

JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES

Special purpose consolidated financial statements
for the years ended march 31, 2019 and 2018
and independent auditors' report

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
JSW Panama Holdings Corporation

We have audited the accompanying consolidated financial statements of JSW Panama Holdings Corporation and subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive loss, changes in net deficit, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by Panama; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated 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 Company's internal control. Accordingly, we express no such opinion. An audit also includes assessing the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the Company's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of JSW Panama Holdings Corporation and Subsidiaries as of March 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by Panama.

Emphasis of matter

As discussed in Note 1, in fiscal year 2016, the subsidiary Inversiones Erouch decided not to continue with the development of the Daniel and Catalina mining assets in view of the falling international iron-ore prices. In addition, the 70% indirect subsidiary Santa Fe Mining extended the temporary shutdown for a further period until a significant improvement in international iron ore prices and market conditions occurred. The Company has sufficient access to capital to fund operations and continues being supported by its ultimate Parent Company. Based on these circumstances the financial statements have been prepared following the going concern basis of accounting.

Restriction on use and distribution

This report has been issued solely for the internal use and knowledge of JSW Panama Holdings Corporation Management, shareholders and financial institutions. It should not be distributed to any other third party.

A handwritten signature in blue ink that reads "Deloitte".

April 22, 2019
Copiapó, Chile

JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS OF MARCH 31, 2019 AND 2018

(In US dollars - US\$)

	Notes	2019 US\$	2018 US\$
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment, net	7	20,197,303	20,381,257
Account receivable from related company	15	1,769,848	1,709,719
Intangible assets, net	8	937,626	937,626
Other non-financial assets	9	<u>5,699,512</u>	<u>3,539,786</u>
Total non-current assets		<u>28,604,289</u>	<u>26,568,388</u>
CURRENT ASSETS			
Trade and other receivables		-	8,338
Cash and cash equivalents	17	90,558	186,497
Other non-financial assets		-	7,493
Other financial assets	10	<u>2,926,007</u>	<u>2,926,006</u>
Total current assets		<u>3,016,565</u>	<u>3,128,334</u>
TOTAL ASSETS		<u><u>31,620,854</u></u>	<u><u>29,696,722</u></u>

The accompanying notes are an integral part of these consolidated financial statements

	Notes	2019 US\$	2018 US\$
NET DEFICIT AND LIABILITIES			
NET DEFICIT:			
Paid-in capital	11	100,000	100,000
Other reserves		57,289	57,289
Accumulated losses		<u>(106,542,535)</u>	<u>(99,862,453)</u>
Deficit attributable to owners of the Company		<u>(106,385,246)</u>	<u>(99,705,164)</u>
Non-controlling interest	12	<u>(15,638,093)</u>	<u>(14,500,901)</u>
Total net deficit		<u>(122,023,339)</u>	<u>(114,206,065)</u>
NON-CURRENT LIABILITIES:			
Account payable to related company	15	152,128,449	142,323,981
Deferred taxes	18	72,598	72,598
Provisions, non-current	14	<u>1,440,215</u>	<u>1,440,215</u>
Total non-current liabilities		<u>153,641,262</u>	<u>143,836,794</u>
CURRENT LIABILITIES:			
Trade and other payables	13	2,452	3,189
Provisions, current	14	<u>479</u>	<u>62,804</u>
Total current liabilities		<u>2,931</u>	<u>65,993</u>
TOTAL NET DEFICIT AND LIABILITIES		<u><u>31,620,854</u></u>	<u><u>29,696,722</u></u>

JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018
(In US dollars - US\$)**

	Notes	2019 US\$	2018 US\$
OPERATING COST	4	<u>(183,954)</u>	<u>(15,319,612)</u>
GROSS LOSS		(183,954)	(15,319,612)
Administration expenses	4	<u>(364,469)</u>	<u>(677,076)</u>
NEGATIVE OPERATING MARGIN		<u>(548,423)</u>	<u>(15,996,688)</u>
Financial income		60,129	60,129
Financial expenses	6	(7,208,864)	(6,791,507)
Other (expenses) income, net	5	(121,045)	587,256
Exchange difference, net		<u>929</u>	<u>(20,250)</u>
TOTAL NON-OPERATING EXPENSE		<u>(7,268,851)</u>	<u>(6,164,372)</u>
LOSS BEFORE INCOME TAX		(7,817,274)	(22,161,060)
Benefit for income taxes	18	<u>-</u>	<u>-</u>
LOSS		<u>(7,817,274)</u>	<u>(22,161,060)</u>
STATEMENT OF COMPREHENSIVE LOSS			
LOSS		<u>(7,817,274)</u>	<u>(22,161,060)</u>
TOTAL COMPREHENSIVE LOSS		<u>(7,817,274)</u>	<u>(22,161,060)</u>
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:			
Owners of the Company		(6,680,086)	(16,106,231)
Non-controlling interests	12	<u>(1,137,188)</u>	<u>(6,054,829)</u>
Total		<u>(7,817,274)</u>	<u>(22,161,060)</u>

The accompanying notes are an integral part of these consolidated financial statements

JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CHANGES IN NET DEFICIT
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018
(In US dollars - US\$)**

	Paid-in capital US\$	Other reserves US\$	Accumulated losses US\$	Attributable to owners of the Company US\$	Non-controlling interest US\$	Total US\$
Balances at April 1, 2017	100,000	57,289	(83,756,222)	(83,598,933)	(8,446,072)	(92,045,005)
Net loss for the financial year	-	-	(16,106,231)	(16,106,231)	(6,054,829)	(22,161,060)
Balances at March 31, 2018	<u>100,000</u>	<u>57,289</u>	<u>(99,862,453)</u>	<u>(99,705,164)</u>	<u>(14,500,901)</u>	<u>(114,206,065)</u>
Net loss for the financial year	-	-	(6,680,086)	(6,680,086)	(1,137,188)	(7,817,274)
Balances at March 31, 2019	<u>100,000</u>	<u>57,289</u>	<u>(106,542,535)</u>	<u>(106,385,246)</u>	<u>(15,638,093)</u>	<u>(122,023,339)</u>

The accompanying notes are an integral part of these consolidated financial statements

JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MARCH 31, 2019 AND 2018
(In US dollars - US\$)**

	Notes	2019 US\$	2018 US\$
CASH FLOWS FROM OPERATING ACTIVITIES:			
Loss		(7,817,274)	(22,161,060)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	7	183,954	177,147
Exchange difference	5	(929)	20,250
Deferred income tax	18	-	-
Other		(212,093)	265,353
Impairment of asstes	4	-	15,142,465
Changes in operating assets and liabilities:			
Inventories		-	-
Trade and other receivables		(15,831)	-
Recoverable taxes		-	-
Accounts receivable from related parties		183,954	(60,130)
Other assets		(2,159,726)	(1,357,021)
Trade and other accounts payables		(737)	(1,021,584)
Accounts payable to related parties		7,127,167	6,492,077
Provisions		(62,325)	(79,395)
Net cash flow used in operating activities		<u>(2,773,840)</u>	<u>(2,581,898)</u>
CASH FLOW FROM INVESTING ACTIVITIES:			
Margin money with bank guarantee	10	-	(2,926,006)
Net cash flow used in investing activities		<u>-</u>	<u>(2,926,006)</u>
CASH FLOW FROM FINANCING ACTIVITIES:			
Loans received form related company		<u>2,677,901</u>	<u>5,529,000</u>
Net cash flow provided by financing activities		<u>2,677,901</u>	<u>5,529,000</u>
NET VARIATION OF CASH AND CASH EQUIVALENTS		(95,939)	21,096
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	17	<u>186,497</u>	<u>165,401</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	17	<u>90,558</u>	<u>186,497</u>

The accompanying notes are an integral part of these consolidated financial statements

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JSW PANAMA HOLDINGS CORPORATION AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED MARCH 31, 2019 and 2018 (In US dollars - US\$)

1. GENERAL INFORMATION

JSW Panama Holdings Corporation (100% wholly owned subsidiary of JSW Steel (Netherlands) B.V.), hereafter “JSWPHC” or “the Company”, was incorporated pursuant to the laws of the Republic of Panama in September 2007 under the name “Eroush Corporation”. On March 4, 2008, the Company changed its corporate name from Eroush Corporation to JSW Panama Holdings Corporation. The main activities of the Company are investments in all types of entities and commerce of products and raw materials.

The Company holds 94.9% of Inversiones Eroush Limitada (“Inversiones Eroush”), an entity incorporated in Chile. The principal business of Inversiones Eroush is investment in mining assets. Inversiones Eroush, in turn, holds 70% of Santa Fe Mining S.A. (“Santa Fe Mining”), a contractual mining company incorporated under the laws of Chile. Santa Fe Mining is the main operating arm of the Group and commenced commercial production in March 2011. Santa Fe Mining holds 99.9% of Santa Fe Puerto S.A. (“Santa Fe Puerto”), a company incorporated in Chile. The main activity of Santa Fe Puerto is the set-up of ports.

The Company owns and/or leases the rights to five mining projects through its subsidiaries Inversiones Eroush and Santa Fe Mining. These projects include Bellavista, Rebote, Viñita, Daniel and Catalina. The Bellavista project, which is a leased project by Santa Fe Mining, is currently the only project which became operational. Rebote is an adjoining property to Bellavista and is also a leased project. The Viñita project is owned by Santa Fe Mining and is in the predevelopment stage. The remaining two projects, Daniel and Catalina, are held by Inversiones Eroush and were initially purchased for a total amount of US\$52 million which was financed by bank loans and later repaid out of loans from JSW Steel Limited, the ultimate parent company.

During fiscal year 2016, the subsidiary Inversiones Eroush decided not to continue with the development of the Daniel and Catalina mining assets in view of the falling international iron-ore prices. In addition, the Company has a 70% indirect interest share in the subsidiary Santa FE Mining, which approved a temporary suspension of its all mining operations until the iron price reaches a level to allow it carrying out a profitable and sustainable operation. The Company has sufficient access to capital to fund operations and continues being supported by its ultimate Parent Company. Based on these circumstances the financial statements have been prepared following the going concern basis of accounting.

2. BASIS OF PRESENTATION

2.1 Accounting principles

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) adopted by Panama. These consolidated financial statements have been prepared under the historical cost convention.

2.2 Adoption of new accounting standards

New accounting pronouncements

The improvements, modifications and new IFRS as well as the interpretations published within the period (as detailed below), have not entered into force as of the date of these financial statements and the Company has not applied them early.

The following amendments to IFRS have been adopted in these financial statements:

New IFRSs	Mandatory for
IFRS 9 <i>Financial Instruments</i>	Annual periods beginning on or after January 1, 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	Annual periods beginning on or after January 1, 2018
Amendments to IFRS	Mandatory for
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	Annual periods beginning on or after January 1, 2018
Application of IFRS 9 “Financial Instruments” and IFRS 4 “Insurance Contracts” (Amendments to IFRS 4)	Overlay approach effective at the first date of application of IFRS 9 for annual periods beginning on or after January 1, 2018 and only available during three years after such date.
Transfer of Investment Property (Amendments to IAS 40)	Annual periods beginning on or after January 1, 2018
Annual Improvements Cycle 2014-2016 (Amendments to IFRS 1 and IAS 28)	Annual periods beginning on or after January 1, 2018
New Interpretations	Mandatory for
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	Annual periods beginning on or after January 1, 2018

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) impairment of financial assets, and (3) general hedge accounting.

The Company has applied IFRS 9 beginning on January 1, 2018 (the initial application date). Additionally, the Company has opted to continue applying all the hedge accounting requirements included in IAS 39 instead of applying the requirements established in IFRS 9. The Company has not presented differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9.

Classification and measurement of financial assets:

The initial application date in which the Company has assessed its current financial assets and financial liabilities with respect to the requirements of IFRS 9 is April 22, 2019.

All financial assets within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt instruments, which are held within a business model whose objective is to collect contractual cash flows and which have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and which have contractual terms, which at specified dates give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding, are in general measured at fair value through other comprehensive income. All other debt instruments and equity instruments are measured at their fair value at the end of the subsequent accounting periods.

Additionally, under IFRS 9, entities could make an irrevocable election to present subsequent changes in the fair value of an equity instrument (which is not held for trading, and nor it is a contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, where in general dividend income would be recognized in profit or loss.

With respect to the measurement of financial liabilities designated to be measured at fair value through profit or loss, IFRS 9 requires that the amount of the change in the fair value of a financial liability that is attributable to changes in that liability's credit risk is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently classified in profit or loss. Under IAS 39, the total amount of the change in the fair value of the financial liability designated to be measured at fair value through profit or loss is presented as a gain or loss.

The Company's Management reviewed and assessed the Company's financial assets existing as of March 31, 2019 on the basis of the facts and circumstances that existed at that date and concluded that the application of IFRS 9 has had no impact on the Company's financial assets with respect to their classification and measurement.

The financial assets classified as 'held-to-maturity' and 'loans and receivables' under IAS 39, which were measured at amortized cost, continue to be measured at amortized cost under IFRS 9 because they are held within a business model whose objective is to collect contractual cash flows, and these contractual cash flows consist solely of payments of principal and interest on the principal amount outstanding.

None of the changes in the classification of financial assets has had any impact on the Company's financial position, profit or loss, other comprehensive income or comprehensive income.

Classification and measurement of financial liabilities:

A significant change introduced in IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at fair value through profit or loss attributable to changes in the issuer's credit risk.

Specifically, IFRS 9 requires that changes in fair value of the financial liability that are attributable to changes in that liability's credit risk are presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss and instead are transferred to retained earnings when the liability is derecognized. Previously, under IAS 39, the total amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was presented in profit or loss. The application of IFRS 9 has not had an impact on the classification and measurement of the Company's financial liabilities.

Impairment

With respect to the impairment of financial assets, IFRS 9 requires an expected credit loss model, which is different from the incurred credit loss model required under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in such credit losses at each reporting date to reflect changes in credit risk from initial recognition. In other words, the occurrence of a credit event is not necessary for the recognition of credit losses.

IFRS 9 also establishes a simplified approach to measure the loss allowance at an amount equal to asset lifetime expected credit losses for trade receivables, contract assets and lease receivables under certain circumstances.

As of March 31, 2019, the Company's Management reviewed and assessed for impairment the Company's financial assets, amounts owed by customers and financial guarantee contracts using reasonable and sustainable information that was available without disproportionate cost or effort in conformity with IFRS 9 to determine the credit risk of the related financial assets on the date in which they were recognized initially and compared it to the credit risk as of March 31, 2019, concluding no significant effects existed.

Hedge Accounting

The new general hedge accounting requirements maintain three hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced in the types of transactions that are eligible for hedge accounting, specifically the standard has extended the types of instruments qualifying as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. Additionally, the effectiveness test has been reviewed and replaced with the 'economic relation' principle. The retrospective evaluation of the effectiveness of the hedge will no

longer be required. It has also introduced improved disclosure requirements related to the entity's risk management activities. The first-time application of IFRS 9 has had no impact on the Company's profit or loss or financial position in the current period or in prior periods, considering that the Company, for all its reporting periods presented, has not entered into any hedging relationship.

IFRS 15 "Revenue from Contracts with Customers"

In the current period, the Company has applied IFRS 15 Revenue from Contracts with Customers. IFRS 15 introduces a five-step approach for revenue recognition. Much more descriptive guidance have been added in IFRS 15 to address specific scenarios. The detail of such new requirements, as well as the impact on the Company's financial statements are described below.

The Company has adopted IFRS 15 using the cumulative effect method without using the practical expedients available, recognizing the cumulative effect of the initial application of this Standard as an adjustment to the opening balance of retained earnings as of March 31, 2019.

IFRS 15 uses the terms 'contract asset' and 'contract liability' to describe what could commonly be referred to as 'accrued revenue' and 'deferred revenue.' However, the Standard does not prohibit the use by the entity of alternative descriptions in the statement of financial position. The Company has not adopted the terminology used in IFRS 15 to describe those balance sheet amounts. In addition to provide more extensive disclosures on the Company's revenue transactions, the application of IFRS 15 has not had any impact on the Company's financial position or financial performance.

Standards, Amendments and Interpretations that have been issued but whose application date is not yet effective:

New IFRSs	Mandatory for
IFRS 16, <i>Leases</i>	Annual periods beginning on or after January 1, 2019
IFRS 17, <i>Insurance Contracts</i>	Annual periods beginning on or after January 1, 2021
Amendments to IFRSs	Mandatory for
Sales or Contributions of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Mandatory date deferred indefinitely
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	Annual periods beginning on or after January 1, 2019
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	Annual periods beginning on or after January 1, 2019
Annual Improvements Cycle 2015-2017 (Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23)	Annual periods beginning on or after January 1, 2019
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	Annual periods beginning on or after January 1, 2019
Definition of a Business (Amendments to IFRS 3)	Annual periods beginning on or after January 1, 2020.
Definition of Material (Amendments to IAS 1 and IAS 8)	Annual periods beginning on or after January 1, 2020.
Revised Conceptual Framework for Financial Reporting	Annual periods beginning on or after January 1, 2020

New Interpretations	Mandatory for
IFRIC 23 <i>Uncertainty over Income Tax Treatments</i>	Annual periods beginning on or after January 1, 2019

Management is currently assessing the impact of the application of IFRS 16 and IFRIC 23. However, a fair estimate of the effects of such standards cannot be provided until Management conducts a detailed review. Management expects the future application of other standards, amendments and interpretations will not have a significant effect on the financial statements.

2.3 Responsibility for the information and estimates

The Management of the Group is responsible for the information contained in these consolidated financial statements. These consolidated financial statements have occasionally used estimates made by the Senior Management of the Group to quantify some of the assets, liabilities, income, expenses and commitments recorded therein. On April 22, 2019, the Senior Management approved these consolidated financial statements.

These estimates are explained in greater detail in Note 3 and involve the following:

- Impairment of assets
- Useful economic life of assets
- Provisions for litigation and other contingencies
- Calculation of deferred tax liabilities and assets
- Mineral reserves

Regardless of the fact that these estimates were made with the best information available at the time, they may possibly need to be revised in future years as a result of future events. Such changes would be done prospectively, as stipulated in IAS 8.

2.4 Summary of significant accounting policies

- a. Statement of compliance** - These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, issued by the International Accounting Standards Board (hereinafter “IASB”) adopted in Panama.
- b. Basis of consolidation** - The consolidated financial statements incorporates the financial statements of the Company and its subsidiaries which are controlled by the Company. Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries as if they formed a single entity.

The consolidated financial statements include the assets, liabilities, equity and operating accounts of JSW Panama Holdings Corporation and its subsidiaries. These financial statements have been consolidated considering that the companies operate under a joint management. All intra-group transactions, balances, income and

expenses have been eliminated on consolidation.

The detail of subsidiaries at March 31, 2019 and 2018 are as follows:

Name of subsidiary or sub-subsidiary	Place of incorporation and operation	Proportion of direct or indirect ownership interest		Proportion of voting power held		Principal activity
		2019	2018	2019	2018	
Inversiones Eroush Limitada	Chile	94.90%	94.90%	94.90%	94.90%	Investments in mining assets
Santa Fe Mining	Chile	70.00%	70.00%	70.00%	70.00%	Contractual mining company
Santa Fe Puerto S.A.	Chile	99.90%	99.90%	99.90%	99.90%	Setting up of ports

- c. Functional currency** - The functional currency of the Company will be determined as the currency of the main economic environment in which it operates. Transactions other than those performed in the entity’s functional currency will be converted at the exchange rate in effect on the date of the transaction. Monetary assets and liabilities denominated in currencies other than the functional one will be converted again at the year ended exchange rates. Gains or losses from the reconversion will be included in net income or losses for the year within the line item Exchange differences, net in the consolidated statement of income. The functional and presentation currency of the Company is the US dollar.
- d. Foreign currencies** - Transactions in a currency other than a Company’s functional one are considered to be “foreign currency” transactions and they are recorded in their functional currency at the exchange rate in effect on the date of the operation. At each year end, the statement of financial position amounts of monetary items in a foreign currency are valued at the year-end exchange rate and the exchange rate differences arising from such valuation are recorded in the profit or loss of the period.
- e. Offsetting balances and transactions** - As a general standard, assets and liabilities, income and expenses, are not offset in the financial standards, except for those cases in which offsetting is required or is allowed by some standard and the presentation is a reflection of the substance of the transaction.
- f. Revenue recognition** - Revenues from the sale of goods are recognized when the Company has delivered the goods and there is no outstanding obligation to be met that may affect the acceptance of the products by client. The delivery does not take place until the goods have been sent to the place indicated by the buyer, the risk of loss has been transferred to the client, and the client has accepted the goods under the sales contract and the acceptance period has ended. Sales are recognized according to the price specified in the sales contract. It is assumed that there is no significant financing component, because sales are made with a short average collection period, which is in line with normal market practice.

Interest revenue is accrued, by reference to the principal outstanding and at the interest rate applicable.

- g. Borrowing costs** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those

assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

- h. Taxation** - Current tax is measured at the amount expected to be paid/recovered from the revenue authorities, using the applicable tax rates and laws.

Deferred tax is the tax expected to be payable or recoverable on temporary differences (i.e. differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit). Deferred tax is accounted for using the balance sheet liability method and is provided on all temporary differences.

Deferred tax assets are recognized only to the extent that it is probable that they will be recovered through sufficient future taxable profit. The carrying amount of deferred tax assets is reviewed at each balance sheet date.

Deferred tax is calculated at the tax rates that are expected to be applied in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

- i. Property, plant and equipment** - Property, plant and equipment are stated at their cost of acquisition (net of VAT) or construction. Cost comprises of all costs incurred to bring the assets to their location and working condition up to the date the assets are ready to use. Besides, the costs related directly to the construction of an asset, indirect expenses incurred up to the date of commencement of commercial production which are incidental and related to construction are capitalized as part of the construction cost.

In respect of mining projects, the values at which the assets are stated include accumulated costs corresponding to exploring, drilling and various studies performed in the Bellavista and Viñita areas. Additional amounts include the amounts contributed by Minera Santa Fe SCM, the non-controlling interest in Santa Fe Mining, related to the concessions contract on the lease agreement of Bellavista, Rebote and Viñita, environmental studies and support services relating to Bellavista and Viñita.

Leased assets are stated at the present value of the future lease payments at the time of origination. These assets relate to the leased assets for the plant used in the operations of the Bellavista project.

Property, plant and equipment are depreciated over its remaining useful life, or life of the operation, if shorter, until its residual value. The major categories of property, plant and equipment are depreciated as follows:

- (i) *Mining projects* – Mining projects are depreciated over the life of the mine from the beginning of commercial production using the units of production method. The Bellavista project began commercial operation in March 2011 and it is not currently being depreciated given the temporary shutdown. The remaining projects are not currently being depreciated as commercial operation has not yet begun or has been provided for.
- (ii) *Plant and equipment* – Plant and equipment are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is between 3 and 9 years.
- (iii) *Vehicles* – Vehicles are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is 5 years.
- (iv) *Other assets* – Other assets are depreciated over their useful life using the straight-line method of depreciation. The useful life of these assets is 3 years.
- (v) *Leased assets* – Leased assets are depreciated over the term of the lease agreement using the straight-line method of depreciation. The leased assets are depreciated over 5 years.
- (vi) *Construction in progress* – Construction in progress is not depreciated until it becomes operational and is reclassified to Plant and equipment.

The residual values and useful lives are reviewed and adjusted if appropriate, at least annually, and changes in residual values and useful lives are accounted for prospectively.

- j. Inventories** - Inventory and work-in-progress are valued at the lower of cost and net realizable value. Net realizable value represents the inventory's estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Raw materials and consumables are valued at cost on a weighted average basis. Finished products are valued at raw material cost, plus labor cost and a proportion of production overhead expenses including depreciation.

- k. Mining projects and preoperational expenses** – Mining projects, including capitalized financing costs, are depreciated on a unit of production basis, in proportion to the volume of ore extracted in the year compared with total proven and probable reserves at the beginning of the year.
- l. Exploration costs** - The Group's mining arm, namely Santa Fe Mining, started commercial production in March 2011. Until the commencement of commercial production, all expenses incurred, including financial costs, were capitalized. These were amortized over the life of the mining assets (until the temporary shutdown).

- m. Intangible assets** - Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. For intangible assets with finite useful lives, amortization is charged on a straight-line basis over the estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in the estimate being accounted for on a prospective basis. Intangible assets with indefinite lives are not depreciated and are tested annually for impairment as discussed below.
- n. Impairment of tangible and intangible assets** - At each balance sheet date, the assets are tested annually for impairment. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates their recoverable amount from the cash generating units.
- o. Provisions** - Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable the Group will be required to settle the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date.
- p. Trade and other receivables** - Trade and other receivables do not generally carry any interest and are normally stated at their nominal value less any impairment. Impairment losses on trade receivables are recognized within an allowance account unless the Company considers that no recovery of the amount is possible, in which case the carrying value of the asset is reduced directly.
- q. Trade and other payables** - Trade and other payables generally do not bear interest and are normally stated at their nominal value.
- r. Financial assets and liabilities** - The financial assets and liabilities are recognized in the Statement of financial position of the Group on the following basis:
- **Accounts receivable** - The accounts receivable are booked at its nominal value and reduced for appropriated provisions for the estimated non-recoverable amounts, based on a review of all outstanding amounts at the end of the year. Bad debts are written-off when identified.
 - **Accounts payable** - The accounts payable are presented at its nominal value.
 - **Loans and debts** - All the loans and debts are initially recognized at cost, which is the reasonable value of the service received, including the associated transaction costs of the loan.
- s. Cash and cash equivalents** - The Group considers liquid financial assets, which may be easily converted into cash within no more than three months and where the risk of a change in their value is insignificant, to be cash equivalents.

Operating activities: these are the activities that constitute the main source of ordinary income of the Group, as well as other activities that cannot be classified as investment or financing activities.

Investment activities: these correspond to activities of acquisition, sale or disposal through other methods of long-term assets and other investments not included in cash and cash equivalents.

Financing activities: these are the activities that cause variations in the composition of the net equity, and of the financial liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements requires accounting estimates, judgments and assumptions to be made regarding the values at which various assets and liabilities are reflected in the consolidated financial statements and on the reported revenues and expenses during the reporting period. These accounting estimates and judgments are based on historical experience, industry trends and other factors considered relevant and/or significant. Actual results could differ from these accounting estimates and differences between actual results, due to impairment, if any, in the estimation of liabilities are recognized in the periods in which the results are known or materialize.

As specified in Note 2 to the consolidated financial statements, management necessarily makes judgments and estimates that have a significant effect on the figures presented in the consolidated financial statements. Changes in assumptions and accounting estimates may have a significant impact on the consolidated financial statements. The details of the most critical accounting estimates and judgments made are as follows:

- a. **Impairment of assets** - The Group reviews the book value of its tangible and intangible assets to determine whether there is any indication that such assets have been impaired. In the impairment assessment, assets that fail to generate an independent cash flow are grouped together in an appropriate cash-generating unit. The recoverable amount of these assets or cash-generating unit is measured as the higher of its fair value (discounted future cash flow method) and its book value. Management necessarily applies judgments in grouping together the assets that fail to generate independent cash flows and also in the estimates, timing and values of the calculation's underlying cash flows.
- b. **Useful economic life of assets** - Tangible assets are depreciated using the straight-line method over the life of the assets. Management reviews the bases used for calculating the life of assets on an annual basis; however, any change could potentially affect the depreciation rates and book values of the assets going forward.
- c. **Provisions for litigation and other contingencies** - The final cost for claims, lawsuits could and closure cost provision vary due to estimates based on different interpretations of the regulations, opinions and final evaluations of the amount of the damages. Therefore, any change in the circumstances involved in this contingency could have a significant effect on the amount of the contingency provision recorded.

- d. Calculation of taxes on deferred tax liabilities and assets** - Proper valuation of the taxes on deferred tax liabilities and assets depends on several factors, including the realization of deferred tax and the timeliness of the tax payments. Current charges and payments could differ materially from such estimates due to changes in tax regulations and unforeseen future transactions having an impact on the Group's tax balance sheets.
- e. Mineral reserves** - Mineral reserves are estimates of the amount of iron ore that can be economically exploitable and legally extracted from the Group's mining properties. These reflect the Group's technical considerations of the resources that may be exploited and sold at prices exceeding the total extraction and processing cost. Changes in the reserves or resource estimates may impact upon the carrying value of exploration and evaluation assets, mining tenements, property plant and equipment, provisions for rehabilitation, recognition of deferred taxes, and depreciation and amortization charges.

4. OPERATING COST AND ADMINISTRATIVE EXPENSES

At March 31, 2019 and 2018, the detail of revenue and cost is the following:

	2019	2018
	US\$	US\$
Write off royalty Pre-payments (1)	-	3,292,054
Write off property, plant and equipment (1)	-	11,850,411
Depreciation and amortization	<u>183,954</u>	<u>177,147</u>
Total cost	<u><u>183,954</u></u>	<u><u>15,319,612</u></u>
	2019	2018
	US\$	US\$
Staff costs	322,733	526,192
Administrative expenses	<u>41,736</u>	<u>150,884</u>
Total Administrative expenses	<u><u>364,469</u></u>	<u><u>677,076</u></u>

(1) It corresponds to write off of capitalized mining costs and royalty prepayments related to the Rebote rented mining properties.

5. OTHER (EXPENSES) INCOME

At March 31, 2019 and 2018, the detail of other expenses is as follows:

	2019 US\$	2018 US\$
Other income	-	715,296
Other expense	<u>(121,045)</u>	<u>(128,040)</u>
Total	<u><u>(121,045)</u></u>	<u><u>587,256</u></u>

6. FINANCIAL EXPENSE

At March 31, 2019 and 2018, the detail of financial costs, is as follows:

	2019 US\$	2018 US\$
Interest on related party loans	7,127,167	6,765,184
Others	<u>81,697</u>	<u>26,323</u>
Total	<u><u>7,208,864</u></u>	<u><u>6,791,507</u></u>

Interest expense to related parties relates mainly to loans outstanding with JSW Steel Limited, the ultimate parent of the Company as described in Note 16.

7. PROPERTY, PLANT AND EQUIPMENT

The composition and activity related to property, plant and equipment and accumulated depreciation as of and for the year ended March 31, 2019 and 2018, is as follows:

March 31, 2019

	Mining projects US\$	Plant and equipment US\$	Vehicles US\$	Other assets US\$	Leased assets US\$	Construction in progress US\$	Total US\$
Gross assets							
Balance at April 1, 2018	104,387,465	2,277,839	352,859	1,969,928	18,481,621	1,219,315	128,689,027
Reclasification and other	-	-	-	-	-	-	-
Balance at March 31, 2019	104,387,465	2,277,839	352,859	1,969,928	18,481,621	-	128,689,027
Accumulated depreciation							
Balance at April 1, 2018	(85,409,477)	(2,093,885)	(352,859)	(1,969,928)	(18,481,621)	-	(108,307,770)
Depreciation for the year	-	(183,954)	-	-	-	-	(183,954)
Disposals	-	-	-	-	-	-	-
Balance at March 31, 2019	(85,409,477)	(2,277,839)	(352,859)	(1,969,928)	(18,481,621)	-	(108,491,724)
Balance at March 31, 2019, net	18,977,988	-	-	-	-	-	20,197,303

March 31, 2018

	Mining projects US\$	Plant and equipment US\$	Vehicles US\$	Other assets US\$	Leased assets US\$	Construction in progress US\$	Total US\$
Gross assets							
Balance at April 1, 2017	104,387,465	2,277,839	352,859	1,969,928	18,481,621	1,219,315	128,689,027
Reclasification and other	-	-	-	-	-	-	-
Balance at March 31, 2018	104,387,465	2,277,839	352,859	1,969,928	18,481,621	1,219,315	128,689,027
Accumulated depreciation							
Balance at April 1, 2017	(73,559,066)	(1,916,735)	(352,859)	(1,969,928)	(18,481,621)	-	(96,280,209)
Depreciation for the year	-	(177,150)	-	-	-	-	(177,150)
Disposals	(11,850,411)	-	-	-	-	-	(11,850,411)
Balance at March 31, 2018	(85,409,477)	(2,093,885)	(352,859)	(1,969,928)	(18,481,621)	-	(108,307,770)
Balance at March 31, 2018, net	18,977,988	183,954	-	-	-	1,219,315	20,381,257

8. INTANGIBLE ASSETS

At March 31, 2019 and 2018, the detail of intangible assets is as follows:

	2019	2018
	US\$	US\$
Mining concessions (1)	739,858	739,858
Port concession (2)	196,668	196,668
Others	<u>1,100</u>	<u>1,100</u>
Total	<u><u>937,626</u></u>	<u><u>937,626</u></u>

- (1) These intangible assets relate to various mining concessions at the Viñita and Daniel projects which have either been purchased by the Company or contributed by other shareholders of the subsidiary Santa Fe Mining. These intangible assets have an indefinite useful life as the underlying projects are not currently in operation.
- (2) The port concession corresponds to the right to use the dock and the terminal of Punta Caleta in Caldera, under the supervision of Minera Santa Fe SCM. This right is defined in a contract between Minera Santa Fe SCM, Puerto Caldera S.A. and Servicios Portuarios del Pacífico Limitada, contributed to Santa Fe Mining by Minera Santa Fe SCM. The contract was terminated in January 2015.

The Company owns the future right of use of the ports, Rocas Negras and Punta Calderillo in Caldera, according to a potential maritime concession. These maritime concessions, to build a port are in the process of being approved by the maritime authority (Gobernación Marítima). The application was made in November 2007 and it has been requested exclusively for Santa Fe Mining.

9. OTHER NON-FINANCIAL ASSETS

The detail of other non-financial assets, non-current as of March 31, 2019 and 2018, is as follows:

	2019 US\$	2018 US\$
Royalties for mining properties (1)	5,674,111	3,514,386
Investments in other companies	<u>25,400</u>	<u>25,400</u>
Total	<u><u>5,699,511</u></u>	<u><u>3,539,786</u></u>

- (1) The royalty amounts relate to payments made for the rights to exploit the mineral resources at the Bellavista and Rebote projects. The Company does not own the mineral rights for these projects and therefore makes royalty payments to the owners based on a terms of a signed royalty agreement for each of the properties. Royalty prepayments are made until production begins at which time such prepaid royalties are reduced from actual royalty amounts due based on the terms of the royalty agreements. The balance as of March 31, 2019, includes royalty pre-payments during the year amounting to US\$1,367,713 and a write off related to Rebote for US\$3,292,054 (See note 4).

10. OTHER FINANCIAL ASSETS

As at March 31, 2019 and 2018, it relates to deposit with bank as margin money for security against guarantees. Use of such balance is restricted.

11. PAID-IN CAPITAL

- a. **Shareholders** - The Company's shareholder as of March 31, 2019 and 2018, is as follows:

Shareholder	Number of shares
JSW Steel (Netherlands) B.V.	<u><u>100</u></u>

The Company's issued and fully paid up capital amounts to US\$100,000 and consists of 100 ordinary shares of a face value of US\$1,000 each.

12. NON-CONTROLLING INTEREST

The movements of non-controlling interest at March 31, 2019 and 2018 are as follows:

Subsidiary	Non-controlling share	Subsidiary deficit US\$	Non-controlling deficit share US\$	Loss for the year US\$	Non-controlling loss share US\$
Inversiones Eroush	5.10%	(118,250,952)	(6,030,801)	(7,270,300)	(368,844)
Santa Fe Mining	30%	(32,018,510)	(9,605,552)	(2,561,159)	(768,345)
Santa Fe Puerto	0.10%	<u>(1,741,264)</u>	<u>(1,740)</u>	<u>(46)</u>	<u>1</u>
Total		<u><u>(152,010,726)</u></u>	<u><u>(15,638,093)</u></u>	<u><u>(9,831,505)</u></u>	<u><u>(1,137,188)</u></u>

Subsidiary	Non-controlling share	Subsidiary deficit US\$	Non-controlling deficit share US\$	Loss for the year US\$	Non-controlling loss share US\$
Inversiones Eroush	5.10%	(111,018,737)	(5,661,957)	(17,164,358)	(875,380)
Santa Fe Mining	30%	(29,457,352)	(8,837,207)	(17,264,865)	(5,179,449)
Santa Fe Puerto	0.10%	<u>(1,741,218)</u>	<u>(1,741)</u>	<u>38</u>	<u>-</u>
Total		<u><u>(142,217,307)</u></u>	<u><u>(14,500,905)</u></u>	<u><u>(34,429,185)</u></u>	<u><u>(6,054,829)</u></u>

13. TRADE AND OTHER PAYABLES

The detail of trade and other payables as at March 31, 2019 and 2018 is as follows:

	2019 US\$	2018 US\$
Suppliers	<u>2,452</u>	<u>3,189</u>
Total	<u><u>2,452</u></u>	<u><u>3,189</u></u>

14. PROVISIONS

The detail of provisions at March 31, 2019 and 2018, is as follows:

	Current		Non-Current	
	2019 US\$	2018 US\$	2019 US\$	2018 US\$
Vacation provision	-	25,311	-	-
Withholdings	479	37,493	-	-
Mine closure provision (1)	-	-	1,440,215	1,440,215
Total	479	62,804	1,440,215	1,440,215

- (1) In December of 2014, the operating entity Santa Fe Mining submitted its plan to the regulatory agency SERNAMGEOMIN to comply with Law 20.551 which required all mining entities in Chile to submit a mine closure plan. Due to these requirements, the Company recorded a provision for mine closure in an amount of US\$1,440,214 with a corresponding increase to Property, plant and equipment. This provision represents the discounted estimated future costs of the mine closure.

15. BALANCES AND TRANSACTIONS WITH RELATED COMPANIES

- a. Current balances** – There are no current balances due to and from related parties.
- b. Non-current balances** - The detail of non-current balances due to or from related parties is as follows:

Company	Relationship	Receivable		Payable	
		2019 US\$	2018 US\$	2019 US\$	2018 US\$
JSW Steel (Netherlands) B.V. (1)	Parent company	1,769,848	1,709,719	-	-
JSW Steel Limited (2)	Ultimate parent	-	-	152,128,449	142,323,981
Total		1,769,848	1,709,719	152,128,449	142,323,981

- (1) This loan corresponds to balance with the Shareholder JSW Steel (Netherland) B.V. from the previous period which does not have a maturity.
- (2) This balance is composed of four loans as follows: (a) US\$11,610,000 obtained on October 15, 2009, (b) US\$54,505,000 obtained in FY 2011 in two separate tranches, (c) US\$13,450,000 obtained in FY 2012, (d) US\$ 6,237,000 obtained in FY 2015, (e) US\$8,598,000 obtained in FY 2016, (f) US\$7,425,000 obtained in FY 17, (g) US\$ 5,529,000 obtained in FY 18, and US\$2,677,300 obtained in FY19. Each of these loans has an interest rate of Libor plus 5%. In addition there is an amount of US\$489,960 owned by the subsidiary SFM, which does not accrued interest.

c. Transactions - The main transactions with related parties is as follows:

Company	Relationship	Nature of the transaction	2019 US\$	2018 US\$
JSW Steel (Netherlands) B.V.	Parent company	Interest gained	60,129	60,129
JSW Steel Limited	Ultimate parent	Loan received Interest accrued	2,677,300 7,127,167	5,529,000 6,765,184

16. FINANCIAL INSTRUMENTS

a. Financial assets

The carrying values and fair values of financial assets are as follows:

	2019		2018	
	Estimated fair value US\$	Carrying value US\$	Estimated fair value US\$	Carrying value US\$
Other financial assets and other	2,926,007	2,926,007	2,934,344	2,934,344
Account receivable from related Company	1,769,848	1,769,848	1,709,719	1,709,719
Total financial assets	<u>4,695,855</u>	<u>4,695,855</u>	<u>4,644,063</u>	<u>4,644,063</u>

There is no significant credit risk exposure in accounts receivable, because credit risk is managed by dealing only through irrevocable letters of credit, issued by reputed banks. Credit evaluation of customers is carried out on regular basis. No provisions have been made for uncollectible accounts at the date of the financial statements.

The fair value of trade debtors and other accounts receivable at March 31, 2019 and 2018 are not materially different to the carrying value due to the short-term nature of such accounts.

The exposure of the Company's financial assets to interest rate and currency risks are the follows:

	Financial assets				Financial assets			
	2019		2018		2019		2018	
	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$	Total US\$	Variable rate US\$	Fixed rate US\$	Interest-free US\$
US dollar	1,769,848	1,769,848	-	-	1,709,719	1,709,719	-	-
Chilean pesos	2,926,007	2,926,007	-	-	2,934,344	2,926,006	-	8,338
Total financial assets	<u>4,695,855</u>	<u>4,695,855</u>	<u>-</u>	<u>-</u>	<u>4,644,063</u>	<u>4,635,725</u>	<u>-</u>	<u>8,338</u>

b. Financial liabilities

The carrying values and fair values of financial liabilities are as follows:

	2019		2018	
	Estimated fair value US\$	Carrying value US\$	Estimated fair value US\$	Carrying value US\$
Trade and other payables	2,452	2,452	3,189	3,189
Accounts payable to related company	152,128,449	152,128,449	142,323,981	142,323,981
Total financial liabilities	152,130,901	152,130,901	142,327,170	142,327,170

The exposure of the Company's financial liabilities to interest rate and currency risks are the follows:

	Financial liabilities					
	2019			2018		
	Total US\$	Variable rate US\$	Interest-free US\$	Total US\$	Variable rate US\$	Interest-free US\$
US dollar	152,128,449	151,638,489	489,960	142,323,981	141,834,021	489,960
Chilean pesos	2,452	-	2,452	3,189	-	3,189
Total financial liabilities	152,130,901	151,638,489	492,412	142,327,170	141,834,021	493,149

c. Exposure to and management of financial risks

Significant financial risks that the Company is exposed to are credit risk, liquidity risk, foreign currency risk, interest rate risk and commodity price risk.

• **Liquidity risk**

Liquidity risk refers to the risk that the Company always has adequate funds to meet its payment obligations. This is achieved by having the funds in cash and current account bank balances. The Company manages liquidity by maintaining adequate reserves, banking facilities and financial support from its shareholder.

• **Exchange rate risk and interest rate risk**

The Company's operating currency is US dollars and the subsidiaries also maintain their accounts in US dollars. However, the main operating subsidiary Santa Fe Mining, based in Chile, has its trade liabilities in Chilean pesos. Thus the Company is exposed to fluctuations in the parity between US dollar and Chilean pesos.

The Company is exposed to fluctuations in the Libor interest rate.

17. CASH AND CASH EQUIVALENTS

At March 31, 2019 and 2018, the detail of cash and cash equivalents are as follows:

	2019 US\$	2018 US\$
Cash and cash equivalents	<u>90,558</u>	<u>186,497</u>

18. INCOME AND DEFERRED TAXES

According to Panamanian regulations, companies that have transactions conducted from an office in Panama, but perfected, consummated or having effect abroad are tax exempted.

a. Income tax recognized in income for the year

At March 31, 2019 and 2018, the detail of the income tax expense, is as follows:

	2019 US\$	2018 US\$
Loss from continuing operations	<u>(7,817,275)</u>	<u>(22,161,060)</u>
Income tax calculated at a legal rate (27% and 25,5%)	2,110,664	5,651,070
Reversal of deferred tax liability		-
Unrecognised deferred tax asset	<u>(2,110,664)</u>	<u>(5,651,070)</u>
Income tax benefit	<u>-</u>	<u>-</u>

b. Deferred taxes

At March 31, 2019 and 2018, the details of deferred taxes are as follows:

	2019	2018
	US\$	US\$
Deferred tax assets		
Accumulated tax losses	2,110,664	12,328,200
Mine closure provision	345,600	345,600
Others	23,413	23,413
Valuation provision	-	-
	<u>-</u>	<u>-</u>
Total	<u>2,479,677</u>	<u>12,697,213</u>
Deferred tax liabilities		
Property, plant and equipment and unprovisioned tax loss	<u>(2,479,677)</u>	<u>(12,697,213)</u>
Total	<u>(2,479,677)</u>	<u>(12,697,213)</u>
Reversal of deferred tax liability	<u>-</u>	<u>-</u>
Total net deferred tax assets/ (liabilities)	<u>-</u>	<u>-</u>

19. COMMITMENTS

The Company has not made any commitments towards capital expenses as at March 31, 2019.

20. SUBSEQUENT EVENTS

The Company's management is not aware of any events subsequent to March 31, 2019 and until May 22, 2019 the date these consolidated financial statements were available to be issued, that could materially affect them.

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