



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

<i>Contents</i>	<i>Page</i>
Directors' responsibility statement	1-2
Report of the independent auditors	3-4
Statement of financial position	5
Statement of comprehensive income	6
Statement of changes in equity	7
Statement of cash flow	8
Summary of significant accounting policies	9-13
Notes to the financial statements	14-22

Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the financial statements of the JSW Natural Resources Mozambique, Limitada, comprising the Statement of financial position as at **31 March, 2016**, the statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with the accounting policies set out in note 2.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error and maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the company ability to continue as a going concern and have no reason to believe the business will not be a going concern in the year ahead.

The company's functional currency is the Mozambican Metical. These financial statements have been prepared by translating the Metical financial statements to US Dollars.



JSW Natural Resources Mozambique Limitada

Approval of the annual financial statements

The annual financial statements of **JSW Natural Resources Mozambique Limitada** as set out on pages 5-22, were prepared on the going concern basis and approved by the Board of Directors on 15 April, 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Ashok Deshpande', written over a horizontal line.

Director

Ashok Ajit Deshpande

INDEPENDENT AUDITORS' REPORT

To the members of JSW Natural Resources Mozambique Limitada

We have audited the annual financial statements of **JSW Natural Resources Mozambique Limitada** which comprise the Statement of financial position as at **31 March, 2016** and the statements of comprehensive income, changes in equity and cash flow for the year then ended, together with the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 9 to 22.

Director's responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the Accounting policies set out in note 2, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



JSW Natural Resources Mozambique Limitada

Statement of financial position

Assets	Notes	2016	2015
		USD	USD
Non-current			
Property, plant and equipment	5	3,412,864	4,074,002
Investment	6	1,070,459	1,070,459
Loan to subsidiary	7.1	8,138,973	7,875,750
		12,622,296	13,020,211
Current			
Trade and other receivables	7.2	7,314	23,321
Cash and cash equivalents	8	42,150	37,076
Current assets		49,464	60,397
Total assets		12,671,760	13,080,608
Equity and liabilities			
Equity			
Quota capital	9	1,209,606	1,209,606
Share application money	10	4,639,229	4,639,229
Retained loss		(17,701,396)	(14,612,130)
Translation reserves		3,532,255	1,379,169
Total equity		(8,320,306)	(7,384,126)
Liabilities			
Current			
Payable quota holders	11	20,918,865	20,038,865
Total non-current liabilities		20,918,865	20,038,865
Trade and other payable	12	73,201	425,869
Total Current liabilities		73,201	425,869
Total liabilities		20,992,066	20,464,734
Total equity and liabilities		12,671,760	13,080,608



JSW NATURAL RESOURCES MOZAMBIQUE LIMITADA

Statement of comprehensive income

for the year ended 31 March 2016

	<u>Note</u>	March 2016 USD	March 2015 USD
Revenue			
Operating expenses	3	(3,089,266)	(1,870,722)
Results from operating activities		<u>(3,089,266)</u>	<u>(1,870,722)</u>
Loss before income tax		<u>(3,089,266)</u>	<u>(1,870,722)</u>
Income tax expense	4		
Loss for the period		<u>(3,089,266)</u>	<u>(1,870,722)</u>
Loss attributable to:			
Owners of the Company		<u>(3,089,266)</u>	<u>(1,870,722)</u>



JSW Natural Resources Mozambique Limitada

Statement of changes in equity

for the year ended 31 March 2016

	Capital contribution	Share application money	Retained loss	Translation reserve	Total
	USD	USD	USD	USD	USD
Balance at 1 April 2014	1,209,606	4,639,229	(12,741,408)	220,541	(6,682,032)
Loss for the year			(1,870,722)		(1,870,722)
Translation Reserves				1,168,628	1,168,628
Balance as at 31 March 2015	1,209,606	4,639,229	(14,612,130)	1,379,169	(7,384,126)
Total comprehensive income from the period					
Profit/Loss for the year			(3,089,266)		(3,089,266)
Translation reserve				2,153,086	2,153,086
Balance as at 31 March 2016	1,209,606	4,639,229	(17,701,396)	3,532,255	(8,320,306)



JSW Natural Resources Mozambique Limitada

Statement of Cash Flow
for the year ended 31 March 2016

	Note	March 2016 USD	March 2015 USD
Cash flow from operational activities			
Profit/(loss) before taxation		(3,089,266)	(1,870,722)
Adjusted for:			
Impairment of Assets			113,937
(Increase)/Decrease in other receivables	7	16,008	(9,397)
Increase/(Decrease) in trade and other payables	12	(352,669)	(320,578)
Translation reserve		3,073,195	1,731,683
Net cash flow from operating activities		(352,732)	(355,077)
Cash flows from investing activities			
Acquisition of properties, plant and equipment	5	(258,971)	(948,714)
Net cash flows utilised in investing activities		(258,971)	(948,714)
Cash flow from financing activities			
Received from quotaholders		880,000	1,956,000
Loan to subsidiary		(263,223)	(646,439)
Net cash from financing activities		616,777	1,309,561
Net (decrease)/increase in cash and cash		5,074	5,770
Cash and cash equivalents at the beginning of the		37,076	31,306
Cash and cash equivalents at the end of the year		42,150	37,076



FINANCIAL STATEMENTS

1. Incorporation and activities

JSW Natural Resources Mozambique, Limitada is a private limited company incorporated in the Republic of Mozambique. The Company's main activities are prospecting, exploration, extraction of minerals, development, production, processing, transportation, commercialization and purchases and sales of minerals (primarily coal) in Mozambique. The financial statements report on the activities of the Company for the year ended 31 March 2016.

2.0 Significant accounting policies

2.1 Statement of compliance

The financial statements have been prepared in accordance with accounting policies listed below, which are in line with the accounting policies of JSW Natural Resources Mozambique, Limitada.

2.2 Basis of preparation

The functional currency is the national currency of the Republic of Mozambique, the Mozambican Metical. For group consolidation purposes, the Meticaís (functional currency) financial statements have been translated to US Dollars (presentation currency) as per IAS 22 by using the exchange rates reflected in 2.3 below.

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, contingent assets and liabilities and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results do not differ from these estimates.

2.3 Foreign currency transactions

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income statements.

These financial statements have been translated from the meticaís financial statements to US dollars financial statements using the following exchange rates for MT to USD:

Balance sheet – closing rate: 46.41

Income statement – Average rate: 41.98



JSW Natural Resources Mozambique, Limitada

2.4 Property, plant and equipment

i) Owned assets

Property, plant and equipment are reflected at their purchases cost together with any directly attributable costs of acquisition less accumulated depreciation and impairment losses, where applicable.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied on the item of property, plant and equipment. All other expenditure is recognized in the income statements as an expenses as incurred.

iii) Depreciation

Depreciation is charged to the income statement on a straight line basis over the estimated useful lives of property, plant equipment, and major components that are accounted for separately. The estimated useful lives are as follows:

Vehicles	4 years
Computer equipment and other assets	3 years
Office equipment	3 years

The costs of constructing an asset are capitalized until the asset is capable of operating in the manner intended by management.

Assets in the course of construction are not depreciated.

2.5 Trade and other receivables

Trade and other receivable are stated at cost less impairment losses (see accounting policy 2.7)

2.6 Cash and cash equivalents

Cash comprises cash in hand and deposits repayable on demand, less overdrafts payables on demand. Cash equivalents are current asset investments which are disposable without curtailing



JSW Natural Resources Mozambique, Limitada

or disrupting the business and are either readily convertible into known amounts of cash at or close to their carrying values or traded in an active market.

2.7 Impairment

The carrying amounts of the Company's assets, other than inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the income statement.

The recoverable amount of the Company's receivables carried at amortized cost is calculated at the present value of expected future cash flows, discounted at the original effective interest rate inherent in the asset. Receivables with a short duration are not discounted.

The recoverable amount of an asset is the greater of its net realizable value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

2.8 Employee benefits

Contributions to the Instituto Nacional de Seguranca Social –INSS (National Social Security Fund), a defined contribution plan, which all Mozambican companies are by law obliged to make, are based on a percentage of salaries and are expensed in the period in which they are incurred.

2.9 Provisions

A provision is recognized in the balance sheet when the company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by



JSW Natural Resources Mozambique, Limitada

discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

The company is required to ensure that mining sites at the end of their producing lives are restored to a condition acceptable to the relevant authorities and consistent with the company's environmental policies. The cost of any committed decommissioning or restoration program is provided when the liability arises and is capitalized. The capitalized cost is amortized over the productive life of the operation on a straight-line basis.

2.10 Trade and other payables

Trade and other payables are stated at fair value.

2.11 Revenue

Revenue from the sale of goods is recognized in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or associated costs, or the possible return of goods and continuing management involvement with the goods.

2.12 Legal reserve

The company is obliged, under Mozambican law, to transfer 20% of its annual profits to a non-distributable legal reserve, until such a time as the reserve has a balance equivalent to 20% of quota capital. This reserve may be utilized to pay up capital or cover losses.

2.13 Income tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

2.14 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.



JSW Natural Resources Mozambique, Limitada

2.15 Exploration and evaluation expenditure

The successful efforts method is used to account for exploration and evaluation activities. All expenditure relating to any unsuccessful efforts are charged to the income statement when established so. On completion of exploration activities, the company will be able to determine if it has found mineral reserves. The classification of these reserves as proved depends on whether significant capital expenditure to develop the property can be economically justified as a result of the quantities of reserves identified and these reserves can be extracted in the future under existing economic and operating conditions.

The cost of exploration activities are capitalized initially pending determination of whether proved reserves have been found. Once this determination is made, the following conditions must be met in order for these costs to remain capitalized:

- The economic and operating viability of the project is being assessed and sufficient reserves exist to justify the capital expenditure required for the commercial extraction of the reserves;
- Further exploration and development activity is under way or firmly planned for the near future.

As the company is currently in an exploration phase, license fee, exploration costs and costs directly attributable to the mineral exploration effort are capitalized. Further, indirect costs incurred up to the date of commencement of commercial production which are incidental and related to the construction are also capitalized .

Once reserves are proved and development activities commence, development costs are capitalized as part of work in progress and transferred to mineral assets under property, plant and equipment on commissioning date.

These assets are reviewed on an annual basis and tested for impairment.

2.16 Investment in subsidiary

Investment in subsidiary is carried at cost less provision for impairment

2.17 Loan from quota holders

The loan from quota holders is recognized at the face value initially on the trade date at which company received the loan. Thereafter, also the loan balance Is reflected at face value.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

3 OPERATING EXPENSES

	March 2016	March 2015
	USD	USD
Foreign exchange losses	3,089,266	1,756,786
Write off - License 4007L	-	57,836
Write off - License 4563L		26,480
Write off - License 4564L		29,620
	<u>3,089,266</u>	<u>1,870,722</u>

4. Income tax

No provision for income tax has been created in the current year as the company is still in the initial stages of exploration and no taxable profits were generated during the year.

The tax authorities do not confirm the acceptance of tax returns assessed by them. These remain open and are subject to assessment and adjustment for a period of 5 years. The Directors are of the opinion that no significant adjustments or penalties will result in respect of open years if these were subject to review by the fiscal authorities.



JSW Natural Resources Mozambique Limitada

5 Property plant and equipment

			2016		
	License Fee	Motor vehicle	Office equipment	Exploration Cost	Total
5.1 Cost					
As at 1 April 2015	1,006,268	6,650	8,670	3,265,341	4,286,929
Additions			919	258,754	259,673
Disposals					-
Translation reserve	(221,158)	(1,461)	(1,993)	(742,361)	(966,973)
As at 31 March 2016	785,110	5,189	7,596	2,781,734	3,579,629
5.2 Accumulated depreciation and impairment losses					
As at 1 April 2015	117,618	6,650	5,358	83,301	212,927
Charge for the year			702		702
Impairment of Licenses					-
Translation reserve	(25,850)	(1,461)	(1,245)	(18,309)	(46,865)
As at 31 March 2016	91,768	5,189	4,815	64,993	166,765
5.3 Carrying amounts					
As at 1 April 2015	888,650	0	3,312	3,182,040	4,074,002
As at 31 March 2016	693,342	0	2,781	2,716,741	3,412,864

* Refer note 5.4 for details of exploration costs capitalized during the year and note 5.5 for details of licenses.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

	March 2016	March 2015
	USD	USD
5.4 Exploration costs		
Rent	6,460	20,252
Travel	-	7,121
Consultancy	132,415	25,542
Drilling costs	-	560,729
Lab costs	576	42,423
Logistics and transport cost	4,399	50,981
Staff costs	104,054	218,136
Office expenses	4,137	4,786
Fuel	1,591	1,997
Communication	3,220	9,470
Insurance	-	-
Accounting services	-	3,133
Car Repair	1,198	1,334
Car Rental	-	2,810
Depreciation	702	991
	258,754	949,705

5.5 Details of licenses currently held by the company are as under:

License No	Validity	Current status
1127L	06 October 2015	Drilling

The company applied for mining concession (lease) for 25 years on LPP 1127L during the year and new allotted number is 7942C.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

6 Investment	March 2016	March 2015
	USD	USD
Balance at beginning of year	1,070,459	1,070,459
Balance at end of the year	1,070,459	1,070,459

- 6.1** Investment in equity of JSW ADMS Carvão Limitada, a company registered in Mozambique, represents 99.6% (2015: 99.6%) of the shareholdings at cost. In the prior year, JSW Natural Resources Mozambique purchased 15% of the shareholding from Egas Moniz Maria Carmo Rafael Mussanhane for consideration of USD 1 070 000. JSW ADMS Carvão Limitada is engaged in exploration of coal under license number 1370L the drillings are being conducted to evaluate mineable coal reserves.

7 Receivables	March 2016	March 2015
	USD	USD

7.1 Non-current

Loan to subsidiary:

JSW ADMS Carvão Lda (refer note 6.1)

8,138,973	7,875,750
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The above loan is interest free and has no fixed repayment period.

7.2 Current

Receivable from Rachana Global Lda	11,591,000	11,591,000
State receivable (7.4)	5,964	22,011
Other receivables	1,350	1,300
	11,598,314	11,614,311
Less provision for doubtful receivables from Rachana Global Lda (7.4)	(11,591,000)	(11,591,000)
	7,314	23,311

- 7.3** The receivable from Rachna Global Limited has been provided for 100% in the year 2011 as recovery was doubtful.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

7.4 The state receivable consists of input VAT claimed.

8 Cash and cash equivalents	March 2016 USD	March 2015 USD
Cash in hand	675	110
Bank balances:		
- Current account	41,475	36,966
	42,150	37,076

9 Quota capital	March 2016 Shareholding	March 2015 Shareholding	March 2016 USD	March 2015 USD
JSW Natural Resources Limited Mauritius	100%	100%	1,209,587	1,209,587
International Securities Limited Mauritius		*	19	19
	100%	100%	1,209,606	1,209,606

* International Securities Limited holds 0.0017% of the share capital.

10 Share application money	March 2016 USD	March 2015 USD
Share application money (note 10.1)	4,639,229	4,639,229
	4,639,229	4,639,229

These funds have been injected with an objective to subscribe additional share capital.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

	March 2016 USD	March 2015 USD
11 Loan from Quota holders'		
JSW Natural Resources Limited - license fee (note 11.1)	7,997,000	7,997,000
JSW Natural Resources Limited - Others(note 11.1)	12,921,865.14	12,041,865
	<u>20,918,865</u>	<u>20,038,865</u>

11.1 This amount represents funding provided by the parent company on behalf of JSW Natural Resources Mozambique Limitada. These balances are interest free, with no fixed repayment period.

	March 2016 USD	March 2015 USD
12 Trade and other payables		
State creditor	1,830	2,077
Other payables	71,371	423,792
	<u>73,201</u>	<u>425,869</u>

12.1 Other payables relates to amount payable to Egas Moniz Maria do Carmo Rafael Mussanhane in respect of purchase of 15% shareholding from Egas Moniz Maria do Carmo Rafael Mussanhane in JSW ADMS Carvao for consideration of USD 1 070 000. Payment of USD 350 000 was made in period 2015-16 and balance outstanding is USD 50 000.

13 Financial assets and liabilities

The company's financial assets and liabilities comprise of cash and bank balances, other reeivables and payables and loan from quota holders.

The company did not enter into any derivative transactions during the year.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

13.1 Credit risk

It is company policy to deal with reputable counterparties. The company is not exposed to significant credit risks as the Company is not generating any revenue in the normal course of business by selling goods and services on credit.

The carrying amount of the financial assets represents the maximum credit exposure. Financial assets comprise of cash and bank balances and other receivables. The company only deals with reputable counter parties to reduce their exposure to credit risk.

Bank balances are placed with the leading banks in Mozambique and the directors are of the opinion that there is no credit risk arising from this exposure.

13.2 Currency risk

The currency giving rise to the currency risk in which the company deals is the meticaís.

The company incurs currency risk as a result of its bank accounts being denominated in meticaís.

13.3 Interest rate risk

The company finances its operations through a mixture of quota capital and other long term liabilities. Assets and liabilities of the company are not subject to interest.

13.4 Liquidity risk

Liquidity risk is actively managed through cash flow projection and cash calls from parent Company.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

The following table shows the contractual, undiscounted cash flows of the company's financial assets and liabilities:

	31 Mar 16 Less than One year	31 Mar 16 1- 3 years	31 Mar 16 Total	31 Mar 15 Less than one year	31 Mar 15 1-3 years	31 Mar 15 Total
	USD	USD	USD	USD	USD	USD
Financial Assets						
Other Receivables and Loan	7,313	8,138,973	8,146,286	23,321	7,875,750	7,899,071
Financial Liabilities						
Loan - Quota holders	-	(20,918,865)	(20,918,865)	-	(20,038,865)	(20,038,865)
Trade and other payables	(73,201)	-	(73,201)	(425,869)	-	(425,869)
Total	(65,888)	(12,779,892)	(12,845,780)	(402,548)	(12,163,115)	(12,565,663)

14. Going Concern

The recoverability of the property, plant and equipment is dependent on the finding and viable extraction of the proven economic coal reserves.

The shareholders are committed to the operations in the long term. Directors are of the opinion that the group has the necessary resources and the Company has commitment from shareholders to continue funding in order to be able to sustain its operations in the foreseeable future.

As result the financial statements have been prepared on the going concern basis and accordingly do not include my adjustments relating to the recoverability and classification of assets and to the amounts and classification of liabilities that would be necessary if the company is unable to continue as a going concern.

15. Subsequent events

There have been no facts or circumstances of a material nature that have occurred between the year end and date of issuing of these financial statements that could have a significant effect on the reported results and financial position.



JSW Natural Resources Mozambique Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

16. Related party transactions

Payable to Quota holders

Loan provided by the Holding Company on behalf of the Company (Refer note 11).

Share Application Money

The Company has received share application money from the Holding Company during the 2009 and 2010 (refer note 10).

17. Comparatives

Previous year's figures have been regrouped and reclassified to conform to the current period grouping and classifications.