
Financial statements of TS Canada Capital Ltd.

March 31, 2016

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

Year ended March 31, 2016 (in U.S. Dollars)

	2016	2015
	\$	\$
Revenue		
Interest	17,530,765	16,872,185
Expenses		
Interest	17,024,149	16,526,044
General administrative expenses	192,419	471,213
Foreign exchange gain/loss	156,056	(441,408)
	17,372,625	16,555,849
Earnings before income taxes	158,140	316,336
Income taxes - current	(23,141)	173,986
Net earnings for the year	181,281	142,350
Retained earnings, beginning of the year	5,061,241	4,918,891
Retained earnings, end of the year	5,242,522	5,061,241

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

TS Canada Capital Ltd.

Balance sheet

As at March 31, 2016 (in U.S. Dollars)

	Notes	2016	2015
Assets		\$	\$
Current assets			
Cash & cash equivalents		1,235,033	3,739,093
Other advances		3,359,610	12,453
Income taxes receivable		58,549	1,219,410
Interest receivable on loan		773,454	1,772,530
		5,426,647	6,743,486
Loan to Tata Steel Minerals Canada	2	449,847,879	449,847,879
		455,274,526	456,591,365
Liabilities			
Current liabilities			
Other current liabilities		430,600	1,928,720
Income taxes payable		-	-
		430,600	1,928,720
Long term debt	3	449,847,879	449,847,879
		450,278,479	451,776,599
Shareholders' equity			
Capital stock	4	1	1
Cumulative translation adjustment		(246,476)	(246,476)
Retained earnings		5,242,522	5,061,241
		4,996,047	4,814,766
		455,274,526	456,591,365

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

Approved on behalf of the Board

_____, Director

_____, Director

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

Year ended March 31, 2016 (in U.S. Dollars)

	Notes	2016	2015
Operating activities			
Net earnings		181,281	142,350
Changes in working capital items			
Other advances		(3,347,156)	4,348,998
Interest receivable on loan		999,076	2,581,642
Other current liability		(1,498,121)	(1,583,975)
Income tax payable		1,160,861	(2,539,172)
		(2,685,341)	2,807,493
		(2,504,060)	2,949,843
Investing activity			
Loan to Tata Steel Minerals Canada Ltd.	3	-	(40,000,000)
Financing activities			
Long-term debt		-	-
Issuance of capital stock		-	-
Effect of change in functional currency			
	2	-	-
Increase in cash and cash equivalents		(2,504,060)	(37,050,157)
Cash and cash equivalents at beginning of year		3,739,093	40,789,250
Cash and cash equivalents at end of year		1,235,033	3,739,093

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

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2016 (in U.S. Dollars)

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. Advances and receivable from Shareholder Corporation are measured at cost.

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2016 (in U.S. Dollars)

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.

2 Term loan to Tata Steel Minerals Canada Ltd.

The loan of US\$449,847,879 (US\$449,847,879 in 2015) to Tata Steel Minerals Canada Ltd. ("TSMC"), a sister company, bears interest at a rate of 3.5% per annum + LIBOR.

The Term loan to TSMC must be reimbursed in 16 equal quarterly installments of US\$28,115,492.

The first repayment must be made on the date falling 39 months after the first utilisation date and subsequent repayments must be made at quarterly intervals from that date. The final repayment instalment must be made on the termination date.

The termination date is defined as falling 84 months from and, including the date of the loan agreement i.e. July 11, 2013.

The repayment of the loan for the following years ending March 31st, shall be made as following:

\$

2017	56,230,985
2018	112,461,970
2019	112,461,970
2020	112,461,970
2021	56,230,985

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2016 (in U.S. Dollars)

3 Long-term debt

In the prior year, the Company entered into a senior secured term loan agreement with a group of banks for an amount of US\$ 449,847,879. The loan bears interest at a percentage rate per annum, which is the aggregate of the applicable margin of 3.39% + LIBOR.

The Company must repay the loan in 16 equal quarterly instalments of US\$ 28,115,492. The first repayment instalment must be repaid on the date falling 39 months after the first utilisation date, and subsequent repayment instalments must be repaid at quarterly intervals from that date. The final repayment instalment must be repaid on the termination date and the termination date is the date falling 84 months from the date of the loan agreement i.e. July 11, 2013.

The repayments for the following years ending March 31 shall be made as follows:

	\$
2017	56,230,985
2018	112,461,970
2019	112,461,970
2020	112,461,970
2021	56,230,985

4 Capital stock

Authorized capital

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

Issued capital

	2016	2015
	\$	\$
1 common share	1	1

5 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:

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2016 (in U.S. Dollars)

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 revenues 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, 2016, the Company had CAD\$ 1,557,976 (CAD 5,076 in 2015) in cash, which has been translated into US dollars at the exchange rate prevailing on March 31, 2016 (March 31, 2015 for 2015).

Liquidity risk

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly in respect of its outstanding loan amounts.

The Company has a back-to-back arrangement with Tata Steel Minerals Canada Ltd. to take care of the cash requirements to service the loans.

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 is exposed to interest rate risk on its LIBOR rate based loan payable.