700023 £130

Report of the statutory auditor on the limited statutory examination

with financial statements as of 31 December 2012 of

Stemcor Risk Management AG, Zug

Ernst & Young Ltd
Bundesplatz 1
P O. Box
CH-6304 Zug

Phone +41 58 286 75 55
Fax +41 58 286 75 50
www.ey.com/ch

Building a better working world

To the General Meeting of

Stemcor Risk Management AG, Zug

Zug, 10 June 2014

Report of the statutory auditor on the limited statutory examination

As statutory auditor, we have examined the financial statements (balance sheet, income statement and notes) of Stemcor Risk Management AG for the year ended 31 December 2012. The limited statutory examination of the prior period financial statements was carried out by another statutory auditor.

These financial statements are the responsibility of the Board of Directors. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on the limited statutory examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of company personnel and analytical procedures as well as detailed tests of company documents as considered necessary in the circumstances. However, the testing of operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements and the proposed appropriation of available earnings do not comply with Swiss law and the company's articles of incorporation.

Without qualifying our conclusion, we refer to Note 3 to the financial statements describing the liquidity difficulties the company faced during the financial year ended 31 December 2012. This fact together with other matters disclosed in Note 3 indicates the existence of a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern.

Should the going concern assumption no longer be appropriate, the financial statements would have to be prepared based on liquidation values. In this case a serious concern of over-indebtedness in the sense of article 725 paragraph 2 CO would exist and the relevant provisions would have to be complied with.

Building a better working world

We draw your attention to the fact that, contrary to the requirements of article 699 paragraph 2 CO, the ordinary general meeting of shareholders was not held within six months after the balance sheet date.

Ernst & Young Ltd

Reto Hofer
Licensed audit expert
(Auditor in charge)

Ralph Petermann

Enclosures
- Financial statements (balance sheet, income statement and notes)
- Proposed appropriation of available earnings

STEMCOR RISK MANAGEMENT AG, ZUG

BALANCE SHEET AS OF DECEMBER 31, 2012
(with 2011 comparative figures)

	2012		2011	
	CHF	USD	CHF	USD
ASSETS				
CURRENT ASSETS				
Bank and cash funds	621'834	680'844	4'471'484	4'758'553
Derivative Assets	121'940	133'512	378'285	402'571
Trade accounts receivable				
Third parties	2'325'520	2'546'203	907'259	965'505
Related companies	3'016'788	3'303'069	17'669	18'803
Inventory	-	-	14'508'135	15'439'557
Prepayments	35'078	38'407	47'479	50'527
Total current assets	6'121'160	6'702'035	20'330'310	21'635'516
TOTAL ASSETS	6'121'160	6'702'035	20'330'310	21'635'516
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable				
Third parties	-	-	70'149	74'653
Related companies	1'911'698	2'093'111	15'080'639	16'048'816
Derivative Liability	-	-	64'118	68'234
Accrued liabilities and provisions	630'822	690'684	652'839	694'751
Deferred unrealised gains	121'940	133'512	693'282	737'791
Total current liabilities	2'664'460	2'917'307	16'561'027	17'624'245
SHAREHOLDERS' EQUITY				
Share capital	100'000	85'960	100'000	85'960
Legal reserve	50'000	47'803	50'000	47'803
Loss for the year	(312'583)	(226'543)	(576'231)	(634'519)
Profit / (loss) brought forward	3'619'283	3'877'508	4'195'514	4'512'027
Total shareholders' equity	3'456'700	3'784'728	3'769'283	4'011'271
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6'121'160	6'702'035	20'330'310	21'635'516

STEMCOR RISK MANAGEMENT AG, ZUG

INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012
(with 2011 comparative figures)

	2012		2011	
	CHF	USD	CHF	USD
Turnover	81'906'568	87'885'747	272'924'492	309'168'864
Cost of goods sold	(80'517'752)	(86'395'548)	(273'405'315)	(309'713'540)
GROSS PROFIT	1'388'816	1'490'199	(480'823)	(544'676)
OPERATING EXPENSES				
General and administrative expenses	(1'851'404)	(1'986'556)	(1'465'208)	(1'659'788)
Total operating expenses	(1'851'404)	(1'986'556)	(1'465'208)	(1'659'788)
OPERATING PROFIT	(462'588)	(496'357)	(1'946'031)	(2'204'464)
OTHER INCOME / (EXPENSES)				
Finance income	297'635	319'362	272	308
Finance expense	(71'560)	(76'784)	(42'739)	(48'415)
Unrealised mark to market losses	-	-	(60'235)	(68'234)
Realised mark to market gains/(losses)	63'592	68'234	1'445'727	1'637'720
Translation differences	(101'454)	-	(16'098)	-
Total other income / (expenses)	188'212	310'812	1'326'927	1'521'379
LOSS BEFORE TAXATION	(274'376)	(185'545)	(619'104)	(683'085)
TAXATION	(38'208)	(40'998)	42'873	48'566
NET LOSS FOR THE PERIOD	(312'583)	(226'543)	(576'231)	(634'519)
AVAILABLE EARNINGS, BEGINNING OF THE YEAR	3'619'283	3'877'508	4'195'514	4'512'027
ALLOCATION TO LEGAL RESERVE	-	-	-	-
AVAILABLE EARNINGS, END OF THE YEAR	3'306'700	3'650'965	3'619'283	3'877'508

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Translation of Financial Statements to Swiss Francs - As permitted by Swiss law, the Company maintains its accounting records in US Dollars ("USD"). As required by Swiss law, these statutory financial statements are presented in Swiss Francs. Balance sheet items other than shareholders' equity are translated at the exchange rate in effect at the balance sheet date.

The shareholders' equity is translated at the historical exchange rate. The income statement is translated at the average exchange rate for the year. The loss resulting from this translation is charged to the income statement, whereas gains are deferred.

Foreign Currency Translation - The financial records of the Company are maintained USD. The financial statements have been prepared on the basis that the USD is the functional currency. All assets and liabilities other than USD denominated assets and liabilities are translated at period-end rates.

Unrealised gains and losses – based on the principle of prudence, unrealised losses are recorded in the income statement, whereas unrealised gains are deferred on the balance sheet.

Derivative assets and liabilities – all derivative financial instruments are valued at fair value at each balance sheet date. The assets and liabilities resulting from this valuation are respectively recognized as derivative assets and derivative liabilities on the balance sheet. Derivative exposures with the same counter party are offset when there is a legal right to do so and the intention is to settle net.

The recognition of the unrealised gains in the income statement is deferred until realised. The unrealised gains are presented as deferred unrealised gains in the balance sheet. Unrealised losses are recognised in the income statement (disclosed as unrealised mark to market loss).

Inventory - Inventory consists of stock held at an approved London Metal Exchange ("LME") warehouse prior to warranting and is valued at the lower of cost or net realisable value.

Turnover - Turnover represents the amounts of sales and services provided.

2. RISK ASSESSMENT

The Company is fully integrated into the Stemcor Group-wide risk assessment and management process. The corporate risk management function coordinates the processes and reports to the Board of Directors of the Company on risk and risk management on a regular basis. The risk management system is designed and implemented to identify, assess, reduce and mitigate risks that arise in the course of the Company's business at an early stage. Identified risks are regularly reviewed together with an assessment of the potential impact and related probability. Such risks are managed Group wide through numerous organizational and procedural measures. Organizationally the responsibility for risk assessment and management is allocated to the business Groups. Corporate functions provide the necessary support and controlling activities to ensure effectiveness of the risk management system.

3. GOING CONCERN

In May 2013, the Stemcor Holdings Limited Group (the "Stemcor Group") defaulted on the repayment of its one-year European Revolving Credit Facility ("RCF"). The European RCF default in turn led to a cross-default on the Stemcor Group's Asian RCF and the three-year European RCF. The European RCFs were owed by Stemcor Trade Finance Limited (a UK entity), and the Asian RCF was owed by Stemcor S.E.A. Pvt Limited (a Singapore entity). The Stemcor Group entered into negotiations with a steering committee of the Stemcor Group's senior lenders (the "Co Comm") and agreed to a series of Global Standstill Agreements.

Following an in-depth independent business review (IBR) of the Stemcor Group's business plans by Co Comm and its advisors, a solvent Group-wide Refinancing Plan (the "Refinancing Plan") was agreed in principle in August 2013, was sanctioned by the UK courts under two Schemes of Arrangement in February 2014 and was completed in March 2014. The principal aspects of the Refinancing Plan are:

- a $1.15 billion syndicated committed trade finance facility ("SCTFF") to finance the Stemcor Group's global trading business until 31 December 2015; and
- a $1.30 billion Term Loan to refinance the one-year and three-year European RCFs and Asian RCF debt until 31 December 2015 (the "Term Debt").

Under the SCTFF and Term Debt, the Stemcor Group has covenanted to make minimum Earnings Before Interest, Tax, Depreciation and Amortisation ("EBITDA"), retain minimum Net Current Assets and retain minimum free cash balances on a specified part of the business defined with the lenders as 'core' as well as covenanting to provide information to the Lenders through to December 2015

The Term Debt is to be repaid via an amortisation schedule, plus mandatory prepayments from, selling the Stemcor Group's Indian assets, selling or winding up other non-core businesses, reducing working capital and the refinance of any unpaid balance outstanding at maturity.

The Term Debt also has financial covenants around the disposal of certain assets based on the Stemcor Group's business plan and the subsequent IBR performed by the Co Comm's advisors. Any failure to keep up with these quarterly targets will cause a breach in the new Term Debt and cross default on the SCTFF.

The Stemcor Group is running a sales process to sell its Indian assets, including Brahmani River Pellets Limited and Aryan Mining Limited. Proceeds from the sale of these assets will be used to pay down part of the Term Debt and forms a key part of the amortisation plan. An Investment Bank has been mandated to support the Stemcor Group with the sale, including the production of an Information Memorandum, managing the bidders, co-ordinating the data room and due diligence and liaising with the Stemcor Group. The process is on-going.

The Stemcor Group's financing of its Indian assets was restructured in December 2013, as part of an agreement with creditors to create a stable platform for the sales process. The Stemcor Group is also actively pursuing refinancing opportunities for the Indian assets to protect their position in case of a delay to the sales process. We expect the disposal of Indian assets will lead to an accounting profit as these assets are recorded in the Stemcor Group balance sheet at historical cost.

The Stemcor Group has incurred further losses in 2013 due to (i) lower trading levels due to restricted access to finance and (ii) exceptional restructuring and finance costs. As a consequence of these losses, and without any revaluation of the Indian Assets, the Stemcor

Group presents both a net liability position and a net current liability position as at 31 December 2013. The refinancing on 19 March 2014, resulted in $992m of the term debt becoming repayable in a period greater than 12 months (31 December 2015), improving the Stemcor Group's current position to net current assets.

Following the successful refinancing, management expects the Stemcor Group to return to profitability.

The Directors are aware of the following uncertainties facing the business:

- Realisation of non-core assets, including sale of the Stemcor Group's Indian operations, at a value sufficient to repay the Term Debt;
- Failing to meet the amortisation profile of the Term Debt from the sale or wind down of non-core businesses or reducing working capital causing a breach in covenants; and
- Future trading may not be in line with the latest forecasts due to factors such as an inability to re-establish certain counter-party relationships affected by the credit downgrade of the Stemcor Group during 2013, liquidity constraints as a result of the new financing structure, a failure to complete downsizing quickly enough to improve EBITDA, or deterioration in the overall steel trading environment.

The uncertainties may lead to an inability of the Stemcor Group to generate sufficient cash flow and return sufficient EBITDA to comply with its financial covenants.

The Directors recognise that these uncertainties represent material uncertainties which may cast significant doubt upon the Stemcor Group's ability to continue as a going concern and therefore the Stemcor Group may be unable to continue to realise assets and discharge liabilities in the normal course of business.

The Directors believe the new financing agreements will allow the Stemcor Group to finance prospective trades, and rebuild its business in a controlled manner and trade profitably. The Directors have reviewed current trading, cash flow projections and the facility agreements as part of their assessment of the Stemcor Group's ability to continue as a going concern.

After making reasonable enquiries and carefully considering the matters described above, the Directors have a reasonable expectation that the Stemcor Group will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. The financial statements do not include adjustments that would result if the Stemcor Group were unable to continue as a going concern, which would include writing down the carrying value of assets to their recoverable amount and providing for any further liabilities that might arise.

The Directors of Stemcor Risk Management AG expect the company to continue to provide hedging services for the Stemcor Group. After making reasonable enquiries and carefully considering the matters regarding the Stemcor Group described above, the Directors of Stemcor Risk Management AG have a reasonable expectation that the Company will be able to meet its liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future.

Stemcor Risk Management AG currently has deposited with Stemcor Trade Finance Limited USD 2,500,000 which is repayable upon demand. The Directors regard this amount as recoverable based on Stemcor group management's assessments regarding going concern and consequently no adjustment has been made. The material uncertainty on Stemcor group level also represents a material uncertainty on Stemcor Risk Management AG level which may cast doubt on whether Stemcor Risk Management AG can continue as a going concern.

STEMCOR RISK MANAGEMENT AG, ZUG

PROPOSED APPROPRIATION OF AVAILABLE EARNINGS
FOR THE YEAR ENDED DECEMBER 31, 2012
(Proposal of the Board of Directors) (expressed in Swiss francs)

The Directors of Stemcor Risk Management AG propose that the balance of available earnings at December 31, 2012 amounting to CHF 3,306,700 (2011: CHF 3,619,283) be carried forward.