

Keenan Minerals, LLC

FINANCIAL STATEMENTS

**Years Ended March 31, 2016 and 2015
with Reports of Independent Auditors**

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KEENAN MINERALS, LLC

FINANCIAL STATEMENTS

**Years Ended March 31, 2016 and 2015
with Report of Independent Auditors**

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Braj Aggarwal, CPA, P.C.
Certified Public Accountants

REPORT OF INDEPENDENT AUDITORS

To the Board of Managers
Keenan Minerals, LLC
Beckley, West Virginia

We have audited the financial statements of Keenan Minerals, LLC (a subsidiary of Purest Energy, LLC, West Virginia Limited Liability Company) which comprise the balance sheets as of March 31, 2016 and 2015, and related statements of operations, changes in member's capital and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 the 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 financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 selected depend on the auditor's 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 control 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. 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial positions of Keenan Minerals, LLC as of March 31, 2016 and 2015 and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Braj Aggarwal, CPA, P.C.

Hicksville, New York
May 8, 2016

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FINANCIAL STATEMENTS

Kennan Minerals, LLC

Stand alone Financials-Balance Sheets

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Assets		
Current		
Cash and cash equivalents	\$ 54	\$ 55
Total current assets	<u>54</u>	<u>55</u>
Property, Plant and Equipment		
Mine development costs	<u>530,132</u>	<u>530,132</u>
	530,132	530,132
Less Impairment	(530,132)	-
Less accumulated depreciation and depletion	<u>-</u>	<u>-</u>
Net Property, Plant and Equipment	<u>-</u>	<u>530,132</u>
Mining Property		
Land and Mineral rights	<u>538,000</u>	<u>538,000</u>
	538,000	538,000
Less Impairment	(538,000)	-
Net Mining Property	<u>-</u>	<u>538,000</u>
Other Assets		
Deferred Tax Asset	<u>-</u>	<u>-</u>
Total Other Assets	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 54</u>	<u>\$ 1,068,187</u>

See notes to financial statements

Kennan Minerals, LLC

Stand alone Financials-Balance Sheets

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Liabilities and Members' Capital		
Current liabilities		
Accounts payable - trade	\$ -	\$ -
Accounts payable - Intercompany	614,307	608,882
Accounts payable - Affiliates	<u>-</u>	<u>5,345</u>
Total Current liabilities	<u>614,307</u>	<u>614,227</u>
Other liabilities	<u>-</u>	<u>-</u>
Total Other liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>614,307</u>	<u>614,227</u>
Members' capital		
Members' capital	-	-
Paid in capital	538,000	538,000
Retained earnings	<u>(1,152,254)</u>	<u>(84,040)</u>
Total Members' Capital	<u>(614,254)</u>	<u>453,960</u>
Total Liabilities and Members' Capital	<u><u>\$ 54</u></u>	<u><u>\$ 1,068,187</u></u>

See notes to financial statements

Kennan Minerals, LLC

Stand Alone Statements of Operations

For the years ended March 31, 2016 and 2015

	2016	2015
Net Sales	\$ -	\$ -
Operating Costs and Expenses		
Cost of sales-materials, labor and other costs	-	82,400
Selling, general and administrative expenses	82	155
Total Costs and Expenses	<u>82</u>	<u>82,555</u>
Operating Income/(Loss)	<u>(82)</u>	<u>(82,555)</u>
Other Income (Expenses)		
Total Other Income (Expenses), net	<u>-</u>	<u>-</u>
Loss before unusual items and income tax	<u>(82)</u>	<u>(82,555)</u>
Unusual and infrequent items.		
Impairment Losses	(1,068,132)	-
Income/(Loss) before income taxes	<u>(1,068,214)</u>	<u>(82,555)</u>
Income Taxes		
Current deferred income tax (expense) benefit		
Deferred income tax (expense) benefit		
Total Income Taxes	<u>-</u>	<u>-</u>
Net income (loss)	<u><u>\$ (1,068,214)</u></u>	<u><u>\$ (82,555)</u></u>

See notes to financial statements

Kennan Minerals, LLC

Stand Alone Statements of Operations

For the years ended March 31, 2016 and 2015

	Membership Percentage	Shareholders/ Members' Capital	Paid in Capital	Retained Earnings	Total Members' Capital
Balance at :					
April 1, 2014	-	-	538,000	\$ (1,485)	\$ 536,515
Net income	-	-	-	(82,555)	(82,555)
Balance at March 31, 2015	-	-	538,000	(84,040)	453,960
Loss from operations	-	-	-	(1,068,214)	(1,068,214)
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 538,000</u>	<u>\$ (1,152,254)</u>	<u>\$ (614,254)</u>

See notes to financial statements

Kennan Minerals, LLC

Stand alone Cash flow statement

For the years ended March 31, 2016 and 2015

	2016	2015
Cash Flows From Operating Activities:		
Net income/(loss)	\$ (1,068,214)	\$ (82,555)
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment	1,068,132	-
Increase /(Decrease) Intercompany payables	80	19,874
Net cash provided (used) by operating activities	(1)	(62,681)
Cash Flows From Investing Activities:		
Capital expenditures	-	(19,750)
Net cash used in investing activities	-	(19,750)
Cash Flows From Financing Activities:		
Net cash provided (used) by financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(1)	(247)
Cash and cash equivalents at beginning of period	55	302
Cash and cash equivalents at end of year	\$ 54	\$ 55
Supplemental Cash Flow Information:		
Federal income taxes paid	\$ -	\$ -
Interest paid	\$ -	\$ -
Adjustment of assets to fair market value	\$ -	\$ -
Liabilities assumed in asset acquisition	\$ -	\$ -

See notes to financial statements

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS
For the years ended March 2015 and 2016

A. Organization

Organization and Operations

Keenan Minerals, LLC (the “Company”, or “Keenan”) is a coal development and production holding company organized as limited liability Corporation in West Virginia. The Company’s current business activities are primarily the production and sale of metallurgical coal from mines located in West Virginia. Keenan is a wholly-owned subsidiary of Purest Energy LLC.

Going Concern

The Company’s financial statements have been presented on the basis that it is a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The Company engages in business activities that involve various risks, and future success is dependent upon a number of factors including, among others, generating sufficient revenues, the market demand and price for the Company’s products. The Company’s losses for the year ended March 31, 2016 and 2015 amounted to approximately \$1.07 million and \$0.08 million, respectively.

During the year, in view of the significant drop in coal prices, the group companies were trying to reduce their losses by keeping the operations at a minimum level. The Company will consider mining these reserves as the coal market improves.

The Company is dependent upon its ultimate parent company, JSW Steel Ltd. India to continue providing financial support as done in the past for the Company to continue until it achieves profitable operations. JSW Steel, Ltd. India will continue to provide need based support to the Company as required to continue operations.

The financial statements do not include any adjustments that might be necessary should the Company be unable to continue as a going concern.

B. Summary of Significant Accounting Policies

The financial statements are prepared under accounting principles generally accepted in the United States of America (“GAAP”). The following notes describe the significant accounting policies:

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the value of mineral reserves. Actual results could differ from those estimates.

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents

The Company considers all highly-liquid investments with a maturity of three months or less when purchased to be cash equivalents. At March 31, 2016 and 2015, the Company had no such investments. Restricted amounts of cash and cash equivalent are segregated and appropriately classified as current or noncurrent assets. The Company maintains deposits in one financial institution, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation ("FDIC"). The Company has not experienced any losses related to amounts in excess of FDIC limits.

Inventory

Inventory, which consists of mined coal, is valued at the lower of cost or market using the lot method, which approximates average cost.

Restricted Investments and Bond Collateral

The Company has requirements to maintain restricted cash and investments for bonding requirements. Amounts held are recorded as Restricted Investments and Bond Collateral, which are included in other assets on the consolidated balance sheets. Funds in the restricted investment and bond collateral accounts are not available to meet the Company's operating cash needs.

Mine Development

Mining costs are expensed as incurred for existing operating mines. Costs of developing new mines or significantly expanding the capacity of existing mines are capitalized and amortized using the units-of-production method over the estimated recoverable reserves that are associated with the property being benefited. Costs may include construction permits and licenses; mine design; construction of access roads, shafts, slopes and main entries; and removing overburden to access reserves in a new pit.

The Company allocates interest, which is capitalized as mining development cost, to mines that are being prepared for production. During the year ended March 31, 2016 and 2015, no interest was capitalized to mine development costs.

Long-lived Assets

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of their carrying amounts to future undiscounted cash flows that the assets are expected to generate. If long-lived assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value and is recorded in the period the determination was made.

Mining Properties, Plant & Equipment

Property and equipment are stated at the fair market value as of the acquisition date. Depreciation will be calculated over the estimated useful lives of the assets using the straight-line method. Coal reserves are recorded at fair value.

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS

Coal reserves, mineral rights and mine development costs are depleted based upon estimated recoverable proven and probable reserves.

Plant and equipment are depreciated on a straight-line basis over the assets' estimated useful lives as follows:

	Years
Buildings and improvements	15 to 30
Machinery and equipment	3 to 30

During the year ended March 31, 2016, given significant weakening in coal markets combined with the additional idling of coal mines and change in mining plans, the Company determined that indicators of impairment were present for its coal related long-lived asset groups and performed impairment tests as of Dec 31, 2015. The impairment testing indicated that undiscounted cash flows were less than the carrying value for certain asset groups. The Company estimated the fair value of these asset groups generally using a discounted cash flow analysis utilizing market-participant assumptions. Since the Company does not expect to generate any cash flows, the fair value of these asset group is considered as 'Nil' and accordingly, the Company recorded asset impairment charges totaling \$1,068,538.

Federal Income Taxes

For federal income tax purposes, the Company is a disregarded entity and files its return as a member of the consolidated return of JSW USA. The taxes attributable to Keenan are shown in the consolidated financial statements. A balance sheet approach is used to determine deferred taxes whereby deferred income taxes are provided at the balance sheet date, based upon enacted tax laws, for differences between the tax bases of assets and liabilities and their respective carrying amounts for financial statement purposes. The Company computes current and deferred federal income tax expense as if it were a separate taxable corporation, utilizing the full benefit of the federal graduated rate structure.

Tax positions are evaluated in a two-step process. The Company first determines whether it is more likely than not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon ultimate settlement. The Company recognizes the potential accrued interest and penalties related to unrecognized tax benefits within income tax expense. The Company has not recorded any liability related to uncertain tax positions.

Fair Value of Financial Instruments

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate carrying value, principally because of the short maturity of those items. The carrying value of interest bearing debt also approximates fair value since these instruments bear market rates of interest. The carrying value of non- interest bearing debt approximates fair value because the imputed interest approximates the prevailing interest rates. None of these instruments are held for trading purposes.

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS

Advertising Costs

Advertising costs are expensed when incurred.

Asset Retirement Obligations

The Company's asset retirement obligation ("ARO") liabilities primarily consist of estimated costs to reclaim surface land and support facilities at its mines in accordance with federal and state reclamation laws as established by each mining permit. In order to minimize possible reclamation obligations, the Company has contracted with mining operators on certain mines to reclaim the land as part of the mining operations.

For mines where the Company has a possible asset retirement obligation, the Company estimates its ARO liabilities for final reclamation and mine closure based upon detailed engineering calculations of the amount and timing of the future costs for a third party to perform the required work. Cost estimates are escalated for inflation, and then discounted at a credit-adjusted risk-free rate. The Company records an ARO asset associated with the initial recorded liability. The ARO asset is amortized based on the units of production method over the estimated recoverable, proven and probable reserves at the related mine, and the ARO liability is accreted to the projected settlement date. Changes in estimates could occur due to revisions of mine plans, changes in estimated costs, and changes in timing of the performance of reclamation activities. As of March 31, 2016 and 2015, the Company had no accrued asset retirement obligations.

Coal Revenues

The Company recognizes coal sales revenue at the time title passes to the customer in accordance with the terms of the underlying sales agreements and after any contingent performance obligations have been satisfied. Coal sales revenue is recognized based on the pricing contained in the contracts in place at the time that title passes. Retroactive pricing adjustments to those contracts are recognized as revised agreements are reached with the customers and any performance obligations included in the revised agreements are satisfied.

Shipping and Handling Costs

Freight billed to customers is considered revenue and the related freight costs as cost of sales.

Planned Major Maintenance Activities

The Company uses the direct expensing method to account for major maintenance activities. Under this method, major maintenance activities are expensed as a period expense when the major maintenance activities are incurred.

Exploration Drilling and Evaluation Costs

Exploration, Drilling and Evaluation expenditures are charged to cost of sales as incurred, including costs related to drilling and study costs incurred to convert or upgrade mineral resources to reserves. Once commercially viable reserves are determined to be productive, development costs of the coal

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS

reserves are capitalized and amortized over the unit of production basis over the total estimated remaining commercial reserves.

Reclassifications

Certain classifications for 2016 have been changed to conform to the 2015 classifications. Neither net income nor stockholders' equity were impacted by the changes.

C. Mining Property

Property and equipment consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Land and mineral reserves	\$ 538,000	\$ 538,000
Less Impairment	(538,000)	(-)
Less accumulated depreciation	<u>(-)</u>	<u>(-)</u>
	-	538,000

D. Property and Equipment

Property and equipment consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Mine development costs	530,132	530,132
Less Impairment	(530,132)	(-)
Less accumulated depreciation	<u>(-)</u>	<u>(-)</u>
	-	530,132
Construction-in-progress	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 530,132</u>

E. Related Party Transactions

The Company has advances as of March 31, 2016 and 2015 from its parent and other group companies of \$614,307 and \$614,227, respectively. The advances are payable on demand. The Company accrues no interest on the advances.

F. Income Taxes

The Company's deferred tax liabilities and deferred tax assets at March 31, 2016 and 2015, are considered at consolidated level.

KEENAN MINERALS, LLC
NOTES TO FINANCIAL STATEMENTS

G. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transaction for potential recognition or disclosure through May 8, 2016, the date on which the financial statements were available to be issued.