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Financial statements of  
TS Canada Capital Ltd.

March 31, 2018

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Unaudited Account

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Unaudited Account

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**TS Canada Capital Ltd.****Statement of earnings and retained earnings**

Year ended March 31, 2018

(In U.S. Dollars)

	<b>2018</b>	<b>2017</b>
	\$	\$
<b>Revenue</b>		
Interest	<b>13,891</b>	<b>4,389,623</b>
<b>Expenses</b>		
Interest	-	<b>4,258,070</b>
General administrative expenses	<b>28,159</b>	<b>27,342</b>
Foreign exchange loss (gain)	<b>(37,968)</b>	<b>19,565</b>
	<b>(9,809)</b>	<b>4,304,977</b>
Earnings before income taxes	<b>23,700</b>	<b>84,646</b>
Income taxes – current	<b>(31,964)</b>	<b>86,683</b>
Net earnings for the year	<b>55,663</b>	<b>(2,037)</b>
Retained earnings, beginning of year	<b>5,240,485</b>	<b>5,242,522</b>
<b>Retained earnings, end of year</b>	<b>5,296,149</b>	<b>5,240,485</b>

The accompanying notes are an integral part of the financial statements.

**TS Canada Capital Ltd.****Balance sheet**

As at March 31, 2018

(In U.S. Dollars)

Notes	<b>2018</b>	2017
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	<b>1,266,416</b>	1,215,916
Other advances	<b>3,262,815</b>	3,276,405
Income taxes receivables	<b>68,921</b>	36,133
Interest receivable on loan	<b>492,626</b>	492,626
	<b>5,090,778</b>	5,021,080
	<b>5,090,778</b>	5,021,080
<b>Liabilities</b>		
Current liabilities		
Other current liabilities	<b>41,104</b>	27,070
	<b>41,104</b>	27,070
<b>Shareholders' equity</b>		
Capital stock	<b>1</b>	1
Cumulative translation adjustment	<b>(246,476)</b>	(246,476)
Retained earnings	<b>5,296,149</b>	5,240,485
	<b>4,049,673</b>	4,994,010
	<b>5,090,778</b>	5,021,080

The accompanying notes are an integral part of the financial statements.

Approved on behalf of the Board

\_\_\_\_\_, Director

\_\_\_\_\_, Director

**TS Canada Capital Ltd.**  
**Statement of cash flows**

Year ended March 31, 2018

(In U.S. Dollars)

Notes	<b>2018</b>	2017
	\$	\$
<b>Operating activities</b>		
Net earnings	<b>55,663</b>	(2,037)
Changes in working capital items		
Other advances	<b>13,590</b>	83,205
Income tax receivable	<b>(32,788)</b>	22,416
Interest receivable on loan		280,828
Other liabilities	<b>14,035</b>	(403,529)
	<b>(5,163)</b>	(17,080)
	<b>50,500</b>	(19,117)
<b>Investing activities</b>		
Loan to Tata Steel Minerals Canada Ltd.		
Increase in cash and cash equivalents	<b>50,500</b>	(19,117)
Cash and cash equivalents, beginning of year	<b>1,215,916</b>	1,235,033
<b>Cash and cash equivalents, end of year</b>	<b>1,266,416</b>	1,215,916

The accompanying notes are an integral part of the financial statements.

Unaudited Accounts

## **TS Canada Capital Ltd.**

### **Notes to the financial statements**

March 31, 2018

(In U.S. Dollars)

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#### **1. Governing statutes, nature of operations and accounting policies**

TS Canada Capital Ltd. (the "Company") was incorporated pursuant to the provisions of the *British Columbia Business Corporations Act* on October 30, 2012, for the purpose of financing the Direct Shipping Ore Project of Tata Steel Minerals Canada Ltd., a sister company.

The financial statements have been prepared in accordance with Canadian accounting standards for private enterprises ("ASPE") applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations.

##### *Basis of presentation*

The financial statements are prepared in United States dollars in accordance with Canadian ASPE and include the following significant accounting policies:

##### *Accounting estimates*

The preparation of financial statements in accordance with Canadian ASPE requires management to make estimates and assumptions that affect the amounts recorded in the financial statements and notes to the financial statements. The estimates include the income taxes related accounts. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from those estimates.

##### *Cash and cash equivalents*

Cash and cash equivalents may include cash and short-term investments having a term of three months or less from the acquisition date.

##### *Income taxes*

The Company applies the taxes payable method of accounting for income taxes.

##### *Foreign currency and translation*

Monetary assets and liabilities in foreign currency are translated at the exchange rate in effect at the balance sheet date, whereas non-monetary items are translated at the historical rate. Revenue and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses are included in the net earnings for the year.

##### *Financial instruments*

###### *(a) Measurement of financial instruments*

The Company initially measures its financial assets and liabilities at fair value except for certain non-arm's-length transactions. The Company subsequently measures all their financial assets and liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents. Financial liabilities measured at amortized cost include other current liabilities and long-term debt.

## 1. Governing statutes, nature of operations and accounting policies (continued)

*Financial instruments (continued)*

### (b) Impairment

Financial assets measured at cost are tested for impairment when there are indicators of impairment. The amount of the write-down is recognized in net loss for the year. The previously recognized impairment loss may be reversed to the extent of the improvement, directly or by adjusting the allowance account, provided it is not greater than the amount that would have been reported at the date of the reversal had the impairment not been recognized previously. The amount of the reversal is recognized in net income.

### (c) Transaction costs

The Company recognizes its transaction costs in net loss in the period incurred; however, financial instruments that will not be subsequently measured at fair value are adjusted by the transaction costs that are directly attributable to their origination, issuance or assumption.

## 1. Capital stock

*Authorized capital*

Unlimited number of common voting and participating shares of no par value

*Issued capital*

	2018	2017
	\$	\$
1 common share	1	1

## 2. Financial risk management objectives and policies

In the normal course of operations, the Company is exposed to and manages various financial risks.

The Company does not enter into financial instrument agreements, including derivative financial instruments for speculative purposes.

The Company's main financial risks and policies are as follows:

### *Exchange risk*

Exchange risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The majority of the Company's revenue and expenditures are related to the term loan that is transacted in U.S. dollars. The company is also incurring minor expenditures in Canadian dollars, therefore has exposure to fluctuations in the Canadian dollar.

On March 31, 2018, the Company had CAD\$ 1,587,202 (CAD\$ 1,569,942 in 2017) in cash, which has been translated into U.S. dollars at the exchange rate prevailing on March 31, 2018.

### 3. Financial risk management objectives and policies (continued)

#### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities. In FY'17 company repaid the outstanding debt, as at March 31, 2018, the company no longer exposed to this risk in respect of its outstanding loan amounts.

#### *Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company manages credit risk through an emphasis on quality in its investment portfolio, which at year-end is all cash and term deposits. The cash and term deposits are held through a Canadian chartered bank and management believes the risk of loss to be remote.

#### *Interest rate risk*

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company was exposed to interest rate risk on its LIBOR rate based on loan payable during the year. In FY'17 company repaid the outstanding debt, as at March 31, 2018, the company no longer has exposure to interest rate risk.

### 4. Related party transactions

During the year, the Company incurred transactions with companies under common control and a shareholder company:

	<b>2018</b>	2017
	\$	\$
Balance sheet accounts		
Interest receivable from TSMC	<b>492,626</b>	<b>492,626</b>
Term Loan to Tata Steel Minerals Canada Ltd	-	-
Advance to TSMC.	<b>3,250,634</b>	<b>3,264,595</b>
Advance to TSMUK LTD	<b>12,181</b>	<b>11,810</b>