

**Periama Handling, LLC**

**FINANCIAL STATEMENTS**

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

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

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## **Periama Handling, LLC**

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

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**REPORT OF INDEPENDENT AUDITORS**

To the Board of Managers  
Periama Handling, LLC  
Beckley, West Virginia

We have audited the financial statements of Periama Handling, LLC (a subsidiary of Planck Holdings, 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 Periana Handling, 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 13, 2016

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## **FINANCIAL STATEMENTS**

**Periama Handling LLC**

Stand alone Financials-Balance Sheets

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	\$ 63	\$ 62
Accounts receivable(net of provisions)	-	-
Total current assets	<u>63</u>	<u>62</u>
<b>Property, Plant and Equipment</b>		
Plant and equipment	7,116,443	7,116,443
Less accumulated depreciation and depletion	(1,461,092)	(1,411,862)
Less: Impairment	(5,555,351)	-
Net Property, Plant and Equipment	<u>100,000</u>	<u>5,704,581</u>
<b>Other Assets</b>		
Restricted investments and bond collateral	60,043	59,924
Less Impairment	(59,840)	-
<b>Restricted investments and bond collateral(net)</b>	<u>203</u>	<u>59,924</u>
Total Other Assets	<u>203</u>	<u>59,924</u>
<b>Total Assets</b>	<u><u>\$ 100,266</u></u>	<u><u>\$ 5,764,567</u></u>

See notes to financial statements

**Periama Handling LLC**

Stand alone Financials-Balance Sheets

As of March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Liabilities and Members' Capital</b>		
<b>Current liabilities</b>		
Accounts payable - trade	\$ 716,395	\$ 21,770
Accounts payable - Intercompany	5,520,589	5,506,189
Accrued liabilities	-	690,000
Total Current liabilities	<u>6,236,984</u>	<u>6,217,959</u>
<b>Other liabilities</b>	<u>-</u>	<u>-</u>
Total Other liabilities	<u>-</u>	<u>-</u>
<b>Total Liabilities</b>	<u>6,236,984</u>	<u>6,217,959</u>
<b>Members' capital</b>		
Paid in capital	4,001,489	4,001,489
Retained earnings	(10,138,207)	(4,454,881)
Total Members' Capital	<u>(6,136,718)</u>	<u>(453,392)</u>
<b>Total Liabilities and Members' Capital</b>	<u>\$ 100,266</u>	<u>\$ 5,764,567</u>

See notes to financial statements



**Periama Handling LLC**

Stand Alone Statements- Statement of Operations  
For the years ended March 31, 2016 and 2015

	<b>2016</b>	<b>2015</b>
<b>Net Sales</b>	\$ -	\$ -
<b>Operating Costs and Expenses</b>		
Cost of sales-materials, labor and other costs	17,509	656,194
Depreciation, depletion and amortization	49,230	292,533
Selling, general and administrative expenses	1,516	93,597
<b>Total Costs and Expenses</b>	<u>68,255</u>	<u>1,042,324</u>
<b>Operating Income/(Loss)</b>	<u>(68,255)</u>	<u>(1,042,324)</u>
<b>Other Income (Expenses)</b>		
Interest income	120	78
Interest expense	-	(1,584)
<b>Total Other Income (Expenses), net</b>	<u>120</u>	<u>(1,506)</u>
<b>Loss before unusual items and income tax</b>	<u>(68,135)</u>	<u>(1,043,830)</u>
Unusual and/or infrequent items:		
Impairment Losses	(5,615,191)	-
<b>Income/(Loss) before income taxes</b>	<u>(5,683,326)</u>	<u>(1,043,830)</u>
<b>Income Taxes</b>		
Current deferred income tax (expense) benefit	-	-
Deferred income tax (expense) benefit	-	-
<b>Total Income Taxes</b>	<u>-</u>	<u>-</u>
<b>Net income (loss)</b>	<u><u>\$ (5,683,326)</u></u>	<u><u>\$ (1,043,830)</u></u>

See notes to financial statements

## Periama Handling LLC

Stand Alone Statements- Statement of Operations

For the years ended March 31, 2016 and 2015

	<b>Shareholders/ Members' Capital</b>	<b>Paid in Capital</b>	<b>Retained Earnings</b>	<b>Total Members' Capital</b>
<b>Balance at April 1, 2014</b>		4,001,489	\$ (3,411,051)	\$ 590,438
Net loss			(1,043,830)	(1,043,830)
<b>Balance at March 31, 2015</b>	<u>-</u>	<u>4,001,489</u>	<u>(4,454,881)</u>	<u>(453,392)</u>
Net Loss			(5,683,326)	(5,683,326)
<b>Balance at March 31, 2016</b>	<u><u>\$ -</u></u>	<u><u>\$ 4,001,489</u></u>	<u><u>\$ (10,138,207)</u></u>	<u><u>\$ (6,136,718)</u></u>

See notes to financial statements

## Periama Handling LLC

Stand alone Cash flow statement

For the years ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Cash Flows From Operating Activities:</b>		
Net income/(loss)	\$ (5,683,326)	\$ (1,043,830)
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment Losses	5,615,191	-
Depreciation and depletion	49,230	292,533
Changes in operating assets and liabilities:		
(Increase)/Decrease Trade receivables	-	40,650
(Increase)/Decrease Other current assets	-	3,800
(Increase)/Decrease Restricted investments and bond coll:	(119)	(78)
Increase /(Decrease) Accounts payable	694,625	16,302
Increase /(Decrease) Accrued liabilities	(690,000)	420,000
Increase /(Decrease) Intercompany payables	14,400	270,053
Net cash provided (used) by operating activities	<u>1</u>	<u>(570)</u>
<b>Cash Flows From Investing Activities:</b>		
Capital expenditures	<u>-</u>	<u>-</u>
Net cash used in investing activities	<u>-</u>	<u>-</u>
<b>Cash Flows From Financing Activities:</b>		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	1	(570)
Cash and cash equivalents at beginning of period	<u>62</u>	<u>632</u>
<b>Cash and cash equivalents at end of year</b>	<u><u>\$ 63</u></u>	<u><u>\$ 62</u></u>
<b>Supplemental Cash Flow Information:</b>		
Federal income taxes paid	<u>\$ -</u>	<u>\$ -</u>
Interest paid	<u>\$ -</u>	<u>\$ -</u>
Adjustment of assets to fair market value	<u>\$ -</u>	<u>\$ -</u>
Liabilities assumed in asset acquisition	<u>\$ -</u>	<u>\$ -</u>

See notes to financial statements

**PERIAMA HANDLING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the years ended March 31, 2016 and 2015**

**A. Organization**

**Organization and Operations**

Periama Handling, LLC (the “Company”, or “Periama”) is a coal loading facility holding company organized as limited liability Corporation in West Virginia. The Company’s current business activities are primarily the loading of coal by rail and/or barge at its load out facility located in West Virginia. Periama Handling is a wholly-owned subsidiary of Planck Holdings 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 \$5.68 million and \$1.04 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.

**PERIAMA HANDLING, 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 balance sheet. Funds in the restricted investment and bond collateral accounts are not available to meet the Company's operating cash needs.

**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. Based upon management's assessment, there was no impairment of long-lived assets at March 31, 2016.

**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.

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:

	<b>Years</b>
Buildings and improvements	15 to 30
Machinery and equipment	3 to 30

**PERIAMA HANDLING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

The Company reviews property and equipment for impairment whenever events or changes in circumstances indicate the carrying value of an asset may not be fully recoverable. Based on periodic assessments of the realizability of its long-term assets and the analysis of undiscounted future cash flows for its long-term assets, an impairment for \$ 5,555,351 of long-term asset is recognized by the Company during the year ended March 31, 2016.

**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 Periamas 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.

**Advertising Costs**

Advertising costs are expensed when incurred.

**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.

**PERIAMA HANDLING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**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.

**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. Property and Equipment**

Property and equipment consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Loading dock machinery and equipment	7,000,000	7,000,000
Furniture, fixtures and equipment	116,443	116,443
	<u>7,116,443</u>	<u>7,116,443</u>
Less accumulated depreciation	(1,461,092)	(1,411,862)
Less Impairment	(5,555,351)	(-)
	<u>100,000</u>	<u>5,704,581</u>
Construction-in-progress	-	-
	<u>\$ 100,000</u>	<u>\$ 5,704,581</u>

Depreciation expense was \$49,230 and \$292,533 for the year ended March 31, 2016 and 2015 respectively.

**PERIAMA HANDLING, LLC**  
**NOTES TO FINANCIAL STATEMENTS**

**D. Other Assets**

Other assets consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Restricted investments and bond collateral	60,043	59,924
Less Impairment	(59,840)	-
	<u>203</u>	<u>59,924</u>

During the year, the Company has recorded an impairment loss of \$ 59,840 for Reclamation Bonds as it is considered unlikely to get the bond released in the near future in view of continuing environmental issues.

**E. Related Party Transactions**

The Company has advances as of March 31, 2016 and 2015 from its Parent company and/or other group companies of \$5,220,589 and \$5,506,189, 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 the consolidated level.

**G. Commitments and Contingencies**

*Operating lease*

The Company's facilities are located on leased property. This was a non-cancelable operating lease and was renewable every five years through 2025. The lease is terminated during the year.

**H. Subsequent Events**

In preparing these financial statements, the Company has evaluated events and transaction for potential recognition or disclosure through May 13, 2016, the date on which the financial statements were available to be issued.