

PERIAMA HOLDINGS LLC
CONSOLIDATED FINANCIAL STATEMENTS
For the year ended March 31, 2019
With report of independent auditor

Periama Holdings LLC
Consolidated Financial Statements
Year ended March 31, 2019

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Independent Auditor's Report

To the Board of Directors of
Periama Holdings LLC

Report on the audit of the Consolidated Financial Statements**Opinion**

We have audited the Consolidated Financial Statements of Periama Holdings LLC (the Company) and its subsidiaries (collectively referred to as 'the Group'), which comprise the consolidated balance sheet as at March 31, 2019, and the related consolidated statement of comprehensive loss, consolidated statement of changes in Shareholders equity/ (deficit) and consolidated statement of cash flows for the year then ended, and the related notes to the Consolidated Financial Statements.

In our opinion, the accompanying Consolidated Financial Statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as at March 31, 2019 and the consolidated results of its operations and its consolidated cash flows for the year then ended in conformity with U.S generally accepted accounting principles (USGAAP).

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 consolidated financial statements section of our report. We are independent of the Group 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 consolidated financial statements in United States of America, 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.

Responsibilities of management and those charged with governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with USGAAP, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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.



Periama Holdings, LLC

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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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the management 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 also provide management 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.



SRBC & CO LLP

Chartered Accountants

Periama Holdings, LLC

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Other matters

- i) The financial statements of the Group for the year ended March 31, 2018, included in these consolidated financial statements, have been audited by the predecessor auditor who expressed an unmodified opinion on those financial statements on May 8, 2018 based on their audit conducted in accordance with auditing standards generally accepted in the United States of America.
- ii) As described in Note 2(a) these Consolidated Financial Statements are prepared for the purpose of submission to the Bankers and to the Holding Companies for the purpose of Consolidation into their Financial Statements. As a result the Consolidated Financial Statements may not be suitable for another purpose. It is not to be used for the any other purpose, or referred to in any other document, or distributed to anyone else without our prior written consent.

SRBC & CO LLP

& SRBC & CO LLP
May 22, 2019
Mumbai, India



Periama Holdings, LLC
Consolidated Balance Sheets
(Currency: US dollars)

	Note	March 31, 2019	March 31, 2018
Assets			
Current			
Cash and cash equivalents		2,765,330	1,409,335
Restricted investment		50,200	50,125
Accounts receivables net of provision,	4	57,299,135	29,382,589
Inventories	5	123,556,084	65,899,238
Prepaid expenses and other current assets		3,428,641	5,938,999
Total current assets		187,099,390	102,680,286
Property, plant and equipment, net of accumulated depreciation & impairment	6	609,621,255	622,069,051
Owned and leased mineral rights, net of accumulated depletion and amortization & impairment	7		
		60,628,963	60,624,188
Restricted cash and bond collateral		15,191,707	24,600,558
Prepaid Royalties		7,367,135	7,138,895
Deferred Tax Assets	9	-	7,559,925
Total assets		879,908,450	824,672,904
Liabilities and Stockholders' Equity			
Current liabilities			
Accounts payable		13,791,445	9,424,123
Accrued liabilities		13,249,457	2,665,981
Borrowings	8	201,024,909	138,763,145
Federal and state taxes payable		104,187	132,186
Interest Accrued on borrowings		140,746,143	97,720,051
Total current liabilities		368,916,141	248,705,486
Borrowings			
Notes payable bank	8	66,666,666	133,333,333
Note payable - intercompany	8	726,176,996	625,731,996
Other long-term payables	8	4,312,441	4,358,000
Total long-term debt		797,156,103	763,423,329
Total liabilities		1,166,072,244	1,012,128,815
Members' Interest			
Members' Capital		14,350,100	14,350,100
Non-controlling interest		(55,990,363)	(50,669,794)
Accumulated deficit		(244,523,531)	(151,136,216)
Total stockholders' equity		(286,163,794)	(187,455,910)
Total liabilities and stockholders' equity (deficit)		879,908,450	824,672,904

See accompanying notes to the consolidated financial statements



Periama Holdings, LLC
Consolidated Statements of Comprehensive Income / (Loss)
(Currency: US dollars)

	Notes	Year ended March 31, 2019	Year ended March 31, 2018
Revenue		442,245,934	243,730,010
Operating expenses:			
Cost of sales (excludes items shown below)		430,387,264	239,325,012
Selling, general and administrative expenses:		40,719,655	27,040,211
Total		471,106,919	266,365,223
Income / (loss) from operations		(28,860,985)	(22,635,212)
Other income (expenses):			
Interest income		430,451	181,685
Facility fees and financing charges	8	(63,791,250)	(51,685,244)
Other income		1,073,826	771,868
Net interest and other finance costs		(62,286,973)	(50,731,692)
Net loss before income taxes		(91,147,958)	(73,366,904)
Income taxes			
Deferred income tax expense /(benefit)	9	7,559,925	(17,940,078)
Total income tax expense / (benefits)		7,559,925	(17,940,078)
Other comprehensive income / (loss)		-	-
Net comprehensive loss		(98,707,883)	(55,426,826)
Net loss / total comprehensive loss attributable to:			
Owners of the Company		(93,387,315)	(52,793,010)
Non-controlling interest		(5,320,568)	(2,633,816)
Net comprehensive loss		(98,707,883)	(55,426,826)

See accompanying notes to the consolidated financial statements



Periama Holdings, LLC
 Consolidated Statement of changes in Shareholders' Equity / (Deficit)
 (Currency: US dollars)

Particulars	Member's Interest	Accumulated Deficit	Non-Controlling Interest	Total Equity
Balance as at April 1, 2018	14,350,100	(151,136,216)	(50,669,794)	(187,455,910)
Loss for the year	-	(93,387,315)	(5,320,568)	(98,707,883)
Balance as at March 31, 2019	14,350,100	(244,523,531)	(55,990,363)	(286,163,793)

Particulars	Member's Interest	Accumulated Deficit	Non-Controlling Interest	Total Equity
Balance as at April 1, 2017	14,350,100	(93,739,476)	(22,480,423)	(101,869,799)
Loss for the year	-	(52,793,010)	(2,633,816)	(55,426,826)
Adjustment on transfer of Series B Preferred Stocks		(4,603,729)	(25,555,556)	(30,159,285)
Balance as at March 31, 2018	14,350,100	(151,136,216)	(50,669,794)	(187,455,910)

See accompanying notes to the consolidated financial statements



Periama Holdings, LLC
Consolidated Statement of Cash Flow
(Currency: US dollars)

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash Flow From Operating Activities:		
Net loss	(98,707,882)	(55,426,827)
Adjustments for:		
Depreciation expense	59,134,708	34,650,844
Allowance for doubtful accounts	215,697	-
Income tax benefit / (expense)	7,559,925	(17,940,078)
Amortisation of ancillary borrowing fees	1,583,077	1,758,802
<u>Changes in operating assets and liabilities:</u>		
(Increase) / Decrease in Trade receivables	(28,132,242)	(6,603,434)
(Increase) / Decrease in Inventories	(57,656,846)	(12,240,970)
(Increase) / Decrease in Prepaid expenses and other current assets	2,510,361	(4,569,482)
(Increase) / Decrease in Advanced coal royalties	(228,242)	2,070,757
Increase / (Decrease) in Trade accounts payable	5,368,409	2,999,731
Increase / (Decrease) in Accrued liabilities	10,583,476	(148,156)
Increase / (Decrease) in Interest payable financial institutions	(3,589,752)	(4,392,177)
Increase / (Decrease) in Interest payable intercompany	46,615,844	35,446,645
Increase / (Decrease) in unearned revenue	700,000	-
Increase / (Decrease) in Reclamation payable	361,761	(13,420)
Facility Fees Paid during the year	(203,559)	-
Taxes Paid during the year	(28,000)	(29,416)
Net cash used in operating activities (A)	<u>(53,913,267)</u>	<u>(24,437,180)</u>
Cash Flows From Investing Activities:		
Purchase of property, plant and equipment	(46,691,686)	(12,928,264)
Net cash used in investing activities (B)	<u>(46,691,686)</u>	<u>(12,928,264)</u>
Cash Flows From Financing Activities:		
Movement in restricted investments	9,408,775	(23,764,579)
Borrowings (Net) on bank ABL Revolver	63,315,866	-
Net Movement on letter of credit revolver loan	8,987,073	(3,697,449)
Retirement of debts with banks	(79,791,667)	(291,250,000)
Loans (Net) from related parties	100,445,000	383,216,880
Payments towards acquisition of subsidiary	-	(30,159,284)
Other payables	(404,099)	1,553,427
Net cash from financing activities (C)	<u>101,960,949</u>	<u>35,898,995</u>
Net decrease in cash and cash equivalents (A + B + C)	<u>1,355,996</u>	<u>(1,466,449)</u>
Cash and cash equivalents at beginning of the year	1,409,335	2,875,784
Cash and cash equivalents at end of the year	<u>2,765,330</u>	<u>1,409,335</u>
Supplemental disclosure of cash flow information:		
Federal income taxes paid	-	-
Interest paid	18,751,631	18,690,290

Note : The following table provides a reconciliation of cash and cash equivalents and restricted cash reported within the Balance Sheet that sum to the total of the same such amounts shown in the Statements of Cash Flows.

	<u>March 31, 2019</u>	<u>March 31, 2018</u>
Cash and cash equivalents	2,765,330	1,409,335
	<u>2,765,330</u>	<u>1,409,335</u>

See accompanying notes to the consolidated financial statements



1. Organisation and nature of business

Periama Holdings, LLC (the "Company") has been incorporated in the State of Delaware. The Company is 99.9 percent owned by JSW Steel Netherlands B.V and 0.1 percent owned by JSW Steel Limited, India. The ultimate holding Company is JSW Steel Limited.

The Company owns 90 percent of the Common Stock of JSW Steel (USA), Inc. and the balance 10 percent is owned by Green Suppliers and Services Pte. Ltd. JSW Steel (USA), Inc. consists of a steel plate manufacturing facility, a pipe manufacturing facility and double jointing and coating facilities in Baytown, Texas.

The coal operations of the Group operate out of the State of West Virginia, and are primarily engaged in the production, loading and sale of metallurgical coal from the mines located in West Virginia. The Company holds 100% interest in these entities. The Company's coal operations are operated through two direct subsidiaries namely Planck Holdings, LLC ('Planck') and Purest Energy, LLC ('Purest').

Wholly owned subsidiaries of Purest include Meadow Creek, LLC, Keenan Minerals, LLC, Hutchinson Minerals, LLC, R. C. Minerals, LLC, and Peace Leasing, LLC, which own or lease and operate the mining interests.

Wholly-owned subsidiaries of Planck are Rolling S Augering LLC, Caretta Minerals, LLC, and Lower Hutchinson Minerals, LLC, which also owns or leases and operates mineral interests. Planck also wholly owns Periama Handling, LLC, which used to own or lease rail and dock coal loading equipment on leased facilities.

The mining operations' administrative functions are organized under Prime Coal LLC.

2. Summary of significant accounting policies

a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in the United States ("US-GAAP") and are presented in USD. All significant inter-company transactions have been eliminated upon consolidation. These financial statements are prepared for the purpose of submission to the Bankers and to the Holding Companies for the purpose of Consolidation into their Financial Statements.

b) Use of Estimates

The preparation of financial statements, in conformity with US-GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, accompanying disclosures, and the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affected in future periods. Estimates are based upon historical factors, current circumstances and judgement of the management. Management evaluates these assumptions and estimates on an ongoing basis and may engage an outside subject matter expert to assist in its evaluation. Actual results could differ from other estimates and assumptions.

Significant items subject to such estimates and assumptions include the useful lives of property, plant and equipment, impairment testing of tangible assets and intangible assets, allowance for doubtful accounts, realizability of deferred tax assets, valuation of inventories, income tax uncertainties and other contingencies and commitments.



c) Revenue Recognition

Revenues are recognized when the Group's performance obligations are satisfied. Generally, the Group's performance obligations are satisfied, control of the products is transferred, and revenue is recognized at a single point in time, when title transfers to the customer for product shipped. Revenues are recorded net of any sales incentives. Shipping and other transportation costs charged to customers are treated as fulfillment activities and are recorded in both revenue and cost of sales at the time control is transferred to the customer. Revenue is generated primarily from contracts to produce, ship and deliver steel products and on sale of metallurgical coal.

For "Bill and Hold" sales in which delivery is delayed at the buyers request but the buyer takes title and accepts billing, revenue is recognized when the buyer takes title, provided

- a. It is probable that delivery will be made
- b. The item is on hand, identified and ready for delivery to the buyer at the time the sale is recognized
- c. The buyer specifically acknowledges the deferred delivery instructions; and
- d. The usual payment terms apply

In the course of doing business, the Group collects taxes from customers, including but not limited to sales taxes. It is the Group's policy to record these taxes on a net basis in the statement of comprehensive income / (loss); therefore, the Group does not include the taxes collected as a component of revenues.

d) Cash and cash equivalents

Cash equivalents comprise of cash at bank, time deposits, certificates of deposits, sweep account and all highly-liquid debt instruments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e) Restricted cash

Restricted cash balances comprise of fixed deposit placed with the banks as a security for issuance of bank guarantees to capital vendors and for obtaining non fund based facilities from banks. Restricted cash is classified into current and non-current portions based on the term of deposits and the expiration of the underlying restriction.

f) Accounts receivables

Accounts receivable are stated net of an allowance for doubtful accounts. The Group maintains an allowance for doubtful accounts based upon estimated losses that could result from a customer's inability to pay for services provided. This allowance is based on a combination of historical losses, aging of receivables and the financial condition of a particular customer. The allowance for doubtful accounts provision is recorded as an element of selling, general and administrative expenses in the period when the collection of such accounts is determined to be doubtful. If, in a subsequent year, the write-off is recovered, the recovery is recognized in the statement of comprehensive income / (loss).

g) Inventories

The Group's inventories are comprised primarily of raw materials, work in progress and finished goods. Inventories are stated at lower of cost or market value and are valued using the weighted average cost method. Inventory manufactured by the Group includes the cost of materials, labor and manufacturing overheads. The cost of inventory includes cost of purchase and other direct costs incurred in bringing the inventories to their present location and condition.



Mined or raw coal is reported as inventory at the point in time the coal extracted from the mine enters the plant premises. Clean coal represents coal stockpiles which require no further processing prior to shipment to a customer.

h) Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the assets and interest on borrowings during the construction period.

Depreciation expense is computed using the straight-line method over the estimated useful value of the assets. The estimated lives for computing depreciation on plant, property and equipment are as follows:

Buildings and improvements	30 years
Machinery and equipment	7-22 years
Furniture and fixtures	3-10 years
Office equipment	3-10 years
Vehicles	3-10 years
Computer equipment	3-10 years

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment, and are recognized net within 'Selling, General and Administrative Expenses' in the statement of comprehensive income / (loss). Advances paid towards the acquisition of property, plant and equipment, outstanding at each reporting date and the cost of property, plant and equipment not ready for use before such date, are disclosed under property, plant and equipment as 'Capital work-in-progress'.

Subsequent expenditure is recognized as an increase in the carrying amount of the asset when it is probable that future economic benefits deriving from the cost incurred will flow to the enterprise and cost of the item can be reliably determined. The carrying amount of replaced parts is derecognized. The cost of day-to servicing of property, plant and equipment are recognized in the statement of comprehensive income / (loss) as incurred.

The carrying value of plant, property and equipment is assessed for recoverability by management based on analysis of future expected cash flows from the underlying operations of the Group. Management believes there has been no impairment as at March 31, 2019.

Mine development costs:

Costs of developing new mines or significantly expanding the capacity of existing mines are capitalized and amortized using the units-of-production method over the estimated recoverable reserves that are associated with the property being benefited. Costs may include construction permits and licenses; mine design; construction of access roads, shafts, slopes and main entries; and removing overburden to access reserves in a new pit.

Owned and leased mineral rights:

Costs to obtain owned and leased mineral rights are capitalized and amortized to operations as depletion expense using the units-of-production method. Only proven and probable reserves which would be extracted are included in the depletion base.



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Currency : US Dollars

Leased coal interests are evaluated periodically, or at a minimum once a year, for impairment issues or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Any revisions are accounted for prospectively as changes in accounting estimates.

i) Asset Retirement Obligations

The Group's asset retirement obligation ("ARO") liabilities primarily consist of estimated costs to reclaim surface land and support facilities at its mines in accordance with federal and state reclamation laws as established by each mining permit.

For mines where the Group has a possible asset retirement obligation, the Group estimates its ARO liabilities for final reclamation and mine closure based upon the amount and timing of the future costs for a third party to perform the required work or based on the laws applicable. The liability is restricted to the extent of financial bonds provided by the Group to regulatory authorities.

The Group records an ARO asset associated with the initial recorded liability. The ARO asset is amortized based on the units of production method over the estimated recoverable, proven and probable reserves at the related mine, and the ARO liability is accreted to the projected settlement date. Changes in estimates could occur due to revisions of mine plans, changes in estimated costs, and changes in timing of the performance of reclamation activities.

As of March 31, 2019, and 2018, the Group has \$ 886,100 and \$524,339 respectively towards accrued asset retirement obligations.

j) Prepaid Royalties

Prepaid royalties consist of recoupable minimum royalty payments due under various lease agreements entered into by the Group. Prepaid royalties expected to be recouped within one year, are classified as current assets in the Group's balance sheet. The Group continually evaluates its ability to recoup prepaid royalty balances, which includes, among other factors, assessing mine production plans, sales commitments, future coal market conditions and remaining years available for recoupment. The contractual recoupment periods on the prepaid royalty balances is generally five years from the date the minimum royalty was paid.

Advance mining royalties expected to be recouped within one year are classified as current assets in the balance sheet of the Group.

k) Exploration Drilling and Evaluation Costs

Exploration, Drilling and Evaluation expenditures are charged to cost of sales as incurred, including costs related to drilling and study costs incurred to convert or upgrade mineral resources to reserves. Once commercially viable reserves are determined to be productive, development costs of the coal reserves are capitalized and amortized over the unit of production basis over the total estimated remaining commercial reserves.

l) Income Taxes

Income taxes are accounted for under the liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be reversed. The effect of deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the



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enactment date. Valuation allowance is established when necessary to reduce deferred tax assets to the amounts more-likely-than-not to be realized.

The Group files a consolidated federal tax return that includes the Company and its subsidiaries, which are not disregarded under income tax regulations. Income taxes, including deferred taxes and net operating loss benefits are allocated to the subsidiaries that are included in the consolidated tax return. Accordingly, the Group has allocated income taxes as if each was a separate taxpayer.

The determination of provision for income taxes requires significant judgement, the use of estimates, and the interpretation and application of complex tax laws. Significant judgement is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions.

Tax positions are evaluated in a two-step process. The Group first determines whether it is more-likely-than-not that a tax position will be sustained upon examination. If a tax position meets the more likely than not threshold, it is then measured to determine the amount of expense to record in the financial statements. The tax position is measured as the largest amount of expense that is greater than 50 percent likely to be realized upon settlement. The Group classifies any potential accrued interest recognized on an underpayment of income taxes as interest expense and classifies any statutory penalties recognized on a tax position taken as operating expense. Management of the Group has not taken a tax position that, if challenged, would be expected to have a material effect on the consolidated financial statements or the effective tax rate for the year ended March 31, 2019. The Group's federal income tax returns since 2008 are subject to examination by the Internal Revenue Service with a normal statutory limitation of three years from the date of filing the tax return or the due date whichever is later.

m) Fair Value Measurement

The fair value of financial instruments classified as current assets or liabilities, including cash and cash equivalents, accounts receivable, accounts payable, and accrued expenses approximate carrying value, principally because of the short maturity of those items.

The Group determines fair values based on valuation techniques that maximize the use of observable inputs and minimize assumptions (i.e. unobservable inputs) that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level I Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level II Inputs: Other than quoted prices included in Level I inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level III Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

n) Advertising Costs

The Group's expenses cost of advertising and promotion as incurred. Advertising expense totaled \$191,595 and \$259,611 during the years ended March 31, 2019 and March 31, 2018, respectively.

o) Concentration of Credit Risk



Financial instruments that potentially subject the Group to a concentration of credit risk consist principally of cash and accounts receivable. The Company maintains cash balances at financial institutions, which may at times be in excess of federally-insured levels. The Company has not incurred losses related to these balances to date.

The Group had one customer that represented 8.80% of total revenues for the year ended March 31, 2019. In the previous year, the Group had one customer that represents 14.12% of revenue. As of March 31, 2019, the Group had three trade receivable accounts that represented 35% of total trade receivables. As of March 31, 2018, the Group had three receivable accounts that represented 35% of total trade receivables.

p) Commitments and contingencies

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

q) Leasing arrangements

The Company follows ASC 840, "Leases", which requires companies to assess the classification of the leases they enter into as either a capital lease or an operating lease. The Company accounts for its operating leases in accordance with the authoritative accounting standard on leases, which requires, among other things, accounting for the straight-line effect of escalating rents during the lease term.

r) Capitalized Loan Costs

The Group incurred costs to obtain certain loans. These costs have been deferred and are being amortized to interest expense over the related maturities of the loan. The deferred financing costs included on the balance sheet at March 31, 2019 are \$1.58 million (Previous year - \$2.95 million) representing the remaining unamortized cost.

3. Recent accounting pronouncements

- a) The FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, in May 2014 along with various subsequent amendments made by the FASB. ASU 2014-09 requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. An entity should also disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for annual reporting periods beginning after December 15, 2018. The management is in the process of evaluating the impact of this ASU, the related amendments and the interpretive guidance on the Group's financial statements. The Group is planning to adopt this ASU for annual periods beginning on or after April 1, 2019.
- b) In February 2016, the FASB issued an ASU 2016-02, this new guidance required the recognition of lease assets and liabilities for operating leases with terms of more than 12 months and disclosing key information about leasing arrangements. This is in addition to those currently recorded in the balance sheet. The Group is currently evaluating the impact of this ASC on relevant



Periama Holdings, LLC
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Currency : US Dollars

agreements. The Group is evaluating the effect on net income, cash flows and disclosures. This new guidance is applicable to the Group for the periods beginning on or after April 1, 2020.

- c) The FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): 'Restricted Cash' in Nov 2016, the amendments in this Update require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this Update do not provide a definition of restricted cash or restricted cash equivalents. The amendments are effective for fiscal years beginning after December 15, 2018. The Group will adopt this ASU for annual periods beginning on or after April 1, 2019.



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Note 4

Accounts receivables, net of provision

	Mar-19	Mar-18
Trade receivables	56,561,979	29,189,633
Receivables from related parties	1,476,891	767,246
Less: Allowance for doubtful debts	<u>(739,735)</u>	<u>(574,290)</u>
Total Accounts Receivables	57,299,135	29,382,589

Note 5

Inventories

	Mar-19	Mar-18
Raw materials [including goods in transit of \$ 15,444,019 (March 31, 2018: Nil)]	74,025,444	23,035,674
Work in Progress	15,841,332	12,359,913
Finished Goods	9,897,457	13,090,697
Scrap	2,799,993	968,263
Production Consumables & Stores & Spares	<u>20,991,857</u>	<u>16,444,691</u>
Total Inventories	123,556,084	65,899,238

Finished goods mainly consist of plates and pipes from steel operations and clean coal from coal operations

Note 6

Property, Plant and Equipment

	Mar-19	Mar-18
Land	5,071,106	4,926,051
Mine Development cost	14,933,617	11,353,551
Buildings	155,612,408	155,099,399
Machinery and equipment	824,221,813	819,806,990
Computer equipment	622,065	236,196
Furnitures and fixtures	659,100	616,633
Vehicles	<u>1,618,439</u>	<u>800,711</u>
	1,002,738,548	992,839,531
Less: Accumulated Depreciation	(426,472,800)	(367,964,131)
Less: Provision for Impairment	(4,293,078)	(4,293,078)
Capital Work-in-Progress	37,648,585	1,486,730
Total Property, Plant and Equipment	609,621,255	622,069,051

Land and building consists of the freehold factory land and building. Land has been carried at historical cost and building have been carried at historical cost less accumulated depreciation and impairment.

Capital work-in-progress includes advances paid towards the acquisition of property, plant and equipment, outstanding at each reporting date and the cost of property, plant and equipment not ready for use before such date.



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Depreciation on property, plant and equipment amounting to \$ 58,508,670 and \$ 34,526,400 for the years ended March 31, 2019 and 2018 respectively.

During the year, the Group has entered into contracts for upgrading of its existing plate mill manufacturing facilities located in Baytown, Texas. Accordingly, the Group has re-assessed the estimated future useful life of its existing installed assets and revised the same. The management believes that this will result in a more appropriate presentation of these assets and will be a systematic basis of depreciation charge more representative of the time pattern in which the economic benefits are derived from the use of these assets. The change in useful life resulted in additional depreciation charge of \$ 22,448,734 for the year ended March 31, 2019.

Note 7
Owned and leased mineral rights

	Mar-19	Mar-18
Owned and leased mineral rights	105,491,342	104,860,529
Less: Accumulated depreciation	(2,851,116)	(2,225,078)
Less: Accumulated impairment	(42,011,263)	(42,011,263)

Total owned and leased mineral rights

60,628,963	60,624,188
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Depletion on owned and leased mineral rights amounting to \$ 626,038 and \$ 123,444 for the years ended March 31, 2019 and 2018 respectively.



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Note 8

Borrowings

(a) Short term borrowings

Fund based credit facilities with banks, which are available for working capital requirements, are in the form of lines of credit, banker's acceptance and working capital loans. The arrangements have varying interests when the banker's acceptance occurs. These facilities are summarised below as at March 31, 2019

Bank	Rate of Interest	Limits	Availed	Banker's Acceptance Utilized	Letters of Credit Utilized	Available
Working Capital Loans						
BMO Harris - Base Rate Loan	LIBOR + 0.5% to 0.75%	70,000,000	315,867			5,156,379
BMO Harris - Libor Rate Loan	LIBOR + 1.75% to 2.00%*		64,527,754			
ANZ Bank	LIBOR + 2.75%	80,000,000		70,509,845	8,395,500	1,094,655
ICICI						
TOTAL		150,000,000	64,843,621	70,509,845	8,395,500	6,251,034

As at March 31, 2018:

Bank	Rate of Interest	Limits	Banker's Acceptance Utilized	Letters of Credit Utilized	Available
Working Capital Loans					
ANZ Bank	4.7%	50,000,000	37,422,772	11,591,800	885,428
ICICI	4.4%	25,000,000	24,100,000		900,000
TOTAL		75,000,000	61,522,772	11,591,800	1,885,428

Details of short term borrowings as at March 31, 2019 are as follows:

Particulars	Year of maturity	Carrying value
Working capital demand loans*	2023	64,843,621
Bankers Acceptance*	2020	70,509,845
Current maturities of Long Term Debt		65,671,444
TOTAL		201,024,909

* These loans have been secured against current assets and certain property, plant and equipment and have been guaranteed by JSW Steel Limited.

Details of short term borrowings as at March 31, 2018 are as follows:

Particulars	Year of maturity	Carrying value
Bankers Acceptance*	2020	61,522,772
Current maturities of long term debt		77,240,373
TOTAL		138,763,145

(b) Long term debt

i) Details of long term debt as at March 31, 2019 are as follows:

Particulars	Maturity dates by fiscal year	Annual Interest Rate	Year of maturity	Carrying value
A) Secured loan				
i) Against hypothecation of Land				
	2020	3.90%	15-Sep-21	167,319
	2021	3.90%		177,393
	2022	3.90%		94,615
				439,327
ii) Against parental guarantee				
	2020	LIBOR + 2.42%	30-Sep-20	65,264,125
	2021	LIBOR + 2.42%		66,666,666
				131,930,791
B) Unsecured loans				
i) Payable to Alawest Inc				
	2020	4.63%	01-Jun-22	240,000
	2021	4.63%		240,000
	2022	4.63%		240,000
	2023	4.63%		240,000
				960,000
ii) JSW Steel Limited				
	2021	LIBOR + 5%		713,619,400
iii) JSW Steel Netherlands				
	2021	LIBOR + 5%		12,557,596
iv) Coal Royalties Due				
				2,434,333
v) Reclamation payable				
				886,100
Total debt				862,827,547
Less: Amounts due within one year disclosed under Current Liabilities:				(65,671,444)
Long term debt				797,156,104



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ii) Details of long term debt as at March 31, 2018 is as follows:

Particulars	Maturity dates by fiscal year	Annual Interest Rate	Year of maturity	Carrying value
A) Secured loan				
i) Against hypothecation of equipment	2019	3.90%	15-Sep-21	164,099
	2020	3.90%		167,319
	2021	3.90%		177,393
	2022	3.90%		94,615
				603,426
ii) Against parental guarantee	2019	LIBOR + 2.42%	30-Sep-19	76,836,274
	2020	LIBOR + 2.42%	30-Sep-20	66,666,667
	2021	LIBOR + 2.42%	30-Sep-21	66,666,666
				210,169,607
B) Unsecured loans				
i) Payable to Alawest Inc	2019	4.63%	01-Jun-22	240,000
	2020	4.63%		240,000
	2021	4.63%		240,000
	2022	4.63%		240,000
	2023	4.63%		240,000
				1,200,000
ii) JSW Steel Limited	2021	LIBOR + 5%		613,174,400
iii) JSW Steel Netherlands	2021	LIBOR + 5%		12,557,596
iv) Coal royalties due				2,434,333
v) Reclamation payable				524,339
Total debt (A+B)				840,663,701
Less: Amounts due within one year disclosed under Short term borrowings				(77,240,373)
Long term debt				763,423,327

Annual maturity of long term debt, including current instalments, during the next five years and thereafter is as follows:

Fiscal Year	Annual maturity
2020	67,073,986
2021	692,816,055
2022	334,615
2023	240,000
Total	760,464,656

(c) Loans from related parties (Refer Note 13)

	Mar-19	Mar-18
JSW Steel India	713,619,400	613,174,400
JSW Steel Netherlands B.V	12,557,596	12,557,596
Total Loans from related parties	726,176,996	625,731,996

Finance Costs

	Mar-19	Mar-18
Interest expenses:		
Term loans from banks	9,348,291	10,375,667
Working capital demand loans	5,121,122	3,285,571
Inter company loans	46,604,193	35,401,645
Others	105,672	133,028
	61,179,278	49,195,911
Bank Charges	1,028,895	730,531
Amortisation of facility fees	1,583,077	1,758,802
Total finance costs	63,791,250	51,685,244



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Note 9

Income Taxes

The major components of income tax expense for the years ended March 31, 2019 and March 31, 2018 are as follows:

a) Income Taxes

	Mar-19	Mar-18
Current income tax	-	-
Deferred tax expense / (benefit)	7,559,925	(17,940,078)
Income tax expense reported in the Statement of comprehensive loss	7,559,925	(17,940,078)

The tax years ending March 31, 2016 onwards are open to audit by the Internal Revenue Service as per the normal 3 year limitation. The Company is open to various state taxing jurisdictions ranging from 3 to 5 years depending on the state.

b) Tax rate reconciliation

Reconciliation of tax expense and the accounting profit multiplied by United States' statutory tax rate for March 31, 2019 and March 31, 2018:

	Mar-19	Mar-18
Accounting profit/ (loss) before income tax	(91,147,958)	(73,366,904)
At United States' income tax rate of 21% (March 31, 2018: 21%)	(19,141,071)	(15,407,050)
Reconciliation items		
Incremental valuation allowance created	30,144,128	-
Others	(3,443,131)	(2,533,028)
Total deferred tax expense	7,559,925	(17,940,078)

c) Deferred tax assets/ (liabilities)

	Mar-19	Mar-18
Deferred tax assets	167,115,117	150,067,702
Deferred tax liability	107,087,989	151,827,928
Net deferred tax asset	60,027,128	(1,760,226)
Less: Valuation allowance	(60,027,128)	-
Net non-current deferred tax assets	-	(1,760,226)

d) Significant components of current and deferred taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at March 31, 2019 and 2018 are presented below:

	Mar-19	Mar-18
Deferred Tax Assets		
Net operating losses	119,426,638	120,031,418
Interest accrual for payment to related parties	29,330,756	19,543,875
Provision for doubtful debts	173,197	138,454
Interest not allowed per provisions of 163(j)	17,369,777	10,310,795
Impairment provision	477,609	564,187
Others	337,140	1,239,199
Total deferred tax assets (a)	167,115,117	151,827,928
Deferred Tax Liabilities		
Difference between tax base and book base of assets	107,087,989	114,385,003
Gross deferred tax liabilities (b)	107,087,989	114,385,003
Net deferred tax assets (a - b)	60,027,128	37,442,925
Less: Valuation allowance	(60,027,128)	(29,883,000)
Net deferred tax assets	-	7,559,925

In November 2015, the FASB issued ASU 2015-17, Balance Sheet Classification of Deferred Tax Assets, which required deferred tax liabilities and assets be classified as non-current in a classified statement of financial position. Pursuant to the above ASU, the Group has taken the retrospective approach and classified the net deferred tax assets as non-current for all the periods presented. Accordingly, the net deferred tax asset for the previous year of \$ 7.56 mn has been classified as non-current.



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Note 10

Commitments and Contingencies

a) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) is USD 164,269,212 as at March 31, 2019 (as at March 31, 2018 : \$26,350,414)

b) The lease agreements for coal reserves include a tonnage royalty whereby the Group pays a royalty for every ton processed and/or shipped from the leased site. Beginning in April 2012, the agreements required the Group to begin paying minimum royalties. The future minimum lease payments under operating leases and minimum royalties under coal leases as at March 31, 2019 are as follows:

	<u>Operating leases</u>	<u>Coal Royalties</u>
Financial year ending March 31		
2020	657,000	450,000
2021	450,000	450,000
2022	450,000	450,000
2023	450,000	450,000
2024	450,000	450,000
Thereafter	4,500,000	4,500,000
	<u>6,957,000</u>	<u>6,750,000</u>

Rent expense under operating leases totaled \$4,199,616 and \$ 2,702,129 for the years ended March 31, 2019 and March 31, 2018 respectively.

c) The Group also has two cases of Occupational Safety and Health Administration as at March 31, 2019. These relate to the safety of the employees, which are administrative in nature. The management does not expect any material penalty as at the reporting date and therefore no provision has been made as at March 31, 2019.

Note 11

Retirement plan

The Group has a retirement plan pursuant to Section 401(K) of the Internal Revenue Code, whereby eligible participants, as defined by the plan, may contribute by deferring a percentage of their compensation, but not in excess of the maximum allowed under the code. Eligible employees may contribute part of their wages, before taxes are paid, upto 15% of their annual compensation or the maximum allowed by tax statutes for their retirement. The Group matches 100 percent up to one percent of the employee's contribution and 50 percent of the employee's contributions in the plan, up to a maximum of 3.50 percent on the employee contribution's of 6 percent of the employee's annual compensation in the case of JSW Steel (USA) and a maximum of 4% in the case of Planck Holdings LLC

Participants are 0% vested after one year of service, 20% vested after two years of service, 40% vested after three years of service, 60% vested after four years of service, 80% vested after five years of service and 100% vested after six years' service on the Group's matching portion.

The Group contributed \$503,445 and \$218,245 for the years ended March 31, 2019 and 2018, respectively. A third-party administrator administers the plan.

Note 12

Healthcare Benefits

The Group provides healthcare benefits to its active full-time workers. The Group uses a third-party commercial insurance carrier to handle the healthcare insurance. The Group payment related to healthcare benefits were \$6,423,967 and \$5,202,451 for the years ending March 31, 2019 and 2018, respectively.



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Note 13
Related party disclosures

For the purpose of the consolidated financial statements, a party is related to the Group if the party directly or indirectly controls, is controlled by or is under common control with the Group, has an interest in the Group that gives it significant influence over the Group, has joint control over the Group or is an associate or a joint venture of the Group.

Related parties and nature of related party relationships:

Nature of relationship	Name of related parties
Holding Company	JSW Steel Netherlands, B.V
Ultimate Holding Company	JSW Steel Limited
Subsidiaries of Ultimate Holding Company with whom transactions have taken place during the year	ii) JSW Steel Ohio, LLC iii) JSW Steel (UK) Ltd.
Other related parties	i) Jindal Saw USA, LLC ii) JSW International Tradecorp Pte. Ltd

a) Transaction with related parties

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Transactions during the year		
Purchases during the year		
JSW International Tradecorp Pte Ltd	8,766,706	-
Loan given		
JSW Steel Limited	100,445,000	374,010,000
JSW Steel Netherlands B.V	-	12,557,596
Reimbursement of expenses		
JSW Steel Ohio, LLC	742,989	-
Interest on loan taken		
JSW Steel Limited	45,782,555	34,629,153
JSW Steel Netherlands B.V	821,638	772,492

b) Balances with related parties

Particulars	For the year ended March 31, 2019	For the year ended March 31, 2018
Receivables:		
JSW Steel Ohio, LLC	742,989	-
JSW UK	525,630	558,973
JSW Steel Limited	208,272	208,272
Interest payable		
JSW Steel Netherlands B.V	1,594,131	772,492
JSW Steel Limited	138,076,134	92,293,579
Loans payable		
JSW Steel Netherlands B.V	12,557,596	12,557,596
JSW Steel Limited	713,619,400	613,174,400



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Note 14

As at March 31, 2019 the Company has accumulated losses of \$ 244.52 million (March 31, 2018 : \$ 151.14 million) and a negative networth of \$ 286.16 million (March 31, 2018: 187.45 million). During the year ended March 31, 2019, the Company incurred a net loss of \$ 98.71 million (March 31, 2018: \$ 55.43 million). For its steel operations, management has taken steps to upgrade its facility to reduce costs and improve market share. For coal operations, the Company has started mining operations in the current year and plans to ramp up production in line with improvement in the coal prices. Further, the Ultimate Holding Company, JSW Steel Limited has committed to provide continuing financial and operational support to the Company, for its continued operations in the foreseeable future. Accordingly, these financial statements have been prepared under the going concern assumption.

Note 15

Subsequent events

Subsequent events have been evaluated through May 20, 2019, which is the date the financial statements were available to be issued. As of that date, there were no reportable events other than the events already disclosed above where appropriate.

Note 16

The previous year numbers had been audited by an audit firm other than S R B C & CO LLP. Previous year numbers have been regrouped wherever required to confirm to current year classification

