

SECURITIES & EXCHANGE COMMISSION EDGAR FILING

DGSE COMPANIES INC

Form: 8-K/A

Date Filed: 2019-08-05

Corporate Issuer CIK: 701719

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **May 24, 2019** (May 20, 2019)

DGSE COMPANIES, INC.

(Exact name of Registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

1-11048
(Commission
File Number)

88-0097334
(I.R.S. Employer
Identification No.)

13022 Preston Road
Dallas, Texas 75240
(Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, including area code: **(972) 587-4049**

Not Applicable

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2.):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value per share	DGSE	NYSE American

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

☐ Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Introduction

In its Current Report on Form 8-K, filed with the Securities and Exchange Commission on May 24, 2019 (the "Initial Report"), DGSE Companies, Inc. (the "Company") reported that Corrent Resources, LLC, a wholly owned subsidiary of the Company, acquired all of the assets of certain affiliated entities for approximately \$6.9 million. This Current Report on Form 8-K/A amends and supplements the Initial Report to provide the historical financial statements and unaudited pro forma information required by item 9.01(a) and (b) of Form 8-K. This Form 8-K/A should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired

The unaudited interim financial statements of Echo Environmental, LLC and its subsidiaries (the "Echo Entities"), including the Echo Entities' unaudited balance sheet as of March 31, 2019, unaudited balance sheet derived from the audited financial statements as of December 31, 2018, unaudited statements of operations for the three months ended March 31, 2019 and 2018, unaudited statements of members' deficit for the three months ended March 31, 2019 and 2018, unaudited statements of cash flow for the three months ended March 31, 2019 and 2018, and the notes related thereto are included as Exhibit 99.1.

The audited financial statements of the Echo Entities, including the Echo Entities audited balance sheets as of December 31, 2018 and 2017, statements of operations for the years ended December 31, 2018 and 2017, statements of changes in members' deficit for the years ended December 31, 2018 and 2017, statements of cash flow for the years ended December 31, 2018 and 2017, the notes related thereto and the related independent auditor's report are referenced as Exhibit 99.2.

(b) Pro Forma Financial Information

The unaudited pro forma combined financial information of the Company, including the unaudited pro forma combined balance sheet as of March 31, 2019, the unaudited combined statement of operations for the three months ended March 31, 2019, the unaudited combined statement of operations for the year ended December 31, 2018 and the notes related thereto are included as Exhibit 99.3.

(c) Exhibits

Exhibit Number	Description of Exhibit
23.1	Consent of Independent Auditor.
99.1	Unaudited Consolidated Financial Statements of the Echo Entities as of March 31, 2019 and for the Three Months Ended March 31, 2019 and 2018.
99.2	Audited Consolidated Financial Statements of the Echo Entities as of December 31, 2018 and 2017 and for the Years Ended December 31, 2018 and 2017.
99.3	Unaudited Pro Forma Combined Financial Statements.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Report to be signed on its behalf by the undersigned hereunto duly authorized.

DGSE COMPANIES, INC.

By: /s/ John R. Loftus

John R. Loftus

Chief Executive Officer

Date: August 5, 2019

CONSENT OF INDEPENDENT AUDITORS

We consent to the inclusion of our report dated June 28, 2019 on the financial statements of Echo Environmental, LLC for the years ended December 31, 2018 and 2017 in the Amended Current Report on Form 8-K/A of DGSE Companies, Inc. (Commission File No. 1-11048) dated August 5, 2019, related to its acquisition of Echo Environmental, LLC.

/s/ Plante & Moran, PLLC

Columbus, Ohio
August 5, 2019

UNAUDITED INTERIM FINANCIAL STATEMENTS

[Consolidated Balance Sheets as of March 31, 2019 and December 31, 2018](#)

[Consolidated Statements of Operations for the three months ended March 31, 2019 and 2018](#)

[Consolidated Statements of Members' Deficit for the three months ended March 31, 2019 and 2018](#)

[Consolidated Statements of Cash Flows for the three months ended March 31, 2019 and 2018](#)

[Notes to Unaudited Consolidated Financial Statements](#)

Echo Environmental, LLC and Subsidiaries
Consolidated Balance Sheets

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	(Unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,133,653	\$ 610,178
Trade receivables, net of allowances	1,095,032	2,193,340
Trade receivables, related party	3,999,149	-
Inventories	1,174,224	1,265,809
Prepaid expenses	80,191	132,847
Total current assets	<u>7,482,249</u>	<u>4,202,174</u>
Property and equipment, net	591,597	614,217
Other assets	<u>88,997</u>	<u>88,997</u>
Total assets	<u>\$ 8,162,843</u>	<u>\$ 4,905,388</u>
LIABILITIES		
Current Liabilities:		
Accounts payable - trade	\$ 684,211	\$ 758,134
Notes payable - related parties	14,756,481	10,959,649
Accrued expenses	441,753	504,396
Total current liabilities	<u>15,882,445</u>	<u>12,222,179</u>
Other long-term liabilities	<u>6,424</u>	<u>60,486</u>
Total liabilities	15,888,869	12,282,665
Commitments and contingencies		
Members' deficit	(7,726,026)	(7,377,277)
Total members' deficit	<u>(7,726,026)</u>	<u>(7,377,277)</u>
Total liabilities and members' deficit	<u>\$ 8,162,843</u>	<u>\$ 4,905,388</u>

See accompanying condensed notes to consolidated financial statements.

Echo Environmental, LLC and Subsidiaries
Consolidated Statements of Operations

	Three Months Ended March 31,	
	2019	2018
	(unaudited)	(unaudited)
Revenue:		
Sales	\$ 3,641,368	\$ 8,913,770
Cost of goods sold	2,350,892	4,467,617
Gross margin	1,290,476	4,446,153
Expenses:		
Selling, general and administrative expenses	1,609,607	2,621,045
Depreciation and amortization	25,527	82,257
	1,635,134	2,703,302
Operating income (loss)	(344,658)	1,742,851
Other (income) expense, net:	4,091	(1,475)
Net income (loss) from continuing operations	(348,749)	1,744,326
Discontinued operations:		
Income from discontinued operations	-	113,944
Net income (loss)	\$ (348,749)	\$ 1,858,270

See accompanying condensed notes to consolidated financial statements.

Echo Environmental, LLC and subsidiaries
Consolidated Statements of Member's Deficit

	Due From Related Parties	Members' Deficit	Total
Balances, December 31, 2017	\$ -	\$ (5,535,700)	\$ (5,535,700)
Net income	-	1,858,270	1,858,270
Balances, March 31, 2018	<u>\$ -</u>	<u>\$ (3,677,430)</u>	<u>\$ (3,677,430)</u>
Balances, December 31, 2018	\$ (4,354,911.00)	\$ (3,022,366)	\$ (7,377,277)
Net loss	-	(348,749)	(348,749)
Balances, March 31, 2019	<u>\$ (4,354,911.00)</u>	<u>\$ (3,371,115)</u>	<u>\$ (7,726,026)</u>

See accompanying condensed notes to consolidated financial statements.

Echo Environmental, LLC and Subsidiaries
Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2019 (unaudited)	2018 (unaudited)
Cash Flows from Operating Activities		
Net income (loss)	\$ (348,749)	\$ 1,858,270
Adjustments to reconcile income (loss) to net cash provided by operating activities:		
Depreciation and amortization	25,527	82,257
Changes in operating assets and liabilities:		
Trade receivables	1,098,308	1,386,205
Trade receivables, related party	(3,999,149)	(8,127,301)
Inventories	91,585	(2,266,011)
Prepaid expenses	52,656	(5,953)
Accounts payable and accrued expenses	(136,566)	2,062,991
Other long-term liabilities	(54,062)	(92,549)
Net cash used in operating activities:	(3,270,450)	(5,102,091)
Cash Flows from Investing Activities:		
Purchase of property and equipment	(2,907)	(32,455)
Net cash used in investing activities	(2,907)	(32,455)
Cash Flows from Financing Activities:		
Proceeds from notes payable, related party	3,796,832	6,451,802
Net cash provided by investing activities	3,796,832	6,451,802
Cash Flows from Discontinued Operations:		
	-	113,944
Net change in cash and cash equivalents	523,475	1,431,200
Cash and cash equivalents, beginning of period	610,178	811,787
Cash and cash equivalents, end of period	\$ 1,133,653	\$ 2,242,987
Supplemental Disclosures		
Cash paid during the period for:		
Interest	\$ -	\$ 25
Income taxes	\$ -	\$ -

See accompanying condensed notes to consolidated financial statements.

Echo Environmental, LLC and Subsidiaries
Notes to Unaudited Consolidated Financial Statements

Note 1 - Nature of Business

Echo Environmental, LLC and Subsidiaries (the "Company") is a large-scale processor of circuit boards and electronic waste. The Company is committed to fast and cost-efficient service to many different industries that need to recycle electronic components. The Company processes the electronics it receives in its 175,000-square foot facility located in Carrollton, Texas. The Company is a wholly owned subsidiary of Elemetal, LLC ("Elemetal") and is included in the Elemetal, LLC consolidated financial statements. The Company was formerly known as Elemetal Recycling, LLC.

On May 20, 2019, the Company's operating assets and liabilities were sold to Corrent Resources, LLC ("Corrent") leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc. ("DGSE"), a publicly-traded company on the NYSE American exchange, see Note 11.

Note 2 – Significant Accounting Policies

Principles of Consolidation

The unaudited consolidated financial statements include the accounts of the Company and all of its wholly owned and majority-owned subsidiaries. Subsidiaries that meet the discontinued operations criteria are presented separately and labeled as discontinued operations in the unaudited consolidated financial statements. During 2017 the Company added a new subsidiary, ITAD, LLC ("ITAD"). All material intercompany accounts and transactions have been eliminated in the consolidation.

Management's Plans

The accompanying unaudited consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

As discussed in Notes 1 and 11 to the financial statements, Echo Environmental, LLC's operating assets and liabilities were sold on May 20, 2019 to Corrent Resources, LLC ("Corrent") leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc. ("DGSE"), a publicly-traded company on the NYSE American exchange. The Company has stated that substantial doubt exists about its ability to continue as a going concern due to no longer having operating assets or liabilities to generate significant future cash flows.

The Company did not receive any significant proceeds from the sale as they were used to pay down the parent company's outstanding debt (see Note 7). Management acknowledged that, without those cash proceeds, the Company would be unable to meet its obligations. Accordingly, substantial doubt remains regarding the ability of the Company to continue as a going concern during the following year.

Credit Risk, Major Customers, and Suppliers

Amounts due from one major customer made up approximately 41 percent and 31 percent of accounts receivable as of March 31, 2019 and December 31, 2018, respectively. Sales to the same major customer, a smelter, constituted approximately 47 percent and 46 percent of total sales for the quarters ended March 31, 2019 and 2018, respectively.

Note 2 - Significant Accounting Policies (Continued)

Amounts due from two other non-smelter major customers made up approximately 25 percent and 22 percent of accounts receivable as of March 31, 2019 and December 31, 2018 respectively. Sales to these customers constituted approximately 18 percent and 14 percent of total sales for the quarters ended March 31, 2019 and 2018 respectively. Amounts due to one major supplier made up 39 percent and 41 percent of accounts payable as of March 31, 2019 and December 31, 2018 respectively.

Commodity Risk

The market price of metals contained in circuit boards, future production levels, and operating costs could materially affect operating cash flow and profitability. Many of the factors affecting these risks are beyond the Company's control. Fair Value of Financial Instruments The carrying amounts of the Company's cash, accounts receivable, and accounts payable approximate their fair value due to the short maturity of such instruments.

Trade Accounts Receivable

The Company's accounts receivable include amounts for metals with low grade smelters that are recorded based on the fair market value of the underlying metals. At March 31, 2019 and December 31, 2018, receivables based on metal prices approximated \$285,000 and \$343,000, respectively, and are included in total accounts receivable on the balance sheet.

Trade accounts receivable potentially subject the Company to concentrations of credit risk. The Company provides products to its customers based upon an evaluation of the customers' financial condition generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors the exposure for credit losses and, when necessary, will purchase credit insurance or refrain from shipping materials.

The balance in accounts receivable primarily reflects amounts due from smelters that are not yet due to be paid and other receivables for delivered de-manufactured product. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance is determined on a customer specific allowance basis. There was a \$270,029 and \$270,000 allowance for a related party trade account receivable at March 31, 2019 and December 31, 2018, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization of the equipment under capital leases is computed using the straight-line method over 5 years and included in depreciation expense. Costs of maintenance and repairs are charged to expense when incurred.

Accounts Payable

The Company's accounts payable include amounts for electronic scrap that are payable once the material is analyzed. Additionally, the Company values payables for undetermined payable amounts based upon the current estimated value of the scrap. At December 31, 2018 and 2017, these unsettled payables approximated \$110,000 and \$126,000, respectively, and are included within other accrued liabilities on the unaudited consolidated balance sheet.

Revenue Recognition

Revenue from the sale of inventory is recognized by the Company when delivery has occurred and title and risk of loss have passed to the buyer. Sales are made in accordance with sales contracts where the price is fixed or determinable. Payments received in advance of product shipment are recorded as deferred revenue and recognized when title has been transferred to the customer.

Note 2 – Significant Accounting Policies (Continued)

Shipping and Handling Costs

The Company records shipping and handling costs for the delivery of finished goods in cost of goods sold in the unaudited consolidated statement of operations. Total shipping and handling costs for the three months ended March 31, 2019 and 2018 approximated \$317,900 and \$993,522, respectively.

Income Taxes

The Company and its wholly owned subsidiaries are treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro-rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

As of January 1, 2017, the Company adopted new guidance related to the measurement of certain inventories. Under the new guidance, inventories are measured at the lower of cost or net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal and transportation. Previously, certain inventories were measured at the lower of cost or market, with market generally based on replacement costs, adjusted for other factors.

Upcoming Accounting Pronouncement

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606), which will supersede the current revenue recognition requirements in Topic 605, Revenue Recognition. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance to be applied using one of two retrospective application methods. The Company has not yet determined which application method it will use. The Company has begun to analyze the new standard, but has not yet determined the impact on the timing or amount of revenue. The Company will expand the financial statement disclosures in order to comply with the new ASU.

The Financial Accounting Standards Board (FASB) issued ASU 2016-02, Leases, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Company's financial statements as a result of the Company's operating leases, as disclosed in Note 6, which will be reported on the balance sheet at adoption. Upon adoption, the Company will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

Note 2 – Significant Accounting Policies (Continued)

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments. The ASU includes changes to the accounting and measurement of financial assets including the Company's accounts receivable by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Company's year ending December 31, 2021. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Early adoption for all companies is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact this standard will have on the financial statements; however, the impact is not expected to be significant.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including August 5, 2019, which is the date the financial statements were available to be issued.

Note 3 - Inventory

Inventory at March 31, 2019 and December 31, 2018 consisted of the following:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Unprocessed scrap materials	\$ 142,851	\$ 110,628
Processed scrap materials	338,943	324,479
In-transit processed materials	692,430	830,702
Total	<u>\$ 1,174,224</u>	<u>\$ 1,265,809</u>

Inventories principally include processed and unprocessed electronic scrap materials. The value of the material is derived from recycling the precious and other scrap metals included in the scrap. The unprocessed and processed materials are carried at the lower of the average cost of the material during the month of purchase or NRV. The in-transit material is carried at lower of cost or market using the retail method. Under the retail method the valuation of the inventory at cost and the resulting gross margins are calculated by applying a cost to retail ratio to the retail value of the inventory.

The inventory serves as collateral for borrowing by Elemetal Refining, LLC and is included in its collateral base.

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
Machinery and equipment	\$ 1,870,520	\$ 1,879,021
Transportation equipment	12,000	12,000
Furniture and fixtures	34,830	34,830
Computer equipment and software	129,153	129,153
Leasehold improvements	173,789	173,789
Total cost	<u>2,220,292</u>	<u>2,228,793</u>
Accumulated depreciation	<u>1,628,695</u>	<u>1,614,576</u>
Net property and equipment	<u>\$ 591,597</u>	<u>\$ 614,217</u>

Depreciation expense was \$25,527 and \$82,257 for the three months ended March 31, 2019 and 2018 respectively.

Note 5 - Discontinued Operations

In November 2018, the Company completed the sale of its wholly owned subsidiary, LBJ Metals, LLC (LBJ). The Company exchanged its ownership interest in LBJ for total consideration of \$10. The major classes of revenue and expenses of LBJ included in discontinued operations for the quarters ended March 31, 2019 and 2018 are as follows:

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Net income attributed to discontinued operations	\$ -	\$ 113,944
Total net income attributed to discontinued operations	<u>\$ -</u>	<u>\$ 113,944</u>

Note 6 - Operating Leases

The Company is obligated under operating leases primarily for building rent, expiring at various dates through 2021. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was \$181,408 and \$181,408 for the three months ended March 31, 2019 and 2018, respectively.

Future minimum annual commitments under these operating leases are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2019	\$ 777,000
2020	794,000
2021	<u>104,000</u>
Total	<u>\$ 1,675,000</u>

Note 6 – Operating Leases (Continued)

In connection with the operating lease for its warehouse and office space, the Company was granted certain lease incentives. Deferred lease incentives reflected in the accompanying consolidated balance sheet are being amortized on a straight-line basis over the term of the lease. Deferred lease incentives totaled approximately \$114,459 and \$78,000 as of March 31, 2019 and December 31, 2018, respectively, and are included within other accrued liabilities and deferred lease obligation on the Company's consolidated balance sheet. The Company subleases a portion of this warehouse space to two unrelated entities. Sublease rentals to be received in the future under these noncancelable subleases total approximately \$863,000 through July 2021 due in monthly installments ranging from approximately \$10,000 to \$25,000 per month. Rental income under the subleases was \$78,500 and \$78,500 for the three months ended March 31, 2019 and 2018, respectively, and is included as a reduction of operating expense on the unaudited consolidated statement of operations.

Note 7 - Related Party Transactions

The following is a description of transactions between the Company and related parties, which include companies that have some common ownership with Elemetal members:

Accounts Receivable

At March 31, 2019 and December 31 2018, the Company had accounts receivable from related parties totaling approximately \$8,624,000 and \$4,625,000 respectively. Approximately \$270,029 and \$270,000 of these amounts are reserved for as discussed in Note 2. During 2017 and 2018, the Company determined that the remaining advances of approximately \$4,355,000 to related parties should be treated as equity transactions due to management's determination of the uncertainty of the source of repayment. As a result, that amount was reclassified as contra-equity on the consolidated statement of members' deficit and the accounts receivable from related parties as of March 31, 2019 and December 31, 2018, after the reclassification, was \$3,999,149 and \$0 respectively.

Loans Payable

The Company has \$14,756,481 and \$10,959,649 in outstanding loans payable to related parties at March 31, 2019 December 31, 2018, respectively. Included in this amount is approximately \$11,400,000 and \$10,810,000 payable to Elemetal Refining, LLC at March 31, 2019 and December 31, 2018, respectively. The remaining loan balance of \$3,356,481 and \$149,649 at March 31, 2019 and December 31, 2018 is to another Elemetal related company. The parent company has guaranteed the debt agreement of one of its other operating subsidiaries. Under the guarantee agreement, the parent company has pledged its assets and the assets of its other subsidiaries, which includes substantially all of Echo's assets as collateral for the underlying debt. As part of the subsequent sale (Note 11), the parent's lender waived and released its claims.

Note 8 - Retirement Plans

Substantially all nontemporary employees of the Company are eligible to participate in a 401(k) plan sponsored by Elemetal. The plan provides that the Company, an eligible employer of the plan, will make a required matching contribution up to 15 percent of employee contributions, not to exceed 6 percent of the employee's eligible wages. Company contributions to the plan \$3,503 and \$2,560 for the quarters ended March 31, 2019 and 2018, respectively.

Note 9 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value. The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis at March 31, 2019 and December 31, 2018 and the valuation techniques used by the Company to Determine those fair values.

Note 9 – Fair Value Measurements (Continued)

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Company's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the three months ended March 31, 2019 and 2018, there were no transfers between levels of the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at
March 31, 2019

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at March 31, 2019
Assets - Accounts receivable	\$ -	\$ 171,540	\$ -	\$ 171,540
Liabilities - Accounts payable	\$ -	\$ 113,500	\$ -	\$ 113,500

Assets and Liabilities Measured at Fair Value on a Recurring Basis at
December 31, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Assets - Accounts receivable	\$ -	\$ 343,083	\$ -	\$ 343,083
Liabilities - Accounts payable	\$ -	\$ 126,093	\$ -	\$ 126,093

Note 10 - Contingencies

The Company is a wholly owned subsidiary of Elemetal, LLC ("Elemetal"). Elemetal has subsidiaries that are subject to a variety of legal compliance risks. These risks include compliance with regulations regarding Anti-Money Laundering laws and other compliance obligations from the US Department of Treasury, Financial Crimes Enforcement Network (FinCEN), and the Internal Revenue Service. In 2016, Elemetal began cooperating with the U.S. Government's investigation of the South American gold trade. During 2016, Elemetal directed indirect subsidiary NTR Metals Miami, LLC to discontinue purchasing metal from certain South American countries as a precautionary measure. In early 2017, Elemetal formally closed all operations of NTR Metals Miami and terminated the employees involved in the South American gold purchases. Shortly thereafter, the Government charged three former employees of NTR Metals Miami with money laundering. In March 2018, Elemetal plead guilty to one count of failure to maintain an adequate anti-money laundering program and agreed to a fine of \$15,000,000. The fine is to be paid through forfeiting a claim to gold held by the Republic of Peru in an amount of approximately \$9,600,000, a cash payment of \$1,000,000 paid at the time of execution of the plea, and the remaining amount to be paid in equal, semiannual payments over a five year probation term. The court approved the agreement on May 24, 2018. In conjunction with the sale of all assets of Echo subsequent to year end, as described in Note 1, the parent's lender has waived and released its claims. While the Company may not be directly impacted by the regulations, non-compliance by Elemetal may directly or indirectly have a significant impact on the Company's operations, liquidity, or reputation in a particular period due to impacts on Elemetal's financing, liquidity, and reputation.

Note 11 - Subsequent Events

On May 20, 2019, the Company's operating assets and liabilities were sold to Corrent Resources, LLC ("Corrent") leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc. ("DGSE"), a publicly-traded company on the NYSE American exchange. As part of the sale agreement, the parent's lender waived and released its claims.

Echo Environmental, LLC

Consolidated Financial Report
December 31, 2018

	Contents
Independent Auditor's Report	1
Consolidated Financial Statements	
Balance Sheet	2
Statement of Operations	3
Statement of Changes in Members' Deficit	4
Statements of Cash Flows	5
Notes to Consolidated Financial Statements	6-14

Independent Auditor's Report

To the Board of Managers
Echo Environmental, LLC

We have audited the accompanying consolidated financial statements of Echo Environmental, LLC and its subsidiaries (collectively, the "Company"), which comprise the consolidated balance sheet as of December 31, 2018 and 2017 and the related consolidated statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 consolidated 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 opinions.

Opinions

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Echo Environmental, LLC and its subsidiaries as of December 31, 2018 and 2017 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying consolidated financial statements have been prepared assuming that Echo Environmental, LLC will continue as a going concern. As discussed in Notes 1 and 12 to the consolidated financial statements, Echo Environmental, LLC's operating assets and liabilities were sold on May 20, 2019 to Corrent Resources, LLC (Corrent), leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc. (DGSE), a publicly traded related party through common ownership. The Company has stated that substantial doubt exists about its ability to continue as a going concern due to no longer having operating assets or liabilities to generate future cash flows. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our conclusion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

June 28, 2019

December 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash	\$ 610,178	\$ 811,787
Accounts receivable - Net	2,193,340	3,629,988
Inventory (Note 3)	1,265,809	2,149,666
Current assets of discontinued operation (Note 6)	-	1,095,788
Prepaid expenses and other current assets	132,847	189,249
Total current assets	4,202,174	7,876,478
Property and Equipment - Net (Note 4)	614,217	810,928
Other Assets		
Noncurrent assets of discontinued operation (Note 6)	-	56,205
Other noncurrent assets	88,997	88,997
Total assets	\$ 4,905,388	\$ 8,832,608
Liabilities and Members' Deficit		
Current Liabilities		
Trade accounts payable	\$ 758,134	\$ 1,199,123
Loans from related parties (Note 8)	10,959,649	11,694,703
Current liabilities of discontinued operation (Note 6)	-	605,775
Accrued and other current liabilities:		
Accrued compensation	126,887	49,462
Deferred revenue	87,513	164,749
Other accrued liabilities	289,996	545,143
Total current liabilities	12,222,179	14,258,955
Other Long-term Liabilities - Deferred lease obligation - Net of current portion	60,486	109,353
Total liabilities	12,282,665	14,368,308
Members' Deficit	(7,377,277)	(5,535,700)
Total liabilities and members' deficit	\$ 4,905,388	\$ 8,832,608

See notes to consolidated financial statements.

Years Ended December 31, 2018 and 2017

	2018	2017
Net Sales	\$ 32,762,433	\$ 35,545,442
Cost of Sales	23,348,878	23,607,546
Gross Profit	9,413,555	11,937,896
Selling, General, and Administrative Expenses	9,511,057	7,945,818
Operating (Loss) Income	(97,502)	3,992,078
Nonoperating Income (Expense)		
Other income (expense)	1,100	(172,170)
Interest expense	(563,801)	(627,665)
Total nonoperating expense	(562,701)	(799,835)
(Loss) Income from Continuing Operations	(660,203)	3,192,243
Discontinued Operations (Note 6)		
Income from operations of discontinued operations	387,614	182,348
Loss on sale of discontinued operations	(132,785)	-
Net impact of discontinued operations	254,829	182,348
Consolidated Net (Loss) Income	\$ (405,374)	\$ 3,374,591

See notes to consolidated financial statements.

Years Ended December 31, 2018 and 2017

	Due from Related Parties	Members' Deficit	Total
Balance - January 1, 2017	\$ -	\$ (5,991,583)	\$ (5,991,583)
Net income	-	3,374,591	3,374,591
Reclassification of amounts due from related parties (Note 8)	(2,918,708)	-	(2,918,708)
Balance - December 31, 2017	(2,918,708)	(2,616,992)	(5,535,700)
Net loss	-	(405,374)	(405,374)
Net increase of amounts due from related parties (Note 8)	(1,436,203)	-	(1,436,203)
Balance - December 31, 2018	\$ (4,354,911)	\$ (3,022,366)	\$ (7,377,277)

See notes to consolidated financial statements.

Years Ended December 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Net (loss) income	\$ (405,374)	\$ 3,374,591
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Depreciation	241,742	321,796
Loss on settlement of note receivable	-	215,000
Bad debt recovery	(10,000)	-
Loss on disposal of subsidiary	132,785	-
Cash flow from discontinued operations	(54,978)	235,099
Changes in operating assets and liabilities that provided (used) cash:		
Accounts receivable	2,327,648	(976,329)
Inventory	883,857	850,704
Prepaid expenses and other assets	56,402	334,373
Accounts payable	(440,989)	308,243
Deferred revenue and other accrued liabilities	(303,825)	(201,151)
Net cash provided by operating activities	2,427,268	4,462,326
Cash Flows from Investing Activities		
Purchase of property and equipment	(45,027)	(76,189)
Cash sold with disposal of subsidiary, net of consideration received	(412,593)	-
Net activity on related party accounts receivable	(1,436,203)	(1,749,998)
Payment on note receivable	-	580,000
Net cash used in investing activities	(1,893,823)	(1,246,187)
Cash Flows Used in Financing Activities - Net payments on related party loans	(735,054)	(2,450,931)
Net (Decrease) Increase in Cash	(201,609)	765,208
Cash - Beginning of year	811,787	479,985
Less Cash of Discontinued Operations	-	(433,406)
Cash - End of year	\$ 610,178	\$ 811,787
Supplemental Cash Flow Information - Cash paid for interest	\$ 564,000	\$ 628,000

See notes to consolidated financial statements.

December 31, 2018 and 2017

Note 1 - Nature of Business

Echo Environmental, LLC and its subsidiaries (collectively, the "Company") are large-scale processors of circuit boards and electronic waste. The Company is committed to fast and cost-efficient service to many different industries that need to recycle electronic components. The Company processes the electronics it receives in its 175,000-square-foot facility located in Carrollton, Texas. The Company is a wholly owned subsidiary of Elemetal, LLC (Elemetal) and is included in Elemetal, LLC's consolidated financial statements. The Company was formerly known as Elemetal Recycling, LLC.

On May 20, 2019, the Company's operating assets and liabilities were sold to Corrent Resources, LLC (Corrent), leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc. (DGSE), a publicly traded related party through common ownership (see Note 12).

Note 2 - Significant Accounting Policies***Principles of Consolidation***

The consolidated financial statements include the accounts of Echo Environmental, LLC and all of its wholly owned and majority-owned subsidiaries. During the year, the Company disposed of one subsidiary, LBJ Metals, LLC (LBJ). Subsidiaries that meet the discontinued operations criteria are presented separately and labeled as discontinued operations in the consolidated financial statements. During 2017, the Company added a new subsidiary, ITAD, LLC (ITAD). All material intercompany accounts and transactions have been eliminated in consolidation.

Management's Plans

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern.

As discussed in Notes 1 and 12 to the consolidated financial statements, Echo Environmental, LLC's operating assets and liabilities were sold on May 20, 2019 to Corrent Resources, LLC, leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc., a publicly traded related party through common ownership. The Company has stated that substantial doubt exists about its ability to continue as a going concern due to no longer having operating assets or liabilities to generate significant future cash flows.

The Company did not receive any significant proceeds from the sale, as they were used to pay down the parent company's outstanding debt (see Note 8). Management acknowledged that, without those cash proceeds, the Company would be unable to meet its obligations.

Accordingly, substantial doubt remains regarding the ability of the Company to continue as a going concern during the following year.

Credit Risk, Major Customers, and Suppliers

Amounts due from one major customer made up approximately 31 percent and 46 percent of accounts receivable as of December 31, 2018 and 2017, respectively. Sales to the same major customer, a smelter, constituted approximately 32 percent and 43 percent of total sales for the years ended December 31, 2018 and 2017, respectively.

Amounts due from two other nonsmelter major customers made up approximately 25 percent of accounts receivable as of December 31, 2018. Sales to these customers constituted approximately 15 percent of total sales for the year ended December 31, 2018. There were no significant concentrations of receivables or sales to nonsmelter customers as of or for the year ended December 31, 2017.

Amounts due to one major supplier made up 41 percent of accounts payable as of December 31, 2018.

Amounts due to three major suppliers made up 47 percent of accounts payable as of December 31, 2017.

December 31, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)***Commodity Risk***

The market price of metals contained in circuit boards, future production levels, and operating costs could materially affect operating cash flow and profitability. Many of the factors affecting these risks are beyond the Company's control.

Fair Value of Financial Instruments

The carrying amounts of the Company's cash, accounts receivable, and accounts payable approximate their fair value due to the short maturity of such instruments.

Trade Accounts Receivable

The Company's accounts receivable include amounts for metals with low-grade smelters that are recorded based on the fair market value of the underlying metals. At December 31, 2018 and 2017, receivables based on metal prices approximated \$343,000 and \$2,130,000, respectively, and are included in total accounts receivable on the consolidated balance sheet.

Trade accounts receivable potentially subject the Company to concentrations of credit risk. The Company provides products to its customers based upon an evaluation of the customers' financial condition generally without requiring collateral. Exposure to losses on receivables is principally dependent on each customer's financial condition. The Company monitors the exposure for credit losses and, when necessary, will purchase credit insurance or refrain from shipping materials.

The balance in accounts receivable primarily reflects amounts due from smelters that are not yet due to be paid and other receivables for delivered de-manufactured product. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. The allowance is determined on a customer specific allowance basis. There was a \$270,000 and \$280,000 allowance for a related party trade account receivable at December 31, 2018 and 2017, respectively.

Property and Equipment

Property and equipment are recorded at cost and depreciated using the straight-line method over their useful lives. The cost of leasehold improvements is depreciated over the lesser of the length of the related leases or the estimated useful lives of the assets. Amortization of the equipment under capital leases is computed using the straight-line method over five years and is included in depreciation expense. Costs of maintenance and repairs are charged to expense when incurred.

Accounts Payable

The Company's accounts payable include amounts for electronic scrap that are payable once the material is analyzed. Additionally, the Company values payables for undetermined payable amounts based upon the current estimated value of the scrap. At December 31, 2018 and 2017, these unsettled payables approximated \$126,000 and \$360,000, respectively, and are included within other accrued liabilities on the consolidated balance sheet.

Revenue Recognition

Revenue from the sale of inventory is recognized by the Company when delivery has occurred and title and risk of loss have passed to the buyer. Sales are made in accordance with sales contracts where the price is fixed or determinable. Payments received in advance of product shipment are recorded as deferred revenue and recognized when title has been transferred to the customer.

December 31, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)***Shipping and Handling Costs***

The Company records shipping and handling costs for the delivery of finished goods in operating expenses in the consolidated statement of operations. Total shipping and handling costs for 2018 and 2017 approximated \$2,697,000 and \$2,240,000, respectively.

Income Taxes

The Company and its wholly owned subsidiaries are treated as a partnership for federal income tax purposes. Consequently, federal income taxes are not payable or provided for by the Company. Members are taxed individually on their pro rata ownership share of the Company's earnings. The Company's net income or loss is allocated among the members in accordance with the Company's operating agreement.

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 statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

As of January 1, 2017, the Company adopted new guidance related to the measurement of certain inventories. Under the new guidance, inventories are measured at the lower of cost or net realizable value (NRV), with NRV based on selling prices in the ordinary course of business, less costs of completion, disposal, and transportation. Previously, certain inventories were measured at the lower of cost or market, with market generally based on replacement costs, adjusted for other factors.

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Company's year ending December 31, 2019. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Company has not yet determined which application method it will use. The Company has begun to analyze the new standard, but has not yet determined the impact on the timing or amount of revenue. The Company will expand the financial statement disclosures in order to comply with the new ASU.

December 31, 2018 and 2017

Note 2 - Significant Accounting Policies (Continued)

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Company's year ending December 31, 2020 and will be applied using a modified retrospective transition method to either the beginning of the earliest period presented or the beginning of the year of adoption. The new lease standard is expected to have a significant effect on the Company's financial statements as a result of the Company's operating leases, as disclosed in Note 7, that will be reported on the consolidated balance sheet at adoption. Upon adoption, the Company will recognize a lease liability and corresponding right-to-use asset based on the present value of the minimum lease payments. The effects on the results of operations are not expected to be significant, as recognition and measurement of expenses and cash flows for leases will be substantially the same under the new standard.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Company's accounts receivable, by requiring the Company to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The new guidance will be effective for the Company's year ending December 31, 2021. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. Early adoption for all companies is permitted for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact this standard will have on the financial statements; however, the impact is not expected to be significant.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including June 28, 2019, which is the date the financial statements were available to be issued.

Note 3 - Inventory

Inventory at December 31, 2018 and 2017 consists of the following:

	2018	2017
Unprocessed scrap materials	\$ 110,628	\$ 229,243
Processed scrap materials	324,479	511,083
In-transit processed materials	830,702	1,409,340
Total	\$ 1,265,809	\$ 2,149,666

Inventories principally include processed and unprocessed electronic scrap materials. The value of the material is derived from recycling the precious and other scrap metals included in the scrap. The unprocessed and processed materials are carried at the lower of the average cost of the material during the month of purchase or NRV. The in-transit material is carried at lower of cost or market using the retail method. Under the retail method, the valuation of the inventory at cost and the resulting gross margins are calculated by applying a cost to retail ratio to the retail value of the inventory.

The inventory serves as collateral for borrowing by Elemetal Refining, LLC and is included in its collateral base.

December 31, 2018 and 2017

Note 4 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017	Depreciable Life - Years
Machinery and equipment	\$ 1,879,021	\$ 1,859,317	5-7
Transportation equipment	12,000	12,000	5
Furniture and fixtures	34,830	28,871	5-7
Computer equipment and software	129,153	129,153	3-5
Leasehold improvements	173,789	154,424	7
Total cost	2,228,793	2,183,765	
Accumulated depreciation	1,614,576	1,372,837	
Net property and equipment	\$ 614,217	\$ 810,928	

Depreciation expense was approximately \$256,000 for the year ended December 31, 2018. Included in this amount is approximately \$14,000 related to discontinued operations. Depreciation expense was approximately \$339,000 for the year ended December 31, 2017. Included in this amount is approximately \$17,000 related to discontinued operations.

Note 5 - Adjustment of Sale Price

In December 2016, the Company completed the sale of its majority interest in Alpha Omega Recycling, Inc. (AORI). The Company exchanged its ownership interest in AORI for total consideration valued at \$1,010,000. Included in this compensation was a note receivable for \$790,000 that bears interest at 5 percent per annum, paid in quarterly payment amounts of \$15,679, which includes interest at 5 percent. Additionally, \$205,000 was included as a receivable in other current assets and was due by March 30, 2017 per the stock sale agreement.

In April 2017, the sale agreement for the AORI interest was amended to include only the aggregate purchase price of \$780,000. This resulted in a loss on the note receivable and other receivable of \$215,000. Additionally, the amended agreement relieved AORI of all other payables to Echo, which resulted in an additional loss on receivables of \$66,000.

Note 6 - Discontinued Operations

In November 2018, the Company completed the sale of its wholly owned subsidiary, LBJ Metals, LLC. The Company exchanged its ownership interest in LBJ for total consideration of \$10. The major classes of revenue and expenses of LBJ included in discontinued operations for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Net sales	\$ 15,463,753	\$ 10,211,085
Cost of goods sold	(14,539,320)	(9,232,643)
Selling and general and administrative expenses	(536,819)	(796,094)
Loss on sale of discontinued operations	(132,785)	-
Net income attributed to discontinued operations	\$ 254,829	\$ 182,348

December 31, 2018 and 2017

Note 6 - Discontinued Operations (Continued)

The following table summarizes the components included within total assets and liabilities of discontinued operations within the Company's consolidated balance sheet as of December 31, 2017:

Assets:	
Cash	\$ 433,406
Accounts receivable	299,540
Inventories	300,180
Prepaid expenses	62,662
Property and equipment	56,205
Total assets classified as held for sale in the consolidated balance sheet	<u>\$ 1,151,993</u>
Liabilities:	
Trade accounts payable	\$ 439,177
Deferred revenue	36,538
Accrued and other current liabilities	130,060
Total liabilities classified as held for sale in the consolidated balance sheet	<u>\$ 605,775</u>

Note 7 - Operating Leases

The Company is obligated under operating leases primarily for building rent, expiring at various dates through 2021. The leases require the Company to pay taxes, insurance, utilities, and maintenance costs. Total rent expense under these leases was approximately \$726,000 and \$642,000 for the years ended December 31, 2018 and 2017, respectively.

Future minimum annual commitments under these operating leases are as follows:

Years Ending December 31	Amount
2019	\$ 777,000
2020	794,000
2021	104,000
Total	<u>\$ 1,675,000</u>

In connection with the operating lease for its warehouse and office space, the Company was granted certain lease incentives. Deferred lease incentives reflected in the accompanying consolidated balance sheet are being amortized on a straight-line basis over the term of the lease. Deferred lease incentives totaled approximately \$78,000 and \$109,000 as of December 31, 2018 and 2017, respectively, and are included within other accrued liabilities and deferred lease obligation on the Company's consolidated balance sheet.

The Company subleases a portion of this warehouse space to two unrelated entities (including the new owners of LBJ). Sublease rentals to be received in the future under these noncancelable subleases total approximately \$863,000 through July 2021 due in monthly installments ranging from approximately \$10,000 to \$25,000 per month. Rental income under the subleases was approximately \$314,000 and \$288,000 for 2018 and 2017, respectively, and is included as a reduction of operating expense on the consolidated statement of operations.

December 31, 2018 and 2017

Note 8 - Related Party Transactions

The following is a description of transactions between the Company and related parties, which include companies that have some common ownership with Elemetal members:

Accounts Receivable

At December 31, 2018 and 2017, the Company had accounts receivable from related parties totaling approximately \$4,625,000 and \$3,199,000, respectively. Approximately \$270,000 and \$280,000 of these amounts is reserved, as discussed in Note 2. During 2017, the Company determined that the remaining advances to related parties should be treated as equity transactions due to management's determination of the uncertainty of the source of repayment. As a result, the amount is classified as contra equity on the consolidated statement of members' deficit.

Loans Payable

The Company has approximately \$10,960,000 and \$11,674,000 in outstanding loans payable to related parties at December 31, 2018 and 2017, respectively. Included in this amount is approximately \$10,810,000 and \$11,510,000 payable to Elemetal Refining, LLC at December 31, 2018 and 2017, respectively. This loan bears interest at 5 percent per annum and is mainly used to fund inventory, smelter receivables, and previous losses. Interest expense of approximately \$564,000 and \$627,000 was incurred during 2018 and 2017, respectively, related to this loan. The remaining loan balance of approximately \$150,000 at both December 31, 2018 and 2017 is to another related party that does not bear interest.

The parent company has guaranteed the debt agreement of one of its other operating subsidiaries. Under the guarantee agreement, the parent company has pledged its assets and the assets of its other subsidiaries, which include substantially all of Echo Environmental, LLC's assets, as collateral for the underlying debt. As part of the subsequent sale (see Note 12), the parent's lender waived and released its claims.

Note 9 - Retirement Plans

Substantially all nontemporary employees of the Company are eligible to participate in a 401(k) plan sponsored by Elemetal. The plan provides that the Company, an eligible employer of the plan, will make a required matching contribution up to 15 percent of employee contributions, not to exceed 6 percent of the employee's eligible wages. Company contributions to the plan were approximately \$12,000 and \$18,000 for the years ended December 31, 2018 and 2017, respectively.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Company's assets and liabilities measured at fair value on a recurring basis at December 31, 2018 and 2017 and the valuation techniques used by the Company to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Company has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

December 31, 2018 and 2017

Note 10 - Fair Value Measurements (Continued)

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset or liability. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset or liability.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Company's policy is to recognize transfers between levels of the fair value hierarchy as of the end of the reporting period. For the years ended December 31, 2018 and 2017, there were no transfers between levels of the fair value hierarchy.

The fair value of accounts receivable and accounts payable at December 31, 2018 and 2017 was determined primarily based on Level 2 inputs. The Company estimates the fair value of these investments based upon the then-current published spot market price for the respective metals upon which the fair value is based.

Assets and Liabilities Measured at Fair Value on a Recurring Basis at
December 31, 2018

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2018
Assets - Accounts receivable	\$ -	\$ 343,083	\$ -	\$ 343,083
Liabilities - Accounts payable	\$ -	\$ 126,093	\$ -	\$ 126,093

Assets and Liabilities Measured at Fair Value on a Recurring Basis at
December 31, 2017

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at December 31, 2017
Assets - Accounts receivable	\$ -	\$ 2,130,329	\$ -	\$ 2,130,329
Liabilities - Accounts payable	\$ -	\$ 359,739	\$ -	\$ 359,739

Note 11 - Contingencies

The Company is a wholly owned subsidiary of Elemetal, LLC. Elemetal has subsidiaries that are subject to a variety of legal compliance risks. These risks include compliance with regulations regarding anti-money laundering laws and other compliance obligations from the U.S. Department of Treasury, Financial Crimes Enforcement Network (FinCEN), and the Internal Revenue Service.

In 2016, Elemetal began cooperating with the U.S. government's investigation of the South American gold trade. During 2016, Elemetal directed indirect subsidiary NTR Metals Miami, LLC to discontinue purchasing metal from certain South American countries as a precautionary measure. In early 2017, Elemetal formally closed all operations of NTR Metals Miami, LLC and terminated the employees involved in the South American gold purchases. Shortly thereafter, the U.S. government charged three former employees of NTR Metals Miami, LLC with money laundering.

December 31, 2018 and 2017**Note 11 - Contingencies (Continued)**

In March 2018, Elemetal pled guilty to one count of failure to maintain an adequate anti- money laundering program and agreed to a fine of \$15,000,000. The fine is to be paid through forfeiting a claim to gold held by the Republic of Peru in an amount of approximately \$9,600,000, a cash payment of \$1,000,000 paid at the time of execution of the plea, and the remaining amount to be paid in equal, semiannual payments over a five-year probation term. The court approved the agreement on May 24, 2018.

In conjunction with the sale of all assets of the Company subsequent to year end, as described in Note 1, the parent's lender has waived and released its claims.

While the Company may not be directly impacted by the regulations, noncompliance by Elemetal may directly or indirectly have a significant impact on the Company's operations, liquidity, or reputation in a particular period due to impacts on Elemetal's financing, liquidity, and reputation.

Note 12 - Subsequent Events

On May 20, 2019, the Company's operating assets and liabilities were sold to Corrent Resources, LLC, leaving only the related party accounts receivable and loans payable with the Company. Corrent is a wholly owned subsidiary of DGSE Companies, Inc., a publicly traded related party through common ownership. As part of the sale agreement, the parent's lender waived and released its claims.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements were prepared using the net assets method of accounting under existing U.S. generally accepted accounting principles ("GAAP"), which are subject to change and interpretation, and give effect to the purchase of the net assets of the Echo Entities by Corrent Resources, LLC, a wholly owned subsidiary of DGSE. Corrent is the acquirer based upon the terms of the Purchase Agreement.

The unaudited pro forma combined balance sheet as of March 31, 2019, and the unaudited pro forma combined statement of operations for the three months ended March 31, 2019 assumes the purchase took place January 1, 2019, and combines the historical financial statements of the Echo Entities and DGSE as of and for the three months ended March 31, 2019. The unaudited pro forma combined statement of operations for the year ended December 31, 2018 assumes that the purchase took place as of January 1, 2018 and combines the historical financial statements of the Echo Entities and DGSE for the year ended December 31, 2018. The historical financial statements of the Echo Entities and DGSE have been adjusted to give effect to the proposed purchase (for accounting purposes) of the Echo Entities by DGSE. The pro forma assumptions and adjustments are described in the accompanying notes presented in the following pages.

DGSE, a public company, is the purchasing company for accounting purposes, accordingly, Echo Entities' assets and liabilities will be recorded at their precombination carrying amounts and the historical operations that are reflected in the financial statements will be those of the Echo Entities. Assets and liabilities of Echo Entities will be measured and recognized at fair value as of the transaction date, and added to the assets, liabilities and results of operations of DGSE following the purchase.

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the SEC. The pro forma adjustments reflecting the completion of the purchase are based upon the preliminary accounting analysis conclusion that the purchase should be accounted for under the net assets method of accounting in accordance with GAAP and upon the assumptions set forth in the notes to the unaudited pro forma combined financial statements.

The Echo Entities' statement of operations for year ended December 31, 2018 was derived from its audited consolidated financial statements, included as exhibit 99.2 herein filed with the Form 8-K/A.

The DGSE statement of operations for the year ended December 31, 2018 was derived from its audited consolidated financial statements included in its Annual Report on Form 10-K, filed on April 12, 2019 (the "DGSE 10-K"), and is incorporated by reference.

The historical financial statements have been adjusted to give pro forma effect to events that are (i) directly attributable to the purchase, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The pro forma combined financial statements and pro forma adjustments have been prepared based on preliminary estimates of fair value. Differences between these preliminary estimates and the final acquisition accounting may occur and could have a material impact on the accompanying unaudited pro forma combined financial statements and the Company's future results of operations and financial position.

The unaudited pro forma combined financial statements do not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the acquisition. The unaudited pro forma combined financial data also do not include any integration costs. The unaudited pro forma combined financial statements have been prepared for illustrative purposes only and are not necessarily indicative of the financial position or results of operations in future periods or the results that actually would have been realized had the Echo Entities and DGSE been a combined company during the specified period. The unaudited pro forma combined financial statements, including the notes thereto, should be read in conjunction with the Echo Entities' historical audited financial statements for the year ended December 31, 2018, included as exhibit 99.2 of this 8-K/A, and in conjunction with the DGSE's historical audited consolidated financial statements included in the DGSE 10-K.

Unaudited Pro Forma Combined Balance Sheet
As of March 31, 2019

	Historical	Historical	Pro Forma		Pro Forma
	Echo Entities	DGSE Companies,	Merger		Combined
	Consolidated	Inc.	Adjustments	Note	
	Consolidated	Consolidated			Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	\$ 1,133,653	\$ 479,560	\$ -		\$ 1,613,213
Trade receivables, net of allowances	1,095,031	169,951	-		1,264,982
Trade receivables, related party	3,999,149	-	(3,999,149)	A1	-
Inventories	1,174,223	10,315,661	-		11,489,884
Prepaid expenses	80,191	266,630	-		346,821
Total current assets	7,482,247	11,231,802	(3,999,149)		14,714,900
Property and equipment, net	591,597	1,274,714	-		1,866,311
Intangible assets, net	-	235,350	-		235,350
Right-of -use assets from operating leases	-	1,887,256	1,263,352	A2	3,150,608
Goodwill	-	-	3,976,162	A4	3,976,162
Other assets	88,997	68,862	-		157,859
Total assets	\$ 8,162,841	\$ 14,697,984	\$ 1,240,365		\$ 24,101,190
LIABILITIES					
Current Liabilities:					
Accounts payable - trade	\$ 684,211	\$ 358,609	\$ -		\$ 1,042,820
Accounts payable - trade, related party	14,756,481	3,075,120	(14,756,481)	A1	3,075,120
Current operating lease liabilities	-	452,820	727,119	A2	1,179,939
Accrued expenses	441,753	494,350	102,237	B1	1,038,340
Customer deposits and other liabilities	-	54,705	-		54,705
Total current liabilities	15,882,445	4,435,604	(13,927,125)		6,390,924
Long-term note payable - related party	-	-	6,925,979	A3	6,925,979
Long-term operating lease and other liabilities	6,424	1,494,284	617,720	A2	2,118,428
Total liabilities	15,888,869	5,929,888	(6,383,426)		15,435,331
Commitments and contingencies					
STOCKHOLDERS' EQUITY					
Common stock, \$0.01 par value; 60,000,000 shares authorized; 26,924,381 shares issued and outstanding	-	269,244	-		269,244
Additional paid-in capital	-	40,172,677	-		40,172,677
Accumulated deficit	(7,726,028)	(31,673,825)	7,726,028	A4	(31,776,062)
			(102,237)	B1	
Total stockholders' equity	(7,726,028)	8,768,096	7,623,791		8,665,859
Total liabilities and stockholders' equity	\$ 8,162,841	\$ 14,697,984	\$ 1,240,365		\$ 24,101,190

Unaudited Pro Forma Combined Statement of Operations
For the Three Months Ended March 31, 2019

	Historical Echo Entities Consolidated	Historical DGSE Companies, Inc. Consolidated	Pro Forma Merger Adjustments	Note	Pro Forma Combined
Revenue					
Sales	\$ 3,641,368	\$ 16,019,530	\$ -		\$ 19,660,898
Cost of goods sold	<u>2,350,892</u>	<u>13,801,048</u>	<u>-</u>		<u>16,151,940</u>
Gross margin	1,290,476	2,218,482			3,508,958.08
Expenses:					
Selling, general and administrative expenses	1,609,607	1,741,340	-		3,350,947
Depreciation and amortization	<u>25,527</u>	<u>74,324</u>	<u>-</u>		<u>99,851</u>
	<u>1,635,134</u>	<u>1,815,664</u>	<u>-</u>		<u>3,450,798</u>
Operating income (loss)	<u>(344,658)</u>	<u>402,818</u>	<u>-</u>		<u>58,160</u>
Other expense:					
Other expense, net	4,091	3,398	-		7,489
Interest expense	<u>-</u>	<u>34,549</u>	<u>102,237</u>	B1	<u>136,786</u>
	<u>4,091</u>	<u>37,947</u>	<u>102,237</u>		<u>144,275</u>
Income (loss) before income taxes	(348,749)	364,871	(102,237)		(86,115)
Income tax expense	<u>-</u>	<u>10,236</u>	<u>-</u>		<u>10,236</u>
Net income (loss)	<u>\$ (348,749)</u>	<u>\$ 354,635</u>	<u>\$ (102,237)</u>		<u>\$ (96,351)</u>
Basic net income (loss) per common share:	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ -</u>		<u>\$ -</u>
Diluted net income (loss) per share:	<u>\$ (0.01)</u>	<u>\$ 0.01</u>	<u>\$ -</u>		<u>\$ -</u>
Weighted-average number of common shares					
Basic	26,924,381	26,924,381	26,924,381		26,924,381
Diluted	26,924,381	26,924,381	26,924,381		26,924,381

Unaudited Pro Forma Combined Statement of Operations
For the Twelve Months Ended December 31, 2018

	Historical	Historical	Pro Forma	Note	Pro Forma
	Echo Entities	DGSE Companies,	Merger		Combined
	Consolidated	Inc.	Adjustments		
	Consolidated	Consolidated	Adjustments		Combined
Revenue					
Sales	\$ 32,762,433	\$ 54,056,343	\$ -		\$ 86,818,776
Cost of goods sold	23,348,878	44,376,620	-		67,725,498
Gross margin	9,413,555	9,679,723	-		19,093,278.00
Expenses:					
Selling, general and administrative expenses	9,269,315	8,701,499	-		17,970,814
Loss on disposal of equipment	-	40,045	-		40,045
Depreciation and amortization	241,742	286,747	-		528,489
	9,511,057	9,028,291	-		18,539,348
Operating income (loss)	(97,502)	651,432	-		553,930
Other (income) expense:					
Other income, net	(1,100)	(216,465)	-		(217,565)
Interest expense	563,801	149,540	415,559	B2	1,128,900
	562,701	(66,925)	415,559		911,335
Income (loss) before income taxes	(660,203)	718,357	(415,559)		(357,405)
Income tax expense	-	60,672	-		60,672
Income (loss) from continuing operations	(660,203)	657,685	(415,559)		(418,077)
Discontinued operations:					
Income from discontinued operations, net	254,829	-	-		254,829
Net income (loss)	\$ (405,374)	\$ 657,685	\$ (415,559)		\$ (163,248)
Basic net income (loss) per common share:					
Income (loss) from continuing operations	\$ (0.02)	\$ 0.02	\$ (0.02)		\$ (0.02)
Income from discontinued operations	0.01	-	-		0.01
Net income (loss) per share	\$ (0.01)	\$ 0.02	\$ (0.02)		\$ (0.01)
Diluted net income (loss) per common share:					
Income (loss) from continuing operations	\$ (0.02)	\$ 0.02	\$ (0.02)		\$ (0.02)
Income from discontinued operations	0.01	-	-		0.01
Net income (loss) per share	\$ (0.01)	\$ 0.02	\$ (0.02)		\$ (0.01)
Weighted-average number of common shares					
Basic	26,924,381	26,924,381	26,924,381		26,924,381
Diluted	26,924,381	26,924,381	26,924,381		26,924,381

1. Description of Transaction and Basis of Presentation

Description of Transaction

On May 20, 2019, Corrent, a wholly owned subsidiary of DGSE entered into an asset purchase agreement with the Echo Entities, pursuant to which the Echo Entities agreed to sell and Corrent agreed to purchase all of the assets, rights and interests of the Echo Entities (the "Acquired Assets") for \$6,925,979 (the "Echo Transaction"). The Echo Entities were wholly owned subsidiaries of Elemetal, LLC ("Elemetal"). John R. Loftus ("Loftus") is DGSE's CEO, President and Chairman and owned approximately one-third of the equity interests of Elemetal prior to the Echo Transaction reported herein. In connection with the Echo Transaction, on May 20, 2019, Corrent executed and delivered to Loftus, a promissory note (the "Corrent Note"), pursuant to which Corrent borrowed from Loftus \$6,925,979, the proceeds of which were used to purchase the Acquired Assets.

Basis of Presentation

The unaudited pro forma combined financial statements were prepared in accordance with the regulations of the SEC Regulation S-X, and are intended to show how the purchase might have affected the historical financial statements if the Echo Transaction had been completed as of January 1, 2019 for the purposes of the balance sheet and statement of operations for the three months ended March 31, 2019, and on January 1, 2018 for the purposes of the statement of operations for the year ended December 31, 2018.

Based on the terms of the purchase, the Company has preliminarily concluded the Echo Transaction represents a business combination pursuant to Financial Accounting Standards Board Accounting Standards Codification Topic 805, *Business Combinations*, or ASC 805. The Company has not completed a valuation analysis of the fair market value of the Echo Entities' assets acquired and liabilities assumed.

Using the total consideration for the purchase, the Company has allocated the assets and liabilities. This purchase price allocation has been used to prepare pro forma adjustments in the unaudited pro forma combined balance sheet. The pro forma adjustments are preliminary and based on management's estimates of the fair value of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the purchase. These estimates are based on the most recently available information. To the extent there are material differences upon completion of the final purchase price allocation, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly.

2. Purchase Price

The total consideration for the purchase, consummated on May 20, 2019, was \$6,925,979, as referenced in exhibit 10.1 of the Form 8-K filed May 24, 2019.

The allocation of the preliminary purchase price to the tangible assets and liabilities acquired from the Echo Transaction is based on the current values of the assets and liabilities on the Echo Entities as of the purchase date on May 20, 2019 and are as follows:

Cash and cash equivalents	\$	1,049,462
Trade receivables		1,025,615
Goodwill		4,780,658
Inventories		1,209,203
Fixed assets		239,827
Other current assets and deposits		177,364
Accounts payable - trade		(723,043)
Accrued and other liabilities		(827,650)
Long-term liabilities		(5,457)
Total	\$	<u>6,925,979</u>

The total purchase price is allocated to the acquired tangible and intangible assets and liabilities of the Echo Entities based on their estimated fair values as of the purchase closing date. The excess of the purchase price over the fair value of assets and liabilities acquired, if any, is allocated to goodwill.

3. Pro Forma Combined Earnings Per Share

The pro forma combined weighted average share outstanding included in the calculation of basic and diluted pro forma combined earnings per share for the periods ended March 31, 2019 and December 31, 2018 and March 31, 2019 consist of the following:

	Three months ended March 31, 2019	Year ended December 31, 2018
Net Income per share, basic:		
Total weighted average shares outstanding, basic	\$ 26,924,381	\$ 26,924,381
Pro forma combined net income	(96,351)	(163,248)
Net income per share, basic	\$ -	\$ (0.01)

	Three months ended March 31, 2019	Year ended December 31, 2018
Net Income per share, diluted:		
Total weighted average shares outstanding, diluted	\$ 26,924,381	\$ 26,924,381
Pro forma combined net income	(96,351)	(163,248)
Net income per share, diluted	\$ -	\$ (0.01)

4. Pro Forma Adjustments

The unaudited pro forma combined financial statements include pro forma adjustments to give effect to certain significant transactions as a direct result of the Echo Transaction.

The pro forma adjustments reflecting the completion of the purchase are based upon the preliminary accounting analysis conclusion that the Echo Transaction should be accounted for under the net asset method of accounting.

The pro forma adjustments are as follows:

A1: To reflect the elimination of intercompany accounts receivable and accounts payable balances between the Echo Entities and Elemetal, LLC.

A2: To adjust for the right-to-use assets and the operating lease liabilities not included for the Echo Entities prior to the Echo Transaction.

A3: To reflect \$6,925,979 financing liability completed immediately after the closing of the Echo Transaction.

A4: To reflect the recognition of goodwill.

B1: To reflect the interest accrual for three months from the financing liability completed immediately following the closing of the Echo Transaction.

B2: To reflect the interest charge for twelve months from the financing liability completed immediately following the closing of the Echo Transaction.

