
Financial statements of
TS Canada Capital Ltd.

March 31, 2017

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

Year ended March 31, 2017

(In U.S. Dollars)

	2017	2016
	\$	\$
Revenue		
Interest	4,389,623	17,530,765
Expenses		
Interest	4,258,070	17,024,149
General administrative expenses	27,342	192,419
Foreign exchange loss (gain)	19,565	156,057
	4,304,977	17,372,625
Earnings before income taxes	84,646	158,140
Income taxes – current	86,683	(23,141)
Net earnings for the year	(2,037)	181,281
Retained earnings, beginning of year	5,242,522	5,061,241
Retained earnings, end of year	5,240,485	5,242,522

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

TS Canada Capital Ltd.**Balance sheet**

As at March 31, 2017

(In U.S. Dollars)

	Notes	2017	2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,215,916	1,235,033
Other advances		3,276,405	3,359,610
Income taxes receivables		36,133	58,549
Interest receivable on loan		492,626	773,454
		5,021,080	5,426,646
Loan to Tata Steel Minerals Canada	2	-	449,847,879
		5,021,080	455,274,525
Liabilities			
Current liabilities			
Other current liabilities		27,070	430,599
Long-term debt	3	-	449,847,879
		27,070	450,278,478
Shareholders' equity			
Capital stock	4	1	1
Cumulative translation adjustment		(246,476)	(246,476)
Retained earnings		5,240,485	5,242,522
		4,994,010	4,996,047
		5,021,080	455,274,525

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, 2017
(In U.S. Dollars)

	Notes	2017	2016
		\$	\$
Operating activities			
Net earnings		(2,037)	181,281
Changes in working capital items			
Other advances		83,205	(3,347,157)
Interest receivable on loan		280,829	999,076
Other current liability		(403,530)	(1,498,121)
Income tax receivable		22,416	1,160,861
		(17,080)	(2,685,341)
		(19,117)	(2,504,060)
Investing activities			
Loan to Tata Steel Minerals Canada Ltd.	3		—
Decrease in cash and cash equivalents		(19,117)	(2,504,060)
Cash and cash equivalents, beginning of year		1,235,033	3,739,093
Cash and cash equivalents, end of year		1,215,916	1,235,033

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

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2017

(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.

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2017

(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.

In FY'17 the total loan amount of \$449,847,879 was received through an intercompany global payment direction and receipt for the group.

3. Long-term debt

In FY'17, a company under common control repaid the loan of \$449,847,879 to the external lender on behalf of the company as a result of an intercompany Global Payment Direction and receipt from the group.

4. Capital stock

Authorized capital

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

Issued capital

	2017	2016
	\$	\$
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:

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, 2017, the Company had CAD\$ 1,569,942 (CAD\$1,557,976 in 2016) in cash, which has been translated into U.S. dollars at the exchange rate prevailing on March 31, 2017.

TS Canada Capital Ltd.

Notes to the financial statements

March 31, 2017

(In U.S. Dollars)

5. 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. The Company is exposed to this risk mainly 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. As at March 31, 2017, the company no longer has exposure to interest rate risk.

6. Related party transactions

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

	2017	2016
	\$	\$
Balance sheet accounts		
Interest receivable from TSMC	492,626	773,454
Term Loan to Tata Steel Minerals Canada Ltd	-	449,847,879
Advance to TSMC.	3,264,595	3,347,515
Advance to TSMUK LTD	11,810	12,095