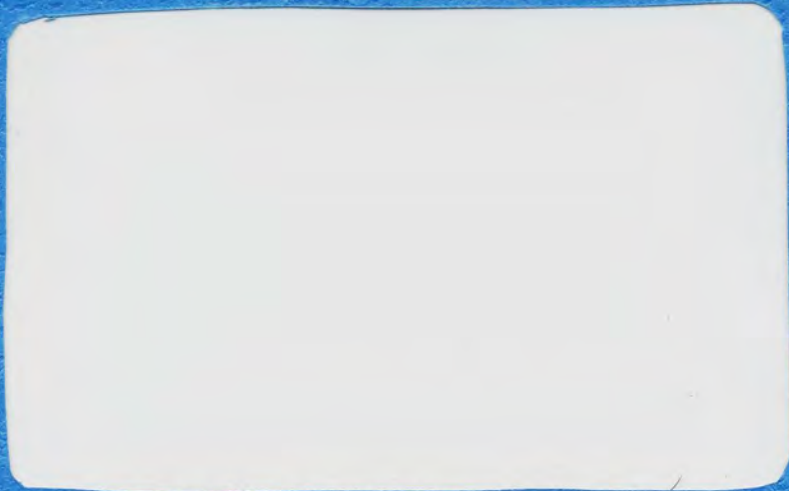


PKF

**Accountants &
business advisers**



WESTERN CLUSTER LIMITED

**AUDIT REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

MARCH 31, 2016

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Western Cluster Limited
Board of Directors
As at March 31, 2016

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

Directors	Title
1. Kishore Kumar	Director
2. Atul Mittal	Director
Registered Office:	Amir Building 18 th 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 th Street & Cheeseman Avenue Sinkor, Monrovia
Auditors:	PKF Liberia Lara Building, 4 th Floor Randall Street Lara Building P. O. Box 10-3635 1000 Monrovia 10, Liberia

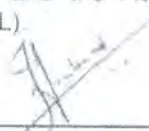
Western Cluster Limited
Statement of responsibilities of the Board of Directors

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).



Frank Morais
Director

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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, 2016, 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 circumstances, 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 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 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, 2016, 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.


April 22, 2016
Monrovia

PKF-Liberia
PKF- Liberia
Accountants &
business advisers

Western Cluster Limited
Statement of Financial Position
As at March 31, 2016

	Note	March 2016 US\$	March 2015 US\$
ASSETS			
Current assets			
Cash and bank balances	4	25,475	2,44,797
Travel advances & Other receivables	5	729	9,114
Prepayments	6	41,441	37,147
Total current assets		<u>67,646</u>	<u>2,91,057</u>
Non-current assets			
Intangible Assets	7	-	60,123
Project Expenditure Capitalized	8	-	9,70,89,081
Long-term assets	9	-	41,51,267
Total non-current assets		<u>-</u>	<u>10,13,00,471</u>
Total assets		<u>67,646</u>	<u>10,15,91,528</u>
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		33,30,871	6,69,853
Inter-company payable		4,78,864	4,67,407
Salaries payable		8,037	45,521
Taxes payable	10	3,782	62,255
Other liabilities		49,950	75,450
Total current liabilities		<u>38,71,503</u>	<u>13,20,485</u>
Long-term liabilities:			
Inter-company payable	11	10,18,75,000	10,11,30,000
Total liabilities		<u>10,57,46,503</u>	<u>10,24,50,485</u>
Shareholders Equity			
Opening Balance of Loss		(8,58,957)	-
Loss For the Year		(10,48,19,900)	(8,58,957)
Total Shareholders Equity		<u>(10,56,78,858)</u>	<u>(8,58,957)</u>
Total liabilities and shareholders' equity		<u>67,646</u>	<u>10,15,91,528</u>

The accompanying notes are an integral part of the financial statements



Frank Morais
Director

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Western Cluster Limited
Income Statement
For year ended March 2016

		March 2016	March 2015
	Note	US\$	US\$
Contiuning operation			
Expenses			
Employee benefit expenses		209,939	419,962
Financial charges		14,956	8,875
Other expenses	12	<u>457,066</u>	<u>430,121</u>
Loss from Normal Operation		<u>(681,961)</u>	<u>(858,957)</u>
Non-contiuning operation			
Impairment charges for project capex and fixed assets		<u>(104,137,939)</u>	<u>-</u>
Loss for the year		<u>(104,819,900)</u>	<u>(858,957)</u>

Western Cluster Limited
Statement of cash flows
For the year ended March 2016

	March 2016	March 2015
	US\$	US\$
Operating activities:		
Net operating profit/(loss) for the period	(681,961)	(858,957)
Amortization - Intangible assets	43,148	63,161
Depreciaition	598,508	655,549
Adjustments required to present cash flow from operating activities (Appendix A):		
Changes in operating assets and liabilities	<u>2,543,650</u>	<u>(1,133,395)</u>
Net cash flows from operating activities	<u>2,503,345</u>	<u>(1,273,642)</u>
Investing activities:		
Capital work in progress	(3,485,837)	(8,153,037)
(Purchase)/sale of long-term assets	<u>6,712</u>	<u>(54,628)</u>
Net cash flows used in investing activities	<u>(3,479,125)</u>	<u>(8,207,665)</u>
Financing activities:		
Intercompany payable	11,457	110,961
Loan from Bloom Fountain Limited	<u>745,000</u>	<u>8,840,000</u>
Net cash flows from financing activities	<u>756,457</u>	<u>8,950,961</u>
Net change in cash and cash equivalent	<u>(219,321)</u>	<u>(530,346)</u>
Cash and cash equivalent beginning of period	<u>244,796</u>	<u>775,143</u>
Cash and cash equivalents at the end of the year	<u><u>25,474</u></u>	<u><u>244,796</u></u>

Western Cluster Limited
Statement of cash flows - Appendix A
For the year ended March 2016

	March 2016	March 2015
	US\$	US\$
Changes in operating assets and liabilities:		
Travel advance	8,384	(4,387)
Prepayments	(4,295)	197,241
Accounts payable	2,661,018	(919,642)
Salaries payable	(37,485)	(64,958)
Taxes payable	(58,473)	(114,898)
Other liabilities	(25,500)	(226,751)
Net cash flows from operating activities	<u>2,543,650</u>	<u>(1,133,395)</u>

Western Cluster Limited

Notes to the financial statements

For the year ended March 31, 2016

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 a. Basis of preparation**

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

b. Going Concern basis of accounting

The financial statements have been prepared on a going concern basis, which assumes that the Company will be able to continue in operational existence for the foreseeable future.

As at December 31, 2015, the Company recognized net loss of US\$ 104,819,900 and as at that date, current liabilities exceeded current assets by US\$ 3,803,857. However, as disclosed in note 13, significant one-off impairment charge representing impairment of various assets was recognized and reflected in the financial statements.

Management believe that settlement of the Company's obligation to its creditors will occur as and when they become due. Management further acknowledge that there are no uncertainty over its ability to meet these obligations and will continue in operational existence in the foreseeable future. The Parent Company of Western Cluster Limited is committed to ensure that all liabilities of the Company are met fully and satisfactorily as when they fall due.

There is therefore is no going-concern threat to the continued operational existence of the Company.

Western Cluster Limited
Notes to the financial statements
For the year ended March 31, 2016

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. 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.

Western Cluster Limited
Notes to the financial statements
For the year ended March 31, 2016

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

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

2.4 **Impairment of assets**

An assets is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the assets and that loss events had an impairment on the estimated future cash flows of that assets that can be estimated reliably.

Objective evidence that assets are impaired include, for example adverse changes in economic conditions that correlate with the loss in the value of the related assets.

Western Cluster Limited

Notes to the financial statements

For the year ended March 2016

	March 2016	March 2015
	US\$	US\$
4 Cash and bank balances		
Cash on hand	11	997
Cash in banks	25,464	243,800
	<u>25,475</u>	<u>244,797</u>
5 Travel advances & other receivables		
Trade advances	729	7,744
Other receivable	-	1,370
	<u>729</u>	<u>9,114</u>
6 Prepayments		
Rent	19,601	17,959
Insurance	-	16,389
Exploration license fees	21,841	-
Internet	-	2,798
	<u>41,441</u>	<u>37,147</u>
7 Intangible Assets		
Cost of software acquired	210,537	210,537
Less: Accumulated amortization	193,562	150,414
Net book value	16,975	60,123
Less: Impairment charges	(16,975)	-
Ending balance	<u>-</u>	<u>60,123</u>
8 Project expenditure capitalized		
Beginning balance	97,089,081	88,936,044
Additions during the period	3,485,837	8,153,037
Balance	<u>100,574,918</u>	<u>97,089,081</u>
Less: Impairment Charges	(100,574,918)	-
Ending balance	<u>-</u>	<u>97,089,081</u>

Western Cluster Limited
Notes to the Financial Statements
As at March 31, 2016

9. Long-term Assets

	Project Camps US\$	Motor Vehicles US\$	Machinery and Equipment US\$	Computers and Laptops US\$	Office Furnitures US\$	Office Equipments US\$	Total US\$
COST							
Balance at beginning of year	4,266,415	422,887	171,399	46,136	120,736	142,056	5,169,630
Deductions	-	-	-	6,712	-	-	6,712
Impairment	4,266,415	422,887	171,399	39,424	120,736	142,056	5,162,918
Balance at end of year	-	-	-	-	-	-	-
DEPRECIATION							
Balance at beginning of year	495,791	333,304	67,956	30,502	23,151	67,660	1,018,363
Charge for the year	427,866	88,959	34,374	10,792	12,107	28,489	602,586
Deductions	-	-	-	4,078	-	-	4,078
Impairment	923,657	422,263	102,329	37,216	35,258	96,149	1,616,871
Balance at end of year	-	-	-	-	-	-	-
Net book value, March 31, 2016	-	-	-	-	-	-	-
Net book value, March 31, 2015	3,770,624	89,583	103,444	15,634	97,585	74,397	4,151,267

Western Cluster Limited

Notes to the financial statements

For the year ended March 2016

	March 2016	March 2015
	US\$	US\$
10 Taxes payables		
Employees withholding taxes payable	2,242	22,674
Other withholding taxes payable	727	34,729
Social security payable	813	4,852
	<u>3,782</u>	<u>62,255</u>

11 Inter-company payable	101,875,000	101,130,000
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The Board of Directors of the company ratified an agreement with Bloom Fountain Limited, The Holding Company, Through a resolution in which Bloom Fountain Limited is to avail Loan up to US \$ 110 Million. The Total amount of Loan Availed so far is US \$ 101.87 million. The Loan is non interest bearing and is repayable in five years when the company commence commercial exploration with an option to review repayment schedule.

12 Other expenses		
Security charges	83,959	46,970
Travelling	10,358	31,687
GoL fees	41,316	21,050
Insurance	28,430	24,725
Rent	135,173	128,457
Consultancy charges	140,457	166,744
Miscellaneous expenses	17,373	10,488
	<u>457,066</u>	<u>430,121</u>

13 Impairment losses

During the year, due to reduction in iron ore prices on the world market, the Management of the Company tested all significant assets including Long-term assets, intangible assets and capitalized expenditures for impairment and recognized impairment losses of US\$ 104,137,939 consisting of US\$ 4,151,267 for long-term assets, US\$ 97,0890,081, for capitalized expenditures and US\$ 60,123 for intangible assets respectively.