



JSW ADMS Carvão Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

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Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the financial statements of the JSW ADMS Carvão, 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 United States Dollar. These financial statements have been prepared in United States Dollar.



JSW ADMS Carvão Limitada

Approval of the annual financial statements

The annual financial statements of JSW ADMS Carvão, Limitada as set out on pages 6-20, 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 dark ink, appearing to read 'Ashok Ajit Deshpande', written over a horizontal line.

Director

Ashok Ajit Deshpande

INDEPENDENT AUDITORS' REPORT

To the members of JSW ADMS Carvão, Limitada.

We have audited the annual financial statements of **JSW ADMS Carvão, 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 10 to 20.

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.

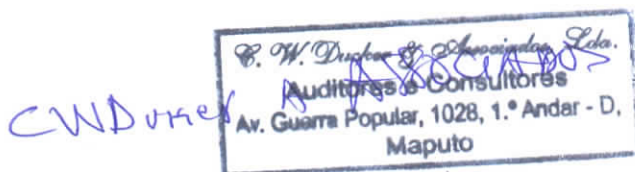
INDEPENDENT AUDITORS' REPORT – Continued

Opinion

In our opinion, these financial statements of JSW ADMS Carvão Limitada for the year ended 31 March 2016 have been prepared, in all material respects, in accordance with the basis of accounting as set in note 2.

Restriction on use

Our report is solely for the purpose set forth in the first paragraph and is not to be used for any other purpose or to be distributed to any other party.



C. W. Ducker & Associados, Lda

Maputo, 15 April, 2016.



JSW ADMS Carvão Limitada

JSW ADMS Carvao Mozambique Limitada

Statement of financial position

Assets	Notes	2016 USD	2015 USD
Non-current			
Property, plant and equipment	5	8,521,231	8,413,286
		8,521,231	8,413,286
Current			
Trade and other receivables	6	143,839	136,114
Cash and cash equivalents	7	25,488	5,816
Current assets		169,327	141,930
Total assets		8,690,558	8,555,217
Equity and liabilities			
Equity			
Quota capital	8	544	544
Retained earning/ (losses)		38,638	5,506
Total equity		39,182	6,050
Liabilities			
Current			
Payable quota holders	9	8,138,973	7,875,750
Total non-current liabilities		8,138,973	7,875,750
Trade and other payable	10	512,403	673,417
Total Current liabilities		512,403	673,417
Total liabilities		8,651,376	8,549,167
Total equity and liabilities		8,690,558	8,555,217



JSW ADMS Carvão Limitada

JSW ADMS Carvão Lda
Statement of Comprehensive Income

for the year ended 31 March 2016

	<u>Note</u>	March 2016	March 2015
		USD	USD
Revenue			
Operating expenses	3	<u>33,132</u>	<u>5,788</u>
Results from operating activities		33,132	5,788
Other Non operating Income:			
		<u> </u>	<u> </u>
Loss before income tax		33,132	5,788
Income tax expense	4	<u> </u>	<u> </u>
Loss for the period		<u>33,132</u>	<u>5,788</u>
Loss attributable to:			
Owners of the Company		<u>33,132</u>	<u>5,788</u>



JSW ADMS Carvão Limitada

Statement of changes in equity
for the year ended 31 March 2016

	March 2016		March 2015	
	Capital contribution	Retained Profit	Capital contribution	Retained loss
	USD	USD	USD	USD
Balance at 01 April 2015	544	5,506	544	(282)
Capital contribution				-
Balance as at 31 March 2016	544	5,506	544	(282)
Total comprehensive income from the period				
Profit/(Loss) for the year		33,132		5,788
Balance as at 31 March 2016	544	38,638	544	5,506



JSW ADMS Carvão Limitada

Statement of cash flow
for the year ended 31 March 2016

	March 2016	March 2015
	USD	USD
Cash flow from operational activities		
Profit/(loss) before taxation	33,132	5,788
Adjusted for:		
Increase/Decrease in other receivables	(7,725)	215
Increase/Decrease in trade and other payables	(161,014)	9,098
Net cash flow from operating activities	(135,607)	15,101
Cash flows from investing activities		
Acquisition of assets	(107,944)	(664,097)
Net cash flows utilised in investing activities	(107,944)	(664,097)
Cash flow from financing activities		
Received from quotaholders	263,223	646,439
Net cash from financing activities	263,223	646,439
Net (decrease)/increase in cash and cash equivalents	19,672	(2,557)
Cash and cash equivalents at the beginning of the year	5,816	8,373
Cash and cash equivalents at the end of the year	25,488	5,816



JSW ADMS Carvão 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



FINANCIAL STATEMENTS

1. Incorporation and activities

JSW ADMS Carvão, 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 International Financial Reporting Standards.

2.2 Basis of preparation

The functional currency is the United States Dollars. Financial statements have been prepared in United States Dollars.

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.

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



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.



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 Loan from quotaholders

The loan from quotaholders 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 ADMS Carvão Limitada

FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

	March 2016 USD	March 2015 USD
3 Operating expenses		
Net Foreign exchange Gain	33,132	5,788
	<u>33,132</u>	<u>5,788</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 revenues 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 ADMS Carvão Limitada

5 Property plant and equipment	2016			
	License Fee	Exploration Cost	Office equipment	Total
5.1 Cost				
As at 1 April 2015	1,020,000	7,392,342	1,310	8,413,652
Additions		108,088		108,088
Disposals				
As at 31 March 2016	1,020,000	7,500,429	1,310	8,521,739
5.2 Accumulated depreciation and				
As at 1 April 2015	-	-	365	365
Charge for the year			144	144
Disposals				
As at 31 March 2016	-	-	509	509
5.3 Carrying amounts				
As at 1 April 2015	1,020,000	7,392,342	945	8,413,287
As at 31 March 2016	1,020,000	7,500,429	801	8,521,230

Note: a) The license fee of USD 1 020 000 pertains to license area No 1370 L purchased.

b) Refer note 5.4 for details of exploration costs capitalized during the year and note 5.5 for details of license.



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For the year ended 31 March, 2016

Notes to the financial statements

	2016 USD	2015 USD
5.4 Exploration costs		
Consultancy	43,260	263,490
Drilling costs		10,357
Lab costs		380,515
Logistics and transport cost		3,011
Office expenses	4,631	2,993
Fuel		-
Communication		482
Accounting services		3,249
Surface tax	60,053	-
Depreciation	144	144
	108,088	664,241

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

License no.	Validity	Current Status
1370L	04 May 2016	Drilling

The company applied for mining concession (lease) for 25 years on LPP 1370L during the year and new allotted number is 8161C.

6 Other Receivables

	31-Mar-16	31-Mar-15
State debtors	1,339	11,114
Prepayments - Egas Moniz Mario do Carmo Rafael	125,000	125,000
Prepayments - Amad Gani	17,500	
	143,839	136,114



JSW ADMS Carvão Limitada

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Notes to the financial statements

- 6.1** During the year 2012-2013 the Company paid USD 125 000 to Egas Moniz Maria do Carmo Rafael Mussanhane. This amount is an advance payment towards the amount owed by the Company in terms of the payments plan to amortize the balance owing to Mr Mussanhane for the purchase of the coal exploration license No. 1370L currently held by the Company.

	March 2016 USD	March 2015 USD
7 CASH AND CASH EQUIVALENTS		
Balances with bank	25,488	5,816
Cash in hand		-
	<u>25,488</u>	<u>5,816</u>

	31-Mar-16		31-Mar-15	
	%		%	
	Shareholding	USD	Shareholding	USD
JSW Natural Resources Mozambique Lda	99.45%	541	99.45%	541
JSW Natural Resources Limited	0.55%	3	0.55%	3
	<u>100%</u>	<u>544</u>	<u>100%</u>	<u>544</u>

	31-Mar-16	31-Mar-15
9. LOAN FROM QUOTA HOLDERS		
JSW Natural Resources Mozambique Lda	8,138,973	7,875,750
	<u>8,138,973</u>	<u>7,875,750</u>

This amount represents funding provided by the parent company on behalf of JSW ADMS Carvao Limitada. This amount does not bear interest and is unsecured and has no fixed repayment period.



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FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

10. TRADE AND OTHER PAYABLES	31-Mar-16	31-Mar-15
Egas Moniz Mario do Carmo Rafael(10.1)	501,554	501,554
Other Liabilities	10,849	171,863
	<u>512,403</u>	<u>673,417</u>

10.1 This amount is payable to Egas Moniz Maria do Carmo Rafael Mussanhane representing the transfer of mining license No. 1370L.

11 Financial Assets and Liabilities

The company's financial assets and liabilities comprise of cash and bank balances, other receivables and bank balances, other receivables and loan from quotaholders.

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

11.1 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.

11.2 Currency risk

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

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



FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

11.3 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.

11.4 Liquidity risk

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

		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
	Note	USD	USD	USD	USD	USD	USD
Financial Assets							
Other Receivables	6	143,839	-	143,839	136,114	-	136,114
Financial Liabilities							
Payable - Quota holders	9	-	(8,138,973)	(8,138,973)	-	(7,875,750)	(7,875,750)
Trade and other payables	10	(10,849)	(501,554)	(512,403)	(171,563)	(501,554)	(673,117)

12. 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.



FINANCIAL STATEMENTS

For the year ended 31 March, 2016

Notes to the financial statements

13. 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.

14. Related party transactions

Loan from Quota holders

Loan provided by the Holding Company on behalf of the Company (Refer note 9)