

**WESTERN CLUSTER LIMITED**

**AUDIT REPORT  
AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**MARCH 31, 2018**

**CONTENTS:**

Page

1. CORPORATE INFORMATION
2. INDEPENDENT AUDITOR'S REPORT
4. STATEMENT OF FINANCIAL POSITION
5. INCOME STATEMENT
6. STATEMENT OF CASH FLOWS
7. NOTES TO THE FINANCIAL STATEMENTS

**Western Cluster Limited  
Board of Directors  
As at March 31, 2018**

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

<b>Directors</b>	<b>Title</b>
1. Kishore Kumar	Director
2. Frank Morais	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 P. O. Box 10-3635 1000 Monrovia 10, Liberia

**Western Cluster Limited**  
**Statements 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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Frank Morais  
Director

28 / 04 / 18



**Independent Auditor's report**

To the Board of Directors  
**Western Cluster Limited (WCL)**

**Report on the audit of the financial statements**

**Opinion**

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Western Cluster Liberia (WCL) as at March 31, 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

**Key Audit Matter**

Key audit matters are selected from matters, which are communicated with those charged with governance. Matters which are discussed with those charged with governance are then evaluated by the auditor who then determines those matters which required significant auditor attention during the course of the audit.

Based on our audit of the financial statements of the Company, we did not identify any key audit matter that is required to be reported.

**Other information**

The directors of the Company are responsible for other information. The other information comprises all of the information included in the annual report other than the financial statements and our auditor's report 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 consistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, we conclude that there is no material inconsistency in other information. We have nothing to report in this regard.

**Going Concern**

The financial statements of the Company have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that management's use of the going concern basis of accounting in the preparation of the Company's financial statements is appropriate.

Management has not identified a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern, and accordingly, based on our audit of the financial statements of the Company, we also have not identified such a material uncertainty.

### **Responsibilities of management and those charged with Governance for the financial statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 responsibilities for the audit of the financial statements**

The objectives of our audit 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 auditor's 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 International Standards on Auditing 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 our audit in accordance with ISAs, we exercised professional judgment and maintained professional skepticism throughout the planning and performance of the audit.

We also:

- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.
- Obtained 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 entity's internal control.
- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.




- Evaluated 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.
- Obtained sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We are required to communicate with those charged with governance 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.

We are also required to provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner responsible for the audit resulting in this independent auditor's report is **Steven D. Seimavula**.

  
**PKF Liberia**  
**Accountants &**  
**Business advisers**

**April 30, 2018**  
Monrovia

Western Cluster Limited  
Statement of Financial Position  
As at March 31, 2018

	Note	March 2018 US\$	March 2017 US\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	19,624	75,632
Other receivables		-	577
Prepayment		16,284	36,153
<b>Total assets</b>		<b>35,908</b>	<b>112,362</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	5	8,749,157	5,955,159
Inter-company payable		571,467	537,232
Salaries payable		14,185	4,645
Taxes payable	6	9,403	8,821
Other liabilities		97,905	71,680
<b>Total current liabilities</b>		<b>9,442,118</b>	<b>6,577,537</b>
<b>Long-term liabilities</b>			
Inter-company payable	7	102,720,000	102,350,000
<b>Total long-term liabilities</b>		<b>102,720,000</b>	<b>102,350,000</b>
<b>Total liabilities</b>		<b>112,162,118</b>	<b>108,927,537</b>
<b>Shareholders' equity</b>			
Accumulated losses brought forward		(108,815,175)	(105,678,858)
Loss for the year		(3,311,035)	(3,136,317)
<b>Total shareholders' equity</b>		<b>(112,126,210)</b>	<b>(108,815,175)</b>
<b>Total liabilities and shareholders' equity</b>		<b>35,908</b>	<b>112,362</b>

The accompanying notes are an integral part of the financial statements

  
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Frank Morais  
Director

28 / 04 / 18

**Western Cluster Limited**  
Income Statement  
For year ended March 2018

		<b>March 2018</b>	<b>March 2017</b>
	<b>Note</b>	<b>US\$</b>	<b>US\$</b>
<b>Expenses</b>			
Employee benefit expenses		262,822	7,672
Financial charges		6,407	7,576
Other expenses	8	<u>3,041,806</u>	<u>3,121,069</u>
<b>Total expenses</b>		<b><u>(3,311,035)</u></b>	<b><u>(3,136,317)</u></b>
<b>Loss for the year</b>		<b><u>(3,311,035)</u></b>	<b><u>(3,136,317)</u></b>



**Western Cluster Limited**  
Statement of cash flows  
For the year ended March 31, 2018

	March 2018	March 2017
	US\$	US\$
<b>Operating activities</b>		
Net operating loss for the year	(3,311,035)	(3,136,317)
<b>Adjustments required to present cash flow from operating activities (Appendix A):</b>		
Changes in operating assets and liabilities	<u>2,850,791</u>	<u>2,653,108</u>
<b>Net cash flows from operating activities</b>	<u>(460,244)</u>	<u>(483,209)</u>
<b>Financing activities</b>		
Inter-company payable	34,236	58,367
Loan from Bloom Fountain Limited	<u>370,000</u>	<u>475,000</u>
<b>Net cash flows from financing activities</b>	<u>404,236</u>	<u>533,367</u>
Net change in cash and cash equivalent	(56,008)	50,157
Cash and cash equivalent beginning of period	<u>75,632</u>	<u>25,475</u>
<b>Cash and cash equivalents at the end of the year</b>	<u><u>19,624</u></u>	<u><u>75,632</u></u>

**Appendix A**

**Changes in operating assets and liabilities:**

Other receivables	577	152
Prepayments	19,869	5,288
Accounts payable	2,793,998	2,624,289
Salaries payable	9,540	(3,391)
Taxes payable	582	5,039
Other liabilities	<u>26,225</u>	<u>21,730</u>
<b>Net cash used in operating activities</b>	<u><u>2,850,791</u></u>	<u><u>2,653,108</u></u>

**Western Cluster Limited**

Notes to the financial statements  
For the year ended March 31, 2018

**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.

**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 Related party disclosure**

Entities are considered to be related when one entity exercises control over the other or the entities are under common control. Transactions from related parties are recognized at amortized cost using the effective interest rate method.

**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2018

**2.4 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.



**Western Cluster Limited**

Notes to the financial statements

For the year ended March 31, 2018

	March 2018	March 2017
	US\$	US\$
<b>4 Cash and bank balances</b>		
Cash on hand	11	11
Cash in banks	19,613	75,621
	<u>19,624</u>	<u>75,632</u>
<b>5 Accounts payable</b>		
Government of Liberia (MDA)	8,720,000	5,920,000
Others	29,157	35,159
	<u>8,749,157</u>	<u>5,955,159</u>
<b>6 Taxes payable</b>		
Employees withholding taxes payable	5,679	2,266
Other withholding taxes payable	1,862	5,777
Social security payable	1,862	778
	<u>9,403</u>	<u>8,821</u>
<b>7 Inter-company payable</b>	<b>102,720,000</b>	<b>102,350,000</b>
<p>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 \$ 102.7 million. The loan is non interest bearing and is repayable in five years when the company commences commercial exploration with an option to review repayment schedule.</p>		
<b>8 Other expenses</b>		
Security charges	58,120	52,896
Travelling	850	2,255
GoL fees	39,535	49,419
Insurance	20,299	24,127
Rent	83,940	78,400
Consultancy charges	34,000	96,500
MDA fees & dues	2,800,000	2,800,000
Miscellaneous expenses	5,062	17,471
	<u>3,041,806</u>	<u>3,121,069</u>

**Western Cluster Limited**  
Notes to the financial statements  
For the year ended March 31, 2018

<b>March 2018</b>	<b>March 2017</b>
<b>US\$</b>	<b>US\$</b>

**9 Going Concern**

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 March 31, 2018, the Company recognized net loss of US\$ 3,311,035 and as at that date, current liabilities exceeded current assets by US\$ 9,406,210. However, management believes 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 no going-concern threat to the continued operational existence of the Company.

**10 Commitments**

There were no commitments as at March 31, 2018.

**11 Contingencies**

There were no contingent liabilities as at March 31, 2018