



Financial Statements

JSW Natural Resources Mozambique Limitada

for the year ended 31 March 2018

JSW Natural Resources Mozambique Limitada

Financial Statements

for the year ended 31 March 2018

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Directors' responsibility statement

The company's directors are responsible for the preparation and fair presentation of the financial statements of JSW Natural Resources Mozambique, Limitada, comprising the statement of financial position as at 31 March, 2018, the statements of profit or loss and other comprehensive income, the statement of changes in equity and statement of cash flow for the year then ended and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with the accounting polices set out in note 2.

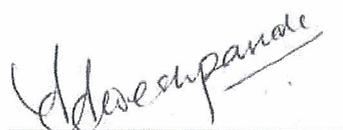
The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error and maintaining adequate accounting records and an effective system of risk management as well as compliance with the relevant laws and regulations in the Republic of Mozambique.

The directors have made an assessment of the company's 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 Mozambican Metical. These financial statements have been prepared by translating the Metical financial statements to US Dollars. These financial statements are to be used for group consolidation purposes only.

Approval of the financial statements

The annual financial statements of JSW Natural Resources Mozambique Limitada, as identified in the first paragraph, were approved by the Board of Directors on 25 April 2018 and signed on its behalf by:



Director



KPMG Auditores e Consultores, SA
Edifício HOLLARD
Rua 1.233, N° 72 C
Maputo, Moçambique

Telephone: +258 (21) 355 200
Telefax: +258 (21) 313 358
Caixa Postal, 2451
Email: mz-fminformation@kpmg.com
Web: www.kpmg.co.mz

Independent auditors' report

To the Quotaholders of JSW Natural Resources Mozambique Limitada

Opinion

We have audited the financial statements of JSW Natural Resources Mozambique Limitada (the "company") set out on pages 5 to 21, which comprise the statement of financial position as at 31 March 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. These financial statements have been prepared for the purposes of group consolidation.

In our opinion, the financial statements present fairly, in all material respects, the financial position of JSW Natural Resources Mozambique Limitada as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with the basis of accounting as set out in note 2.

Restriction of use

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements applicable to performing audits of financial statements in Mozambique, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the directors' responsibility statement. The other information does not include the financial statements and our auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with accounting policies set out in note 2, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG, Registered Audit Firm, 04/SCA/OCAM/2014

Represented by:

A handwritten signature in black ink, appearing to be 'Hem Chandra Joshi', written over a horizontal line.

Hem Chandra Joshi (OCAM n° 57/CA/OCAM/2014)

Partner

25 April 2018

JSW Natural Resources Mozambique, Limitada

Statement of financial position

as at 31 March 2018

	Notes	2018 USD	2017 USD
Assets			
Property and equipment	5	2 770 474	2 493 037
Equity investment	6	1 070 459	1 070 459
Loans advanced to subsidiary	7	11 023 237	8 109 355
		<hr/>	<hr/>
Non-current assets		14 864 171	11 672 851
		<hr/>	<hr/>
Other receivables	8	9 124	8 170
Cash and cash equivalent	9	15 559	706
		<hr/>	<hr/>
Current assets		24 683	8 876
		<hr/>	<hr/>
Total assets		14 888 853	11 681 728
		<hr/>	<hr/>
Equity and liabilities			
Quota capital	10	18 808 700	18 808 700
Translation reserve		2 651 959	2 453 914
Accumulated losses		(17 683 290)	(17 685 646)
		<hr/>	<hr/>
Total equity		3 777 369	3 576 968
		<hr/>	<hr/>
Liabilities			
Quotaholder loans	11	11 082 000	8 081 000
		<hr/>	<hr/>
Non-current liabilities		11 082 000	8 081 000
		<hr/>	<hr/>
Trade and other payables	12	29 484	23 760
		<hr/>	<hr/>
Current liabilities		29 484	23 760
		<hr/>	<hr/>
Total liabilities		11 111 484	8 104 760
		<hr/>	<hr/>
Total equity and liabilities		14 888 853	11 681 728
		<hr/>	<hr/>

JSW Natural Resources Mozambique, Limitada

Statement of profit or loss and other comprehensive income for the year ended 31 March 2018

	<i>Note</i>	2018 USD	2017 USD
Revenue		-	-
Other income	3	2 357	15 750
Operating profit		2 357	15 750
Income tax expense	4	-	-
Profit for the year		2 357	15 750

JSW Natural Resources Mozambique, Limitada

Statement of changes in equity

for the year ended 31 March 2018

	Quota capital USD	Share application money USD	Translation reserves USD	Accumulated losses USD	Total USD
Balance at 1 April 2016	1 209 606	4 639 229	3 532 255	(17 701 396)	(8 320 307)
Issue of quota capital	4 639 229	(4 639 229)	-	-	-
Issue of quota capital	12 959 865	-	-	-	12 959 865
Profit for the year	-	-	-	15 750	15 750
Translation reserve	-	-	(1 078 341)	-	(1 078 341)
Balance at 31 March 2017	18 808 700	-	2 453 914	(17 685 646)	3 576 968
Profit for the year	-	-	-	2 357	2 357
Translation reserve	-	-	198 045	-	198 045
Balance at 31 March 2018	18 808 700	-	2 651 959	(17 683 290)	3 777 369

JSW Natural Resources Mozambique, Limitada

Statement of cash flows

for the year ended 31 March 2018

	2018 USD	2017 USD
Cash flows from operational activities		
Profit for the year	2 357	15 750
<i>Adjusted for:</i>		
- Depreciation of property and equipment	232	508
- Increase/(decrease) provision of audit	965	1 181
- Foreign exchange	1 045	(46 603)
<i>Changes in:</i>		
- Decrease in other receivables	(953)	(857)
- Increase/(decrease) in other payables	4 758	(50 622)
Net cash flows from operating activities	8 404	(80 643)
Cash flows from investing activities		
Acquisition of property and equipment	(80 670)	(112 418)
Net cash flows from investing activities	(80 670)	(112 418)
Cash flows from financing activities		
Proceeds from loans received from quotaholder	3 001 000	(12 837 865)
Share capital issue	-	12 959 865
Loan advanced to subsidiary	(2 913 882)	29 618
Net cash flows from financing activities	87 118	151 618
Net (decrease)/increase in cash and cash equivalents	14 852	(41 443)
Cash and cash equivalents at the beginning of the year	706	42 150
Cash and cash equivalents at the end of the year	15 558	706

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements

for the year ended 31 March 2018

1. Incorporation and activities

JSW Natural Resources Mozambique, 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 sale of minerals (primarily coal) in Mozambique.

2. Significant accounting policies

a. Statement of compliance

The financial statements have been prepared in accordance with accounting policies listed below, which are in line with International Financial Reporting Standards (IFRS).

2.2 Basis of preparation

The functional currency is the national currency of the Republic of Mozambique, the Mozambican Metical. For group consolidation purposes, the Meticais (functional currency) financial statements have been translated to US Dollars (presentation currency) in terms of IAS 21 by using the exchange rates reflected in note 2.3. These financial statements are to be used for group consolidation purposes only.

The statement of profit or loss and other comprehensive income items have been converted at average exchange rate for the year. The monetary and non-monetary assets and liabilities on statement of financial position have been converted at closing exchange rate and the equity and equity investment at the historical exchange rate existing on the date of transaction.

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate are revised and in any future periods affected.

A. Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements includes in the following note:

- Note 15: - Going concern assumption of the Company.

B. Assumptions and estimations uncertainties

Information about assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the year ended 31 March 2018 is included in the following notes:

- Note 5 - Impairment test: Key assumptions underlying recoverable amounts of property and equipment; and
- Note 15 - Going concern: Key assumptions underlying the assessment of the Company's ability to continue as a going concern.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

2.3 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

These financial statements have been translated from the meticais financial statements to US dollars financial statements using the following exchange rates for MT to USD:

	2018	2017
Balance sheet – closing rate:	61.63	66.50
Income statement – Average rate:	61.13	66.09

2.4 Property and equipment

i) Owned assets

Property 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 and equipment have different useful lives, they are accounted for as separate items of property and equipment.

ii) Subsequent expenditure

Expenditure incurred to replace a component of an item of property 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 in the item of property 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 and equipment, and major components that are accounted for separately. The estimated useful lives are as follows:

License fees	25 years
Exploration costs	25 years
Office equipment	10 years
Motor vehicles	5 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).

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)
for the year ended 31 March 2018

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 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 and its 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 and contingencies

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.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and risks specific to the liability.

Contingent assets and liabilities are not recognised, but disclosed in the notes to the financial statements.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

2.10 Trade and other payables

Trade and other payables are stated at fair value.

2.11 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. The company has not yet transferred any profits to the reserve since it is not yet operational.

2.12 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 balances sheet date, and any adjustment to tax payable in respect of previous years.

2.13 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.

2.14 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.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

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.

2.15 Investment in subsidiary

Investment in subsidiary is carried at cost less provision for impairment.

2.16 Loan to subsidiary

The loan given to subsidiary is recognized at face value initially on the trade date at which company extend the loan. Thereafter also the loan balance is reflected at face value.

2.17 Loan from quota holders

The loan from quota holders 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 Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

3. Other income	2018	2017
	USD	USD
Foreign exchange gain	2 357	15 750
	<u>2 357</u>	<u>15 750</u>
4. Income tax		
Current tax	-	-
	<u>-</u>	<u>-</u>

No provision for income tax has been created in the current year as the company is still in the exploration phase and no taxable profits 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 Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

	License fee USD	Motor vehicle USD	Office equipment USD	Exploration cost USD	Total USD
5. Property and equipment					
Cost					
Balance at 1 April 2016	785 110	5 189	7 596	2 781 734	3 579 629
Additions	-	-	-	112 418	112 418
Translation reserve	(237 186)	(1 568)	(2 295)	(841 070)	(1 082 119)
Balance at 31 March 2017	547 924	3 621	5 301	2 053 083	2 609 929
Additions	-	-	-	80 670	80 670
Translation reserve	43 297	286	419	162 234	206 236
Balance at 31 March 2018	591 221	3 907	5 720	2 295 987	2 896 835
Accumulated depreciation					
Balance at 1 April 2016	91 768	5 189	4 815	64 993	166 765
Charge for the year	-	-	508	-	508
Translation reserve	(27 724)	(1 568)	(1 455)	(19 635)	(50 382)
Balance at 31 March 2017	64 044	3 621	3 868	45 358	116 892
Charge for the year	-	-	-	232	232
Translation reserve	5 061	286	538	3 352	9 237
Balance at 31 March 2018	69 105	3 907	4 406	48 942	126 361
Carrying amounts					
Balance at 1 April 2017	483 880	-	1 433	2 007 724	2 493 037
Balance at 31 March 2018	522 116	-	1 314	2 247 044	2 770 474
	A			B	

A) License fees

The license fee amounting to USD 1 020 000 relates to amounts paid to Egas Monis Maria do Carmo Rafael Mussanhane for the license area No. 1370 L. The depreciation of the asset will start when the mining starts.

B) Exploration cost

The asset relates to costs being incurred that are being capitalised since the company is not yet operational. Refer to note 5.1 for cost capitalised during the year. The depreciation of the asset will start when the mining starts.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

5.1 Exploration costs

	2018 USD	2017 USD
Staff cost	51 297	79 494
Rental cost	8 400	8 837
Travel and accommodation	1 205	3 017
Consultancy cost	12 034	10 168
Logistics and transport cost	27	278
Office expenses	2 671	2 430
Fuel and lubrication costs	1 337	1 165
Communication	2 160	1 829
Car repairs and maintenance	1 210	699
Depreciation charge	232	511
Legal cost	97	3 990
	80 670	112 418

5.2 Details of the mining concession agreement held by the company

License No	Valid up to	Current status
1127L	6-Oct-15	Applied for mining concession

The company applied for mining concession (lease) for a period of 25 years for area LPP 1127. The application was done in the prior year and the new allotted number is 7942C in 2015.

6. Equity investment

	2018 USD	2017 USD
JSW ADMS Carvão Limitada	1 070 459	1 070 459
	1 070 459	1 070 459

Equity investment relates to an investment in JSW ADMS Carvão Limitada, a company registered in Mozambique. The company has an investment of 99.4% (2017: 99.4%) in JSW ADMS Carvão Limitada. In 2014, JSW Natural Resources Mozambique purchased 15% of the shareholding from Egas Moniz Maria Carmo Rafael Mussanhane for consideration of USD 1 070 459. JSW ADMS Carvão Limitada has been allotted mining concession of engaged in exploration of coal under license number 8161C.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

	2018 USD	2017 USD
7. Loan advance to subsidiary		
JSW ADMS Carvão Limitada	11 023 237	8 109 355
	<u>11 023 237</u>	<u>8 109 355</u>

The company advanced two loan facilities to JSW ADMS Carvão Limitada of USD 10 million and USD 2.9 million. The loan facilities are interest free and not secured. The loan facilities do not have fixed dates of repayment. The directors of the company do not anticipate that they will require repayment of the loans from the subsidiary, with in the next 12 months, hence, its classification as non-current.

	2018 USD	2017 USD
8. Other receivables		
Receivable from Rachana Global Lda	11 591 000	11 591 000
State receivable	7 760	5 252
Other receivable	1 364	2 918
	<u>11 600 124</u>	<u>11 599 170</u>
Less: Provision for doubtful debt	<u>(11 591 000)</u>	<u>(11 591 000)</u>
	<u>9 124</u>	<u>8 170</u>

The state receivable consists of input VAT claimed.

The receivable from Rachana Global Limitada has been provided for 100% in the year 2011 as the recovery is doubtful.

9. Cash and cash equivalents		
Bank balances	15 544	537
Cash on hand	15	169
	<u>15 559</u>	<u>706</u>

	2018 % ntage	2017 %ntage	2018 USD	2017 USD
10. Quota capital				
JSW Natural Resources Limited Mauritius	99.95%	99.95%	18 799 291	18 799 291
International Securities Limited Mauritius (Sane)	0.05%	0.05%	9 409	9 409
	<u>100.00%</u>	<u>100.00%</u>	<u>18 808 700</u>	<u>18 808 700</u>

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

	2018 USD	2017 USD
11. Quotaholder loans		
JSW Natural Resources Limited Mauritius	<u>11 082 000</u>	<u>8 081 000</u>
	11 082 000	8 081 000

The company has two loan facilities with JSW Natural Resources Limited (Mauritius) of USD 10 million and USD 3 million. The loan facilities are interest free and not secured. The loan facilities do not have fixed dates of repayment. The directors of the company do not anticipate that the quotaholder will require repayment of the loans, with in the next 12 months, hence, its classification as non-current.

	2018 USD	2017 USD
12. Other payables		
State creditors	942	895
Other liabilities	28 542	22 865
	<u>29 484</u>	<u>23 760</u>

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

13. Financial assets and liabilities

The Company's financial assets and liabilities comprises of cash and bank balance and other receivables and payables from quota holders.

The company did not enter in derivative transactions during the year.

13.1 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.

13.2 Currency risk

The currency giving rise to the currency risk in which the company deals is the US Dollar while the books of accounts are maintained in the functional currency i.e. Mozambican Metical.

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

13.3 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.

13.4 Liquidity risk

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

The following table shows the contractual undiscounted cash flow of the company's financial asset and liabilities.

2018	Note	Less than 1 year USD	1 year- 3 year USD	Total USD
Financial assets				
Loan advance to subsidiary	7	-	11 023 237	11 023 237
Other receivables	8	9 124	-	9 124
Financial liabilities				
Quotaholder loan	11	-	(11 082 000)	(11 082 000)
Other payables	12	(29 484)	-	(29 484)
		(20 361)	(58 763)	(79 124)

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

The following table shows the contractual undiscounted cash flow of the company's financial asset and liabilities.

2017	Note	Less than 1 year USD	1 year- 3 year USD	Total USD
Financial assets				
Loans advanced to subsidiary	7	-	8 109 355	8 109 355
Other receivables	8	8 170	-	8 170
Financial liabilities				
Quotaholder loans	11	-	(8 081 000)	(8 081 000)
Other payables	12	(23 760)	-	(23 760)
		<u>(15 590)</u>	<u>28 355</u>	<u>12 765</u>

14. Related parties

Payable to Quota holders

(i) The following are the related parties of the company:

- JSW Steel Limited - Ultimate shareholder;
- JSW Natural Resources Limited (Mauritius) – Immediate shareholder;
- JSW ADMS Carvão, Limitada (Mozambique) – Subsidiary;
- International Securities, Limited – Shareholder; and
- Directors of the company.

(ii) The following are related party balances

<i>Name of related party</i>	<i>Transaction</i>	2018 USD	2017 USD
JSW Natural Resources Ltd (Mauritius)	Quotaholder loans	<u>(11 082 000)</u>	<u>(8 081 000)</u>
JSW ADMS Carvão, Limitada (Mozambique)	Subsidiary loans	<u>11 023 237</u>	<u>8 109 355</u>

15. Going concern

The recoverability of the mining assets is dependent on execution of the mining concession (allotment awaited of 7942C) which has proven coal reserves. The company's business operation has not yet started. As a result, company is not generating cash flows and the company rely on the support of its shareholder to continue operating. The shareholders are committed to the operations in the long term.

JSW Natural Resources Mozambique, Limitada

Notes to the financial statements (continued)

for the year ended 31 March 2018

The company's equity position at the year-end is below the limit set by Article 119 of the Commercial Code ("the Code"). The Code stipulates that when the accumulated losses of the company reach 50% of the quota capital, the Board of Directors must propose to Shareholders the dissolution of the Company unless the Directors, within sixty days from the date of the proposal, initiate and implement proposals to restore the Company's equity position and to correct the deficit.

The Directors implemented and initiated the plans below:

Director's plans

- The shareholder of the company, JSW Natural Resources Limited (Mauritius), in the current year, has subordinated its right to claim or accept repayment of the loans and borrowings amounting to USD 11 082 000 (as at 31 March 2018), as described in note 11. In addition the principal amounts are only contractually payable by 26 February 2022;
- The company has assessed that it have enough coal reserves that can be turned into viable coal resources for the company in a profitable manner; and
- The company's shareholder JSW Natural Resources Limited (Mauritius), has undertaken to provide the company financial support to enable the company to start its operations and be able to realise its assets and settle its liabilities in the ordinary course of business.

Based on these plans, the financial statements are prepared on the basis of accounting policies applicable to a going concern, which presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business operations and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

16. Subsequent events

As at the date of this report, there are no subsequent events which may require adjustment or disclosure in these financial statements.