

OREMCO, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT ACCOUNTANT'S REVIEW REPORT
YEARS ENDED MARCH 31, 2017 AND 2016

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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To The Board of Directors
Oremco, Inc.
New York, NY

We have reviewed the accompanying financial statements of Oremco, Inc. (a corporation), which comprise the balance sheets as of March 31, 2017 and 2016, and the related statements of loss and accumulated deficit and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of company management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the result of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Israeloff, Trattner & Co., P.C.

New York, New York
June 27, 2017

OREMCO, INC.

BALANCE SHEETS

MARCH 31, 2017 AND 2016

ASSETS

| | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash | \$ 13,603 | \$ 36,141 |
| Due from related entities | 45,258 | 88,309 |
| Prepaid expenses, taxes and other current assets | <u>14,006</u> | <u>16,822</u> |
| Total Current Assets | 72,867 | 141,272 |
| | | |
| OTHER ASSET | | |
| Security deposit | <u>51,937</u> | <u>51,937</u> |
| | | |
| TOTAL ASSETS | <u>\$ 124,804</u> | <u>\$ 193,209</u> |

LIABILITIES AND SHAREHOLDERS' DEFICIT

| | | |
|---|--------------------|--------------------|
| Accounts payable | \$ 54 | \$ 71 |
| Accrued expenses | 25,333 | 23,173 |
| Accrued retirement plan contribution | 14,232 | 14,179 |
| Due to related entity | <u>1,671,905</u> | <u>1,464,620</u> |
| | | |
| Total Liabilities | <u>1,711,524</u> | <u>1,502,043</u> |
| | | |
| Common stock, no par value; 200 shares authorized, 100 shares issued and outstanding | 100,000 | 100,000 |
| Accumulated deficit | <u>(1,686,720)</u> | <u>(1,408,834)</u> |
| | | |
| Total Shareholders' Deficit | <u>(1,586,720)</u> | <u>(1,308,834)</u> |
| | | |
| TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT | <u>\$ 124,804</u> | <u>\$ 193,209</u> |

See accompanying notes to financial statements.
See Independent Accountant's Review Report.

OREMCO, INC.

STATEMENTS OF LOSS AND ACCUMULATED DEFICIT

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|-------------------------------------|-----------------------|-----------------------|
| Income | | |
| Service income | \$ 286,065 | \$ 354,086 |
| Reversal of prior termination costs | - | 39,281 |
| Interest income | <u>15</u> | <u>151</u> |
| Total income | 286,080 | 393,518 |
| Operating expenses | <u>563,266</u> | <u>493,041</u> |
| Loss before income taxes | (277,186) | (99,523) |
| Income taxes | <u>700</u> | <u>1,916</u> |
| Net loss | (277,886) | (101,439) |
| Accumulated Deficit - beginning | <u>(1,408,834)</u> | <u>(1,307,395)</u> |
| Accumulated Deficit - end | <u>\$ (1,686,720)</u> | <u>\$ (1,408,834)</u> |

See accompanying notes to financial statements.
See Independent Accountant's Review Report.

OREMCO, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

| | <u>2017</u> | <u>2016</u> |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net loss | \$ (277,886) | \$ (101,439) |
| Adjustments to reconcile net loss to net cash used by operating activities: | | |
| Changes in operating assets and liabilities | | |
| Prepaid expenses and other current assets | 2,816 | (11,883) |
| Security deposit | - | (51,937) |
| Accounts payable | (17) | (5,172) |
| Accrued expenses | 2,160 | (71,100) |
| Accrued retirement plan contribution | <u>53</u> | <u>85</u> |
| Total adjustments | <u>5,012</u> | <u>(140,007)</u> |
| Net cash used by operating activities | (272,874) | (241,446) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Due to related entity | <u>250,336</u> | <u>249,748</u> |
| NET INCREASE (DECREASE) IN CASH | (22,538) | 8,302 |
| CASH- beginning | <u>36,141</u> | <u>27,839</u> |
| CASH- end | <u>\$ 13,603</u> | <u>\$ 36,141</u> |

SUPPLEMENTAL CASH FLOW INFORMATION

| | | |
|----------------|------------------|-----------------|
| Cash paid for: | | |
| Income taxes | <u>\$ 700</u> | <u>\$ 1,916</u> |
| Interest | <u>\$ 54,303</u> | <u>\$ 6,632</u> |

See accompanying notes to financial statements.
See Independent Accountant's Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Oremco, Inc. (the "Company"), a Delaware corporation, is 70% owned by Staalverwerking en Handel, BC, and 30% owned by Corus International Limited, both of which are subsidiaries of Tata Steel Europe Ltd. ("Tata Steel Europe") which is a subsidiary of Tata Steel Limited.

BUSINESS DESCRIPTION

The Company's primary activity is providing services related to the purchase of coal, the principal customer for which is Tata Steel Europe and its subsidiaries and affiliated companies located in Europe. If market forces were to increase the cost of coal in the United States relative to other parts of the world or if Tata Steel Europe were to cease using the Company's services, the Company could be adversely affected.

As of and for the year ended March 31, 2017 and 2016, substantially all of the Company's receivables and its service income was derived from Tata Steel Europe and its subsidiaries and affiliated companies. As a result, the Company's financial position could be adversely affected if any unfavorable events were to occur to any of these companies. The Company's management, however, does not expect such events to occur in the foreseeable future.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

REVENUE RECOGNITION

The Company recognizes revenue when there is evidence that an arrangement exists, services have been rendered or delivery has occurred, the price is fixed or determinable, and collection is reasonably assured.

FINANCIAL INSTRUMENTS

The Company's financial instruments include cash, trade and affiliate accounts payables for which carrying values approximate fair values due to the short maturities of those instruments.

See Independent Accountant's Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES

The Company follows the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”), as revised, on Uncertainty in Income Taxes. The guidance imposes a threshold for determining when an income tax benefit can be recognized for financial statement purposes. The threshold now imposed for financial statement reporting generally is higher than the threshold imposed for claiming deductions in income tax returns. Under the revised guidance, the tax benefit from an uncertain tax position can be recognized for financial statement purposes only if it is more likely than not that the tax position will be sustained upon examination by the taxing authorities including the resolution of appeals or litigation processes, if any. The revised rules also provide guidance on classification of current and deferred income tax assets and liabilities, accounting for interest and penalties associated with tax positions, and income tax disclosures. Management believes there were no material uncertain tax positions at or for the years ended March 31, 2017 and 2016.

The Company provides deferred income taxes resulting from temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets or liabilities at the end of each period are determined using the tax rate expected to be in effect when taxes are actually paid or recovered. Valuation allowances are established when necessary to reduce deferred tax assets to the amount that is more than 50 percent likely of being realized. Temporary differences result principally from net operating losses that are not yet deductible for tax purposes.

The Company files U.S. federal income tax return and state and local income tax returns in New York. Returns filed in these jurisdictions for tax years ended on or after March 31, 2014 are subject to examination by the relevant taxing authorities.

RECENT ACCOUNTING GUIDANCE

Through 2016, the FASB issued various accounting standards updates (“ASU”) to the ASC. The Company did not adopt any new accounting pronouncements during the year ended March 31, 2017 that had a material effect on its financial statements. ASU 2015-14, which amends existing accounting standards for revenue recognition, is generally effective for nonpublic entities for annual periods beginning after December 15, 2018. The Company is currently evaluating the impact of the adoption of this ASU on its financial statements, but does not expect the impact to be material. In addition, management believes that other ASU’s that have a prospective effective date after March 31, 2017, will not have a material impact on its financial statements.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 27, 2017 the date the financial statements were available for issuance.

See Independent Accountant’s Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

2. RELATED PARTY TRANSACTIONS

The Company's principal customers are Tata Steel Europe and its subsidiaries and affiliated companies located in Europe. For the years ended March 31, 2017 and 2016 substantially all of the company's revenue was generated from related party transactions.

3. COMMITMENTS AND CONTINGENCIES

LEASE

On June 2, 2015, the Company entered into a five year lease, through May 31, 2020, on new office space and consolidated all of its operations into this facility. The initial rent was \$79,443 per annum, with customary rent escalations thereafter. According to the terms of the Substitution of Lease Agreement the Company has provided a security deposit of \$79,444 comprising a Letter of Credit for \$27,507 and a cash deposit of \$51,937. Rent expense for continuing operations for the years ended March 31, 2017 and March 31, 2016 was \$87,486 and \$80,486, respectively.

Future payments under lease for rent schedule for the year ending March 31 are as follows:

| <u>Year</u> | |
|-------------|-------------------|
| 2018 | \$ 82,911 |
| 2019 | 83,226 |
| 2020 | 83,226 |
| 2021 | <u>13,871</u> |
| Total | \$ <u>263,234</u> |

LITIGATION

The Company is party to a lawsuit brought by the United Mineworkers of America against all USA subsidiaries of Tata Steel, attempting to obtain additional payments into the Union pension fund. Tata Steel has rejected the claims and management does not expect the Company to incur any significant future costs.

4. FINANCING

The Company participates in a cash management program managed by Tata Steel International (Americas) Inc. ("TSIA"), an affiliated company, under which up to five million dollars of financing is made available to the Company. Interest is presently charged based on the credit given by Bank of America on checking account balances plus 50 basis points. At March 31, 2017, the outstanding balance was \$171,905.

See Independent Accountant's Review Report.

OREMCO, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

4. FINANCING (CONTINUED)

In July 2016 the Company received a loan of \$1,500,000 from Tata Steel Netherland BV, an affiliated company, which was used to substantially pay down the loan from TSIA. The loan had a 90 days term and has been renewed automatically. This loan bears interest at the rate of 5.2% per annum. Total interest cost was \$54,303 and \$6,632 for the years ended March 31, 2017 and 2016, respectively.

5. RETIREMENT PLAN

The Company sponsors a defined contribution plan (the "Plan") which covers substantially all employees of the Company. Under the retirement plan salary reduction provisions of the plan, employees may elect to defer a portion of their compensation, subject to statutory limitations, and have the deferred amounts contributed to their retirement accounts, which become fully vested immediately. The plan also provides for employer discretionary matching contributions.

The Company's contribution in any year is reduced by forfeited nonvested balances of plan members who terminate their employment. The Company's contribution was \$24,359 and \$24,331 for the years ended March 31, 2017 and 2016, respectively.

6. INCOME TAXES

The Company has a tax loss carryover of approximately \$1,740,000 available, which can be used against future taxable income. The deferred tax asset resulting from these carry forward losses has been offset by a valuation allowance due to the uncertainty of future results.

Components of income taxes are as follows:

| | <u>2017</u> | <u>2016</u> |
|-----------------|---------------|-----------------|
| State and local | \$ <u>700</u> | \$ <u>1,916</u> |

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INDEPENDENT ACCOUNTANT'S REPORT ON ADDITIONAL INFORMATION

To the Board of Directors of
Oremco, Inc.

Our report on our reviews of the basic financial statements of Oremco, Inc. for 2017 and 2016 appears on page 1. Those reviews were made primarily for the purpose of expressing a conclusion that there are no material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. The supplementary information included on page 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the inquiry and analytical procedures applied in the reviews of the basic financial statements, but has been compiled from information that is the representation of management. We have not audited or reviewed the supplementary information, and accordingly, we do not express an opinion or provide any assurance on such supplementary information.

Israeloff, Trattner & Co., P.C.

New York, New York
June 27, 2017

OREMCO, INC.

ADDITIONAL INFORMATION

FOR THE YEARS ENDED MARCH 31, 2017 AND 2016

OPERATING EXPENSES

| | | |
|-----------------------------|-------------------|-------------------|
| Salaries | \$ 162,396 | \$ 162,045 |
| Payroll taxes | 12,791 | 12,849 |
| Employees' welfare benefits | 58,366 | 49,767 |
| Retirement plan | 24,359 | 24,331 |
| Bookkeeping expense | 48,000 | 48,000 |
| Dues and subscriptions | 15,333 | 13,685 |
| Interest expense | 54,303 | 6,632 |
| Office expenses | 14,922 | 18,550 |
| Professional fee | 17,075 | 14,500 |
| Rent | 87,486 | 80,486 |
| Telephone | 15,613 | 14,563 |
| Travel | <u>52,622</u> | <u>47,634</u> |
| Total operating expenses | <u>\$ 563,266</u> | <u>\$ 493,041</u> |

See Independent Accountant's Report on Additional Information.