$ 482,973</u>

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

GLOBAL COMPOSITE HOLDINGS INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

NOTE 1 - Nature of Business and Significant Accounting Policies

Global Composite Holdings Inc. ("Company") is a wholly owned subsidiary of Binani Industries, Ltd. In prior years, the Company was engaged in the production of molded composite parts, the licensing of the patented technology, and the fabrication, integration and support of compounding/molding equipment for its licensees. The Company sold substantially all its assets and no longer produces products for customers.

Summary of Significant Accounting Policies:

Basis of Accounting - The accompanying financial statements are presented in accordance with the accounting principles generally accepted in the United States of America (U.S. GAAP) as codified by the Financial Accounting Standards Board.

Accounts Receivable - Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to trade accounts receivable. At December 31, 2021, no allowance was recorded as all amounts are deemed collectible.

Income Taxes - Income taxes are provided for the tax effects of transactions reported in the financial statements. The difference between the financial statements and tax basis of assets and liabilities is determined annually. Deferred income tax assets and liabilities are computed for those differences that have future tax consequences. Income tax expense is the current tax payable or refundable for the period plus or minus the net change in deferred tax assets and liabilities.

U.S. GAAP requires management to evaluate tax positions taken by the Company and recognize a tax liability (or asset) if the Company has taken an uncertain position that more likely than not would not be sustained upon examination by a taxing authority. Management has analyzed the tax positions taken by the Company and has concluded that as of December 31, 2021, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. However, the Company is not accruing interest expense or income on related party payables/receivables, but no liability is recorded on the balance sheet, since the Company has net operating losses so notices would be paid. The Company is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The Company will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Deferred Taxes - Under the deferred method, annual income tax expense is matched with pretax accounting income by providing deferred taxes at current tax rates for timing differences between the determination of net income for financial reporting and tax purposes. The objective of the asset and liability method is to establish deferred tax assets and liabilities for the temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such amounts are realized or settled.

GLOBAL COMPOSITE HOLDINGS INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

NOTE 1 - Nature of Business and Significant Accounting Policies - Continued

Use of Estimates - The preparation of financial statements in conformity 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Credit Risk - During 2021, the Company had cash deposits in excess of federal insurance limits.

Subsequent Events - The Company has evaluated subsequent events through March 1, 2022, the date which the financial statements were available to be issued, and there were no material transactions that needed to be recorded or disclosed.

NOTE 2 - Notes Receivable

As of December 31, 2021, the Company had a note receivable from unrelated party in the amount of \$5,000,000. This amount was recognized as an advance for a future investment.

As of December 31, 2021, the Company had a note receivable in the amount of \$1,750,000. This amount is recognized as an advance for a future investment.

NOTE 3 - Related Party Note Payable

Related party note payable of Binani Industries, Ltd consists of the following:

Revolving note payable, with interest payments made periodically at a per annum rate of LIBOR plus 5.0 percent collateralized by the assets of the Company, due upon payment of all non-related long-term debt, which occurred on March 20, 2015.	<u>\$ 11,891,764</u>
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NOTE 4 - Income Taxes

The provision for income taxes consists of:

Taxes at statutory rates	\$ -
Deferred taxes	-
PROVISION FOR INCOME TAXES	<u>\$ -</u>

The net deferred tax asset includes the following components:

Total deferred tax assets	\$ 2,315,000
Less valuation allowance	(2,315,000)
NET DEFERRED TAX ASSETS	<u>\$ -</u>

These amounts have been presented in the financial statements as follows:

Noncurrent deferred tax asset	\$ 2,315,000
Less valuation allowance	(2,315,000)
NET DEFERRED TAX ASSETS	<u>\$ -</u>

The deferred tax assets result from net operating loss carryforwards and accrued interest.

GLOBAL COMPOSITE HOLDINGS INC.
NOTES TO FINANCIAL STATEMENTS - Continued
DECEMBER 31, 2021
(See Independent Accountants' Compilation Report)

NOTE 4 - Income Taxes - Continued

Based on the available objective evidence, including the Company's history of losses, management believes it is more likely than not that the deferred tax assets will not be fully realizable. Accordingly, the Company provided for a full valuation allowance against its net deferred tax assets at December 31, 2021.

As of December 31, 2021, the Company has the following tax carryforwards that may offset, subject to limitations, future federal and state taxable income. If not used, the net operating loss carryforwards will expire. The carryforwards will expire in future years except for losses after 2017 that do not expire. The approximate amounts are as follows:

Federal net operating loss	\$ 7,200,000
State net operating loss	6,355,000