

**WESTERN CLUSTER LIMITED**

**AUDIT REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**MARCH 31, 2015**

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Western Cluster Limited  
Board of Directors  
As at March 31, 2015

The Board of Directors of Western Cluster Limited comprises two (2) members listed below.

	<b>Directors</b>	<b>Title</b>
1.	Kishore Kumar	Director
2.	Atul Mittal	Director

**Registered Office:**

Amir Building  
18<sup>th</sup> Street, Sinkor  
Tubman Boulevard  
Sinkor, Monrovia  
Liberia, West Africa

**Bankers:**

Standard Chartered  
UK Banking Standard Chartered  
Bank 1 Basinghall Avenue London  
EC2V 5DD  
Tel. No.: 02078858700

International Bank (Liberia) Ltd.  
64 Broad Street  
P. O. Box 10-0292  
1000 Monrovia 10, Liberia

Ecobank Liberia  
Ashmun and Randall Street  
P.O. Box 4825  
1000 Monrovia, 10 Liberia

**Legal Counsel:**

Sherman & Sherman Law Firm  
R. Foley Sherman Law Building  
17<sup>th</sup> Street & Cheeseman Avenue  
Sinkor, Monrovia

**Auditors:**

PKF Liberia  
Lara Building, 4<sup>th</sup> Floor  
Randall Street  
Lara Building  
P. O. Box 10-3635  
1000 Monrovia 10, Liberia



**Western Cluster Limited**  
**Statement of responsibilities of the Board of Directors**

1. The Board has general powers to manage the business of the Company.
2. The Board of Directors is responsible to ensure that the books of accounts of the Company are kept in a manner considered suitable for reporting and other relevant purposes.

In particular, the Board is responsible to:

- a. ensure that the accounting records of the Company are satisfactorily maintained and its financial statements presented in accordance with authoritative standards and other governing policies applicable in such regard.
  - b. select suitable accounting policies and apply them consistently;
  - c. state whether applicable accounting standards have been followed, subject to any material departures to be disclosed or explained in the financial statements;
  - d. ensure that the financial statements are prepared on the going-concern basis unless it is inappropriate to presume that the Company will continue in business;
3. In summary, the Board is responsible to ensure that proper accounting records are kept, which disclose with reasonable accuracy, at any time, the financial position of the Company. The Board is responsible to put in place the relevant mechanism for safeguarding the assets of the Company and to take reasonable steps for the prevention of fraud and other forms of irregularities, and the prompt detection of those that might nonetheless occur.
  4. The Board is also responsible to annually appoint competent auditors to examine the books of the Company, subject to ratification be ratified by an affirmative vote of the shareholders at their annual meeting. The Board shall cause to be printed a copy of the auditor's report, together with the relevant statements accompanying such report.
  5. The Board may appoint members of management committees as it may deem necessary; and may delegate to the committees such powers as the Board considers relevant and necessary.

The above statement of responsibilities of the Board with respect to the financial statements of the Company shall be read in conjunction with the statement of the Auditor's responsibilities set out on the next page of this document. This is necessary and is being done with the view to distinguishing for the benefit of shareholders and other users of the financial statements the respective responsibilities of the Board of Directors and the Auditors in relation to the audited financial statements of Western Cluster Limited (WCL).

  
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**Atul Mittal**  
Director



**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
**Western Cluster Limited**

We have audited the accompanying financial statements of **Western Cluster Limited**, which comprise the statement of financial position as at March 31, 2015, the statement of income and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Management's responsibility for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of 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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.



**PKF**

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

**Opinion**

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of **Western Cluster Limited** as at March 31, 2015, and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Report on other Legal and Regulatory Requirements**

The accounting records of Western Cluster Liberia provide no information of the minimum required capital with which it commenced operations. The accompanying balance sheet does not reflect that requirement and the amount reported for share capital in these financial statements is nil.

*PKF Liberia*

**PKF- Liberia  
Accountants &  
business advisers**

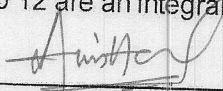
Monrovia

*April 13, 2015*

**Western Cluster Limited**  
Statement of financial position  
As at March 31, 2015

	Note	2015 US\$	2014 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	244,797	775,143
Travel advances & other receivables	5	9,114	4,727
Prepayments	6	37,147	234,387
<b>Total current assets</b>		<u>291,057</u>	<u>1,014,257</u>
<b>Non-current assets</b>			
Intangible assets	7	60,123	123,284
Project expenditure capitalized	8	97,089,081	88,936,044
Long-term assets	9	4,151,267	4,752,188
<b>Total non-current assets</b>		<u>101,300,471</u>	<u>93,811,516</u>
<b>Total assets</b>		<u>101,591,528</u>	<u>94,825,774</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Accounts payable		669,853	1,589,494
Inter-company payable		467,407	356,446
Salaries payable		45,521	110,480
Taxes payable	10	62,255	177,153
Other liabilities		75,450	302,201
<b>Total current liabilities</b>		<u>1,320,485</u>	<u>2,535,774</u>
<b>Long-term liabilities</b>			
Inter-company payable	11	101,130,000	92,290,000
<b>Total Long-term liabilities</b>		<u>102,450,485</u>	<u>94,825,774</u>
<b>Shareholder's equity</b>			
Loss for the year		(858,957)	-
<b>Total shareholder's equity</b>		<u>(858,957)</u>	<u>-</u>
<b>Total liabilities and shareholders' equity</b>		<u>101,591,528</u>	<u>94,825,774</u>

The accompanying notes on pages 6 to 12 are an integral part of these financial statements

  
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Atul Mittal  
Director



**Western Cluster Limited**  
Income statement  
For the year ended March 31, 2015

	Note	2015 US\$	2014 US\$
<b>Expenses</b>			
Employee benefit expenses		419,962	-
Financial charges		8,875	-
Other operating expenses	12	<u>430,121</u>	-
<b>Loss for the year</b>		<u><b>(858,957)</b></u>	<u>-</u>

The accompanying notes on pages 6 to 12 are an integral part of these financial statements

**Western Cluster Limited**  
**Statement of cash flows**  
For the year ended March 31, 2015

	2015	2014
	US\$	US\$
<b>Operating activities:</b>		
<b>Net operating profit/(loss) for the year</b>	(858,957)	-
<b>Adjustments required to present cash flow from operating activities</b>		
Amortization - Intangible assets	63,161	55,129
Depreciation	655,549	284,768
Changes in operating assets and liabilities (Appendix A):	<u>(1,133,395)</u>	<u>(1,280,916)</u>
<b>Net cash flows from operating activities</b>	<b><u>(1,273,642)</u></b>	<b><u>(941,019)</u></b>
<b>Investing activities:</b>		
Proceeds from disposal of long-term assets	1,820	1,944
Purchase of intangible assets	-	(85,998)
Addition to capital work-in-progress	(8,153,037)	(27,801,498)
Purchase of long-term assets	<u>(56,448)</u>	<u>(1,615,686)</u>
<b>Net cash flows from investing activities</b>	<b><u>(8,207,665)</u></b>	<b><u>(29,501,238)</u></b>
<b>Financing activities:</b>		
Inter company payable	110,961	165,996
Loan from Bloom Fountain Limited	<u>8,840,000</u>	<u>29,210,000</u>
<b>Net cash flows from financing activities</b>	<b><u>8,950,961</u></b>	<b><u>29,375,996</u></b>
Net change in cash and cash equivalent	(530,346)	(1,066,260)
Cash and cash equivalent beginning of year	<u>775,143</u>	<u>1,841,403</u>
<b>Cash and cash equivalents at the end of the year</b>	<b><u>244,797</u></b>	<b><u>775,143</u></b>



**Western Cluster Limited**  
**Statement of cash flows - Appendix A**  
For the year ended March 31, 2015

	2015	2014
	US\$	US\$
<b>Changes in operating assets and liabilities:</b>		
Travel advance	(4,387)	10,379
Prepayments	197,241	40,635
Inventory	-	33,630
Accounts payable	(919,642)	(464,779)
Salaries payable	(64,958)	(103,084)
Taxes payable	(114,898)	(287,918)
Other liabilities	(226,751)	(509,778)
<b>Changes in operating assets and liabilities</b>	<u><b>(1,133,395)</b></u>	<u><b>(1,280,916)</b></u>

The accompanying notes on pages 6 to 12 are an integral part of these financial statements

**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2015

**1. Establishment**

Western Cluster Limited is a 100% owned subsidiary of Bloom Fountain Limited, a company formed under the laws of Mauritius. The Company was incorporated in Liberia on October 18, 2010 to explore investment opportunities in the iron ore sector in the Western Region of Liberia. Its Mineral Development Agreement with the Government of Liberia was ratified by the National Legislature of Liberia on August 3, 2011.

The principal activities of Western Cluster Limited are to prospect, explore, mine and market iron ore and to manage investments in other companies. The Company is also engaged in importing and exporting goods and services related to the exploitation and processing of iron ore in Liberia.

The Company's concession agreement with the Government of Liberia gives Western Cluster Limited exclusive rights to iron ore deposits in the Western Region of Liberia, specifically Bomi Hills, Bea Mountain and Mano River.

**2. Significant accounting policies**

**2.1 Basis of preparation**

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), under the historical cost convention.

**2.2 Currency of reporting**

These financial statements are expressed in United States dollars. Cash and near cash assets as well as all liabilities denominated in other currencies are translated to United States dollars at the applicable year-end rates of exchange. Transactions occurring in other currencies during the period are brought into the books at the prevailing rates of exchange on the dates of the respective transactions.

The United States dollar is legal tender in Liberia and circulates freely in the Liberian economy alongside the Liberian dollar. Rates of exchange between these two currencies are market determined.

**2.3 Use of estimates and Judgments**

The preparation of financial statements in conformity with IFRS requires the Directors to make judgments, estimates and assumptions that affect the application of policies and the valuation of assets and liabilities, income and expenses.



**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2015

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates is revised and in any future periods affected. However, estimates and associated assumptions are not applicable for these financial statements.

**2.3 Property Plant and Equipment**

Property, plant and equipment are stated at cost less accumulated depreciation. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced item is then derecognized. All other repairs and maintenance are charged to the statement of income during the period in which they are incurred. Gains and losses on the disposal of property, plant and equipment are reflected in current year's results.

The principal annual depreciation rates used in these financial statements are:

	<b>Percent (%)</b>
Project camp	10
Furniture & fixtures	10
Office equipment	20
Plant and machinery	20
Software	30
Vehicle	33
Computer and laptops	30



**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2015

	2015 US\$	2014 US\$
<b>4 Cash and bank balances</b>		
Cash on hand	997	1,058
Cash in banks	243,800	774,085
	<u>244,797</u>	<u>775,143</u>
<b>5 Travel advances &amp; Other receivables</b>		
Travel advances	7,744	4,615
Employee advances	-	112
Other receivables	1,370	-
	<u>9,114</u>	<u>4,727</u>
<b>6 Prepayments</b>		
Rent	16,389	34,333
Insurance	17,959	19,529
Taxes paid in advance	-	169,917
Internet	2,798	10,608
	<u>37,147</u>	<u>234,387</u>
<b>7 Intangible Assets</b>		
Cost of software acquired	210,537	210,537
Less: Amortization	150,414	87,253
	<u>60,123</u>	<u>123,284</u>
<b>8 Project expenditure capitalized</b>		
Beginning balance	88,936,044	61,134,546
Additions during the period	8,153,037	27,801,498
	<u>97,089,081</u>	<u>88,936,044</u>



**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2015

**9. Long-term assets**

	Project Camps US\$	Motor Vehicles US\$	Machinery and Equipment US\$	Comput ers and Laptops US\$	Office Furniture US\$	Office Equipme nt US\$	Total US\$
<b>COST</b>							
Balance at beginning of Year	4,250,242	422,887	171,399	47,956	80,736	141,781	5,115,002
Additions	16,173	-	-	-	40,000	275	56,448
Disposals	-	-	-	1,820	-	-	1,820
<b>Balance at end of Year</b>	<b>4,266,415</b>	<b>422,887</b>	<b>171,399</b>	<b>46,136</b>	<b>120,736</b>	<b>142,056</b>	<b>5,173,270</b>
<b>DEPRECIATION</b>							
Balance at beginning of year	69,095	192,356	33,676	16,838	11,591	39,259	362,814
Charge for the Year	426,697	140,948	34,280	14,115	11,560	28,400	655,999
Disposals	-	-	-	450	-	-	450
<b>Balance at end of year</b>	<b>495,791</b>	<b>333,304</b>	<b>67,956</b>	<b>30,502</b>	<b>23,151</b>	<b>67,660</b>	<b>1,019,264</b>
<b>Net Book Value March 31, 2015</b>	<b>3,770,624</b>	<b>89,583</b>	<b>103,444</b>	<b>15,634</b>	<b>97,585</b>	<b>74,397</b>	<b>4,151,267</b>
<b>Net Book Value March 31, 2014</b>	<b>4,181,148</b>	<b>230,531</b>	<b>137,723</b>	<b>31,118</b>	<b>69,145</b>	<b>102,522</b>	<b>4,752,188</b>



**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2015

**10 Taxes payables**

Employees withholding taxes payable	22,674	35,917
Other withholding taxes payable	34,729	129,497
Social security payable	4,852	11,738
	<u>62,255</u>	<u>177,153</u>

**11 Inter-company payable**

	<b>101,130,000</b>	<b>92,290,000</b>
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The Board of Directors of the company ratified an arrangement with Bloom Fountain Limited, the holding company, through a resolution in which Bloom Fountain is to avail additional amount in loan to Western Cluster Limited up to a maximum of US\$110 million. The total amount availed so far is US\$101.13 million. The loan is non-interest bearing and is repayable in five years when the company commence commercial explorations with an option to review repayment schedule.

**12 Other expenses**

Security charges	46,970	-
Travel	31,687	-
GOL fees	21,050	-
Insurance	24,725	-
Rent	128,457	-
Consultancy	166,744	-
Miscellaneous expenses	10,488	-
	<u>430,121</u>	<u>-</u>