

WESTERN CLUSTER LIMITED

**AUDIT REPORT
AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED

MARCH 31, 2020

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, 2020**

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

| Directors | Title |
|------------------------|--|
| 1. Kishore Kumar | Director |
| 2. Frank Morais | 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 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).



Frank Morais
Director

20 / 05 / 2020

**Independent Auditor's report
To the Shareholders
Western Cluster Limited (WCL)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of the Company, which comprise the statement of financial position as at March 31, 2020, the income statement, 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Western Cluster Limited (WCL) as at March 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 Auditor's 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 that are relevant to our audit of the financial statements in Liberia, 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.

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 these financial statements of the Company, we did not identify any 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 inconsistent 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 therefore have nothing to report in this regard.

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, 2020, the Company recognized net loss of US\$ 3,191,528 and as at that date, current liabilities exceeded current assets by US\$ 14,923,424. However, management believes that settlement of the Company's obligations to its creditors will occur as and when they become due.

Management further acknowledge that there is 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.

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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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 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 judgment and maintain professional skepticism throughout the planning and performance of the audit.

We also:

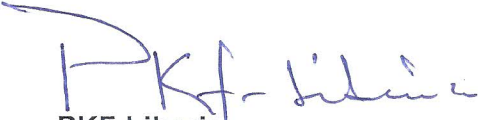
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit

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.

- 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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.
- Obtain 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's 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.


PKF Liberia
Accountants &
Business advisers

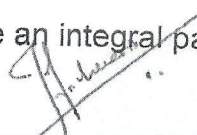
20/02/20

Monrovia

Western Cluster Limited
Statement of Financial Position
As at March 31, 2020

| | Note | March 2020 US\$ | March 2019 US\$ |
|---|------|-----------------------|-----------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | 3 | 102,012 | 74,635 |
| Receivables | | - | 10,643 |
| Prepayments | 4 | 12,064 | 12,158 |
| Total current assets | | 114,076 | 97,436 |
| Total assets | | 114,076 | 97,436 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | | 14,330,189 | 11,545,207 |
| Inter-company payable | | 573,182 | 571,629 |
| Salaries payable | | 6,775 | 6,991 |
| Taxes payable | 5 | 6,834 | 12,073 |
| Other liabilities | | 120,519 | 58,431 |
| Total current liabilities | | 15,037,500 | 12,194,331 |
| Long-term liabilities: | | | |
| Inter-company payable | 6 | 103,570,000 | 103,205,000 |
| Total long-term liabilities | | 118,607,500 | 115,399,331 |
| Shareholder's equity | | | |
| Accumulated losses brought forward | | (115,301,895) | (112,126,210) |
| Loss for the year | | (3,191,528) | (3,175,685) |
| Total Shareholder's equity | | (118,493,424) | (115,301,895) |
| Total liabilities and shareholders' equity | | 114,076 | 97,436 |

The accompanying notes are an integral part of the financial statements



Frank Morais
Director

2010512020

Western Cluster Limited
Income Statement
For year ended March 31, 2020

| | Note | March 2020 US\$ | March 2019 US\$ |
|--------------------------------|------|---------------------------|---------------------------|
| Expenses | | | |
| Employee salaries and benefits | | 170,243 | 219,560 |
| Financial charges | | 4,004 | 4,081 |
| Other expenses | 7 | <u>3,017,282</u> | <u>2,952,044</u> |
| Total expenses | | <u>(3,191,528)</u> | <u>(3,175,685)</u> |
| Loss for the year | | <u>(3,191,528)</u> | <u>(3,175,685)</u> |

Western Cluster Limited
Statement of cash flows
For year ended March 31, 2020

| | March 2020 US\$ | March 2019 US\$ |
|--|--------------------------------|--------------------------------|
| Operating activities: | | |
| Net operating loss for the year | (3,191,528) | (3,175,685) |
| Adjustments required to present cash flow from operating activities | | |
| Changes in operating assets and liabilities (Appendix A): | <u>2,852,352</u> | <u>2,745,695</u> |
| Net cash used in operating activities | <u>(339,176)</u> | <u>(429,989)</u> |
| Financing activities: | | |
| Intercompany Payable | 1,553 | - |
| Loan from Bloom Fountain Limited | <u>365,000</u> | <u>485,000</u> |
| Net cash flows from financing activities | <u>366,553</u> | <u>485,000</u> |
| Net change in cash and cash equivalent | 27,377 | 55,011 |
| Cash and cash equivalent beginning of year | <u>74,635</u> | <u>19,624</u> |
| Cash and cash equivalents at the end of the year | <u>102,012</u> | <u>74,635</u> |

Appendix A

Changes in operating assets and liabilities:

| | | |
|---|-------------------------|-------------------------|
| Receivables | 10,643 | (10,643) |
| Prepayments | 94 | 4,126 |
| Accounts payable | 2,784,982 | 2,796,050 |
| Inter company payable | - | 162 |
| Salaries payable | (216) | (7,194) |
| Taxes payable | (5,239) | 2,670 |
| Other liabilities | <u>62,088</u> | <u>(39,475)</u> |
| Net cash flows from operating activities | <u>2,852,352</u> | <u>2,745,695</u> |

Western Cluster Limited

Notes to the financial statements
For the year ended March 31, 2019

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, 2019

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 year ended March 31, 2020

| | March 2020 US\$ | March 2019 US\$ |
|--|-----------------------|-----------------------|
| 3 Cash and bank balances | | |
| Cash on hand | - | - |
| Cash in banks | 102,012 | 74,635 |
| | <u>102,012</u> | <u>74,635</u> |
| 4 Prepayments | | |
| Insurance | 12,064 | 12,158 |
| | <u>12,064</u> | <u>12,158</u> |
| 5 Taxes payables | | |
| Employees withholding taxes payable | 4,267 | 5,759 |
| Other withholding taxes payable | 935 | 4,039 |
| Social security payable | 1,633 | 2,275 |
| | <u>6,834</u> | <u>12,073</u> |
| 6 Inter-company payable | <u>103,570,000</u> | <u>103,205,000</u> |
| <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 \$ 103.57 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.</p> | | |
| 7 Other expenses | | |
| Security charges | 48,284 | 43,816 |
| Travelling | 557 | 1,677 |
| Liabilities written back | - | (27,496) |
| GoL Fees | 40,337 | 24,308 |
| Insurance | 17,465 | 4,020 |
| Rent | 63,889 | 70,050 |
| Consultancy charges | 44,250 | 32,750 |
| MDA fees & dues | 2,800,000 | 2,800,000 |
| Misc expenses | 2,500 | 2,918 |
| | <u>3,017,282</u> | <u>2,952,044</u> |