

Rolling S Augering, LLC

FINANCIAL STATEMENTS

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

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Certified Public Accountants

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Rolling S Augering, LLC
FINANCIAL STATEMENTS
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
Rolling S Augering, LLC
Beckley, West Virginia

We have audited the financial statements of Rolling S Augering, 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 Rolling S Augering, 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

Rolling S Augering LLC

Stand alone Financials- Balance Sheets

As of March 31, 2016 and 2015

	2016	2015
Assets		
Current		
Cash and cash equivalents	\$ 370	\$ 86
Accounts receivable:		
Trade receivables	1	1
Total current assets	<u>371</u>	<u>87</u>
Property, Plant and Equipment		
Mine development costs	3,638,320	3,512,006
Less Impairment	<u>(3,638,320)</u>	<u>-</u>
Net Property, Plant and Equipment	<u>-</u>	<u>3,512,006</u>
Mining Property		
Land and Mineral rights	4,402,000	4,402,000
Less Impairment	(4,320,870)	-
Less accumulated depreciation and depletion	<u>(81,130)</u>	<u>(81,130)</u>
Net Mining Property	<u>-</u>	<u>4,320,870</u>
Other Assets		
Advanced coal royalties	186,061	131,061
Less Impairment	<u>(186,061)</u>	<u>-</u>
Advanced coal royalties (net)	-	131,061
Restricted investments and bond collateral	218,861	247,069
Less Impairment	<u>(217,760)</u>	<u>-</u>
Restricted investments and bond collateral(net)	<u>1,101</u>	<u>247,069</u>
Total Other Assets	<u>1,101</u>	<u>378,130</u>
Total Assets	<u><u>\$ 1,472</u></u>	<u><u>\$ 8,211,093</u></u>

See notes to financial statements

Rolling S Augering 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	\$ 291,019	\$ 274,486
Accounts payable - Intercompany	<u>5,671,608</u>	<u>5,378,008</u>
Total Current liabilities	<u>5,962,626</u>	<u>5,652,494</u>
Total Liabilities	<u>5,962,626</u>	<u>5,652,494</u>
Members' capital		
Members' capital	11,040	11,040
Paid in capital	4,402,000	4,402,000
Retained earnings	<u>(10,374,194)</u>	<u>(1,854,441)</u>
Total Members' Capital	<u>(5,961,154)</u>	<u>2,558,599</u>
Total Liabilities and Members' Capital	<u>\$ 1,472</u>	<u>\$ 8,211,093</u>

See notes to financial statements

Rolling S Augering 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	145,928	204,126
Depreciation, depletion and amortization	-	-
Selling, general and administrative expenses	11,274	42,899
Total Costs and Expenses	<u>157,202</u>	<u>247,025</u>
Operating Income/(Loss)	<u>(157,202)</u>	<u>(247,025)</u>
Other Income (Expenses)		
Interest income	459	1,213
Total Other Income (Expenses), net	<u>459</u>	<u>1,213</u>
Loss before unusual items and income tax	<u>(156,743)</u>	<u>(245,812)</u>
Unusual and/or infrequent items:		
Impairment Loss	(8,363,010)	-
Income/(Loss) before income taxes	<u>(8,519,753)</u>	<u>(245,812)</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>\$ (8,519,753)</u>	<u>\$ (245,812)</u>

See notes to financial statements

Rolling S Augering LLC

Stand Alone - Statement of Changes in Member's Equity

For the years ended March 31, 2016 and 2015

	shareholders/ Members' Capital	Paid in Capital	Retained Earnings	Total Members' Capital
Balance at April 1, 2014	\$ 11,040	\$ 4,402,000	\$ (1,608,629)	\$ 2,804,411
Net income			(245,812)	(245,812)
Balance at March 31, 2015	<u>11,040</u>	<u>4,402,000</u>	<u>(1,854,441)</u>	<u>2,558,599</u>
Loss from operations			(8,519,753)	(8,519,753)
Balance at March 31, 2016	<u><u>\$ 11,040</u></u>	<u><u>\$ 4,402,000</u></u>	<u><u>\$ (10,374,194)</u></u>	<u><u>\$ (5,961,154)</u></u>

See notes to financial statements

Rolling S Augering 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)	\$ (8,519,753)	\$ (245,812)
Adjustments to reconcile net income to net cash provided by operating activities:		
Impairment	8,363,010	-
Changes in operating assets and liabilities:		
(Increase)/Decrease Advanced coal royalties	(55,000)	(35,001)
(Increase)/Decrease Restricted investments and bond collateral	28,208	(28,473)
Increase /(Decrease) Accounts payable	16,533	95,377
Increase /(Decrease) Accrued liabilities	-	(3,268)
Increase /(Decrease) Reclamation payable	-	(218,209)
Increase /(Decrease) Intercompany payables	293,600	795,985
Net cash provided (used) by operating activities	<u>126,598</u>	<u>360,599</u>
Cash Flows From Investing Activities:		
Capital expenditures	<u>(126,314)</u>	<u>(360,730)</u>
Net cash used in investing activities	<u>(126,314)</u>	<u>(360,730)</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	284	(131)
Cash and cash equivalents at beginning of period	<u>86</u>	<u>217</u>
Cash and cash equivalents at end of year	<u><u>\$ 370</u></u>	<u><u>\$ 86</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

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS
For the years ended March 2016 and 2015

A. Organization

Organization and Operations

Rolling S Augering, LLC (the “Company”, or “RSA”) 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. RSA 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 \$8.52 million and \$0.25 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.

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, 2015 and 2014, the Company had no such investments.

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

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.

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.

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

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

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 the continuous operating losses, negative cash flows and significant weakening in coal markets, 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 \$ 8,363,010.

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 RSA 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.

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

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 \$ Nil and \$Nil, respectively of accrued asset retirement obligations.

The Company had \$Nil and \$218,209 of liabilities settled during the year ended March 31, 2016 and 2015, respectively.

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

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

commercially viable reserves are determined to be productive, development costs of the coal 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	\$ 4,402,000	\$ 4,402,000
Less Impairment	(4,320,870)	(-)
Less accumulated depreciation	<u>(81,130)</u>	<u>(81,130)</u>
	-	4,320,870

D. Property and Equipment

Property and equipment consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Mine development costs	3,638,320	3,512,006
Less Impairment	(3,638,320)	(-)
Less accumulated depreciation	<u>(-)</u>	<u>(-)</u>
	-	3,512,006
Construction-in-progress	<u>-</u>	<u>-</u>
	<u>\$ -</u>	<u>\$ 3,512,006</u>

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

E. Other Assets

Other assets consisted of the following at March 31:

	<u>2016</u>	<u>2015</u>
Advanced coal royalties	186,061	131,061
Restricted investments and bond collateral	218,861	247,069
	<u>404,922</u>	<u>378,130</u>

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

Less Impairment	(403,821)	(-)
	<u>1,101</u>	<u>378,130</u>

Advanced coal royalties relate to minimum royalties paid to the Company's lessors that will be applied to actual royalties incurred on processed coal once the mines are in production. The Company has recognized impairment of \$ 186,061 in Advance royalties as recoupment of these royalties is considered unlikely in the near future.

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. The Company has recognized impairment of \$ 217,760 of Reclamation bonds as due to environmental issues it is unlikely to get these bonds released in the near future.

F. Related Party Transactions

The Company has advances as of March 31, 2016 and 2015 from parent company and/or group companies of \$5,671,608 and \$5,378,008, respectively. The advances are payable on demand and non-interest bearing.

G. Income Taxes

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

H. Commitments and Contingencies

Coal mining leases

The Company has entered into certain coal mining leases. These coal mining leases include tonnage royalties where by the Company pays a royalty for every ton of coal leased from the related lease site.

ending March 31,	
2017	\$ 55,000
2018	55,000
2019	55,000
2020	55,000
2021	<u>55,000</u>
	<u>\$ 275,000</u>

These coal mining leases allow the Company to recoup the minimum annual royalty payments by application to the actual royalties that would otherwise be due in future years. The advance royalty payments that management can recoup from these coal mining leases in the future were \$ 186,061 and \$131,061 as of March 31, 2016 and 2015, respectively.

ROLLING S AUGERING, LLC
NOTES TO FINANCIAL STATEMENTS

I. 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.