

Prime Coal, LLC

FINANCIAL STATEMENTS

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

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Prime Coal, LLC
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Years Ended March 31, 2016 and 2015
with Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

To the Board of Managers
Prime Coal, LLC
Beckley, West Virginia

We have audited the financial statements of Prime Coal, LLC (a subsidiary of Periana 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 Prime Coal, 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

Prime Coal LLC***Stand alone Financials- Balance Sheets******As of March 31, 2016 and 2015***

	2016	2015
Assets		
Current		
Cash and cash equivalents	7,955	26,175
Accounts receivable:		
Intercompany receivables	4,612,925	4,560,436
Less Impairment	(4,491,979)	
	<u>128,902</u>	<u>4,586,611</u>
Other current assets		5,000
	<u>128,902</u>	<u>4,591,611</u>
Property, Plant and Equipment		
Plant and equipment	<u>166,694</u>	<u>166,694</u>
	166,694	166,694
Less accumulated depreciation and depletion	<u>(124,633)</u>	<u>(104,989)</u>
Net Property, Plant and Equipment	<u>42,061</u>	<u>61,705</u>
Other Assets		
Restricted investments and bond collateral	<u>23,000</u>	<u>23,000</u>
Total Other Assets	<u>23,000</u>	<u>23,000</u>
Total Assets	<u>\$ 193,963</u>	<u>\$ 4,676,316</u>

See notes to financial statements

Prime Coal 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	5,285	146,710
Accounts payable - Intercompany	11,421,293	10,264,093
Accounts payable - Affiliates	61,283	74,457
Accrued liabilities	1,800	6,189
Total Current liabilities	<u>11,489,661</u>	<u>10,491,449</u>
Total Liabilities	<u>11,489,661</u>	<u>10,491,449</u>
Members' capital		
Members' capital	105,218	105,218
Retained earnings	(11,400,916)	(5,920,351)
Total Members' Capital	<u>(11,295,698)</u>	<u>(5,815,133)</u>
Total Liabilities and Members' Capital	<u>193,963</u>	<u>4,676,316</u>

See notes to financial statements

Prime Coal 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	-	-
Depreciation, depletion and amortization	19,644	19,822
Selling, general and administrative expenses	968,943	1,392,926
Total Costs and Expenses	988,587	1,412,748
Operating Income/(Loss)	(988,587)	(1,412,748)
Other income/expenses	-	-
Total Other Income (Expenses), net	-	-
Loss before unusual items and income tax	(988,587)	(1,412,748)
Unusual and/or infrequent items:		
Impairment Loss	(4,491,978)	-
Income/(Loss) before income taxes	(5,480,565)	(1,412,748)
Income Taxes		
Current deferred income tax (expense) benefit	-	-
Deferred income tax (expense) benefit	-	-
Total Income Taxes	-	-
Net income (loss)	\$ (5,480,565)	\$ (1,412,748)

See notes to financial statements

Prime Coal LLC*Stand Alone Statements of Operations**For the years ended March 31, 2016 and 2015*

	Members' Capital	Paid in Capital	Retained Earnings	Members' Capital
Balance at April 1, 2014	\$ -	\$ 105,218	\$ (4,507,603)	\$ (4,402,385)
Net income			(1,412,748)	(1,412,748)
Balance at March 31, 2015	<u>-</u>	<u>105,218</u>	<u>(5,920,351)</u>	<u>(5,815,133)</u>
Loss from operations			(5,480,565)	(5,480,565)
Balance at March 31, 2016	<u>\$ -</u>	<u>\$ 105,218</u>	<u>\$ (11,400,916)</u>	<u>\$ (11,295,698)</u>

See notes to financial statements

Prime Coal LLC

Stand Alone Cash flow Statement

For the years ended March 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows From Operating Activities:		
Net income/(loss)	\$ (5,480,565)	\$ (1,412,748)
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment Losses	4,491,979	-
Depreciation and depletion	19,644	19,822
Changes in operating assets and liabilities:		
(Increase)/ Decrease Intercompany receivables	(52,489)	153,926
(Increase)/Decrease Other current assets	5,000	1,460
Increase /(Decrease) Accounts payable	(154,599)	158,877
Increase /(Decrease) Accrued liabilities	(4,389)	(9,382)
Increase /(Decrease) Intercompany payables	1,157,200	1,110,476
Net cash provided (used) by operating activities	<u>(18,220)</u>	<u>22,431</u>
Cash Flows From Investing Activities:		
Capital expenditures	-	(879)
Net cash used in investing activities	<u>-</u>	<u>(879)</u>
Cash Flows From Financing Activities:		
Net cash provided (used) by financing activities	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(18,220)	21,552
Cash and cash equivalents at beginning of period	<u>26,175</u>	<u>4,623</u>
Cash and cash equivalents at end of year	<u><u>\$ 7,955</u></u>	<u><u>\$ 26,175</u></u>
Supplemental Cash Flow Information:		
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

A. Organization

Organization and Operations

Prime Coal, LLC (the “Company”, or “Prime Coal”) is a management company organized as limited liability Corporation in West Virginia. The Company’s current business activities are providing the administration and other common services to Periana Holdings LLC and its subsidiaries. Prime Coal is a wholly-owned subsidiary of Periana Holdings LLC.

The Company is fully funded by Periana Holdings LLC and its subsidiaries.

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’s losses for the year ended March 31, 2016 and 2015 amounted to approximately \$5.48 million and \$1.41 million, respectively. The company’s continuity is depend on the going concern of Periana Holdings LLC and its subsidiaries as the company is providing administration and other common services to them.

Further, the Company’s cash flows are 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.

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 sheets. 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.

Property, Plant and 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:

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

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, no impairment of long-term asset needs to be recognized by the Company.

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 Prime Coal 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.

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>
Furniture, fixtures and equipment	166,694	166,694
	166,694	166,694
Less accumulated depreciation	(124,633)	(104,989)
	<u>\$ 42,061</u>	<u>\$ 61,705</u>

Depreciation expense was \$19,644 and \$19,822 for the year ended March 31, 2016 and 2015, respectively.

D. Other Assets

Other assets consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Restricted investments and bond collateral	23,000	23,000
Other	-	-
	<u>23,000</u>	<u>23,000</u>

Restricted investments and bond collateral include restricted cash that is legally restricted for purposes of settling final reclamation activities. The Company's restricted investments are in bank time deposit accounts and/or cash bonds with the Regulatory agencies.

E. Related Party Transactions

The Company has advances as of March 31, 2016 and 2015 from its parent company of \$11,421,293 and \$10,264,093, respectively. The advances are payable on demand and non-interest bearing.

The Company also has receivables as of March 31, 2016 and 2015 from group companies of \$4,612,925 and \$4,560,436, respectively. During the year ended March 31, 2016 in view of continuing losses, negative cash flows and declining coal market, the Company has recorded an impairment loss of \$ 4,491,979 for the advances to its affiliated Companies.

Certain services from JSW USA were made during the year ended March 31, 2016 and 2015 that resulted in a balance payable to JSW USA of \$ 61,283 and \$74,457 respectively.

F. Income Taxes

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

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.