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**Report of the statutory auditor
on the limited statutory examination**

with financial statements as of 31 December 2014 of

Stemcor Risk Management AG, Zug

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COMPANIES HOUSE



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To the General Meeting of
Stemcor Risk Management AG, Zug

Zurich, 2 May 2016

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) expressed in Swiss Francs of Stemcor Risk Management AG for the year ended 31 December 2014.

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 Stemcor Group faced during the financial year ended 31 December 2014. 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.



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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.

Additionally, we point out 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

A handwritten signature in black ink, appearing to read 'R. Hofer'.

Reto Hofer
Licensed audit expert
(Auditor in charge)

A handwritten signature in black ink, appearing to read 'R. Petermann'.

Ralph Petermann
US Certified Public Accountant

Enclosures

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



STEMCOR RISK MANAGEMENT AG, ZUGBALANCE SHEET AS OF DECEMBER 31, 2014
(with 2013 comparative figures)

	2014		2013	
	CHF	USD	CHF	USD
ASSETS				
CURRENT ASSETS				
Bank and cash funds	276'782	279'505	620'753	697'243
Trade accounts receivable				
Third parties	1'394'636	1'408'355	1'428'938	1'605'015
Related companies	2'158'584	2'179'818	1'443'255	1'621'096
Prepayments	25'086	25'334	13'606	15'283
VAT Recoverable	26'531	26'792	37'058	41'624
Total current assets	3'881'619	3'919'804	3'543'610	3'980'261
TOTAL ASSETS	3'881'619	3'919'804	3'543'610	3'980'261
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Accounts payable				
Related companies	870'248	878'809	169'828	190'754
Accrued liabilities and provisions	38'304	38'681	585'939	658'140
Deferred gain on translation	303'801	-	-	-
Total current liabilities	1'212'353	917'490	755'766	848'894
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	(118'578)	(129'054)	(668'855)	(653'361)
Profit / (loss) brought forward	2'637'844	2'997'605	3'306'700	3'650'965
Total shareholders' equity	2'669'266	3'002'314	2'787'844	3'131'368
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	3'881'619	3'919'804	3'543'610	3'980'261



STEMCOR RISK MANAGEMENT AG, ZUGINCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014
(with 2013 comparative figures)

	<u>2014</u>		<u>2013</u>	
	<u>CHF</u>	<u>USD</u>	<u>CHF</u>	<u>USD</u>
Turnover	1'514'134	1'647'908	2'058'544	2'227'345
Cost of goods sold	<u>(960'635)</u>	<u>(1'045'507)</u>	<u>(1'424'563)</u>	<u>(1'541'377)</u>
GROSS PROFIT	<u>553'499</u>	<u>602'401</u>	<u>633'981</u>	<u>685'968</u>
OPERATING EXPENSES				
General and administrative expenses	<u>(732'144)</u>	<u>(796'829)</u>	<u>(1'265'418)</u>	<u>(1'369'183)</u>
Total operating expenses	<u>(732'144)</u>	<u>(796'829)</u>	<u>(1'265'418)</u>	<u>(1'369'183)</u>
OPERATING PROFIT	<u>(178'645)</u>	<u>(194'428)</u>	<u>(631'437)</u>	<u>(683'215)</u>
OTHER INCOME / (EXPENSES)				
Finance income	43'027	46'828	41'462	44'862
Finance expense	-	-	(13'871)	(15'008)
Translation losses	-	-	(65'010)	-
Total other income / (expenses)	<u>43'027</u>	<u>46'828</u>	<u>(37'419)</u>	<u>29'854</u>
LOSS BEFORE TAXATION	(135'618)	(147'600)	(668'855)	(653'361)
TAXATION	<u>17'040</u>	<u>18'546</u>	-	-
LOSS FOR THE PERIOD	(118'578)	(129'054)	(668'855)	(653'361)
AVAILABLE EARNINGS, BEGINNING OF THE YEAR	<u>2'637'844</u>	<u>2'997'605</u>	<u>3'306'700</u>	<u>3'650'965</u>
ALLOCATION TO LEGAL RESERVE	-	-	-	-
AVAILABLE EARNINGS, END OF THE YEAR	<u>2'519'266</u>	<u>2'868'551</u>	<u>2'637'844</u>	<u>2'997'605</u>



STEMCOR RISK MANAGEMENT AG, ZUG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014 (with 2013 comparative figures)

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 in 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.

Derivative assets and liabilities – all derivative financial instruments are valued at fair value at each balance sheet date. Only unrealised losses are recognized on the balance sheet in line with the Swiss prudence principle.

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, Stemcor Holdings Limited, the former ultimate parent company of the original Stemcor group (Original Group) defaulted on the repayment of its one year European Revolving Credit Facility (RCF). The European RCF in turn led to a cross default on the Original Group's Asian RCF and the three-year European RCF.

The Original Group entered into negotiations with a steering committee of its senior lenders (the CoComm) and agreed to a series of Global Standstill Agreements. Following an in depth review of the business by the CoComm and its advisors, a Restructuring Plan was agreed and implemented in March 2014.

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The restructuring provided trade finance facilities and time for the Original Group to complete its operational restructuring, primarily the sale of its Indian Assets, to enable it to repay the original defaulted loans.

In May 2014, the Supreme Court of India passed a ruling that closed the majority of mines in Odisha, India, including the Original Group's own mining asset. This had an immediate negative impact on the Original Group's Restructuring Plan, as potential value from the Indian assets fell as a result of this action.

In 2015, the Original Group entered into negotiations with its Lenders for a Second Restructuring, which has led to a demerger of the core trading assets of the Original Group into a New Stemcor Group (New Group). The ultimate parent company of the New Group is Stemcor Global Holdings Limited owned by a number of the Lenders of the Original Group.

This Second Restructuring was sanctioned by the UK courts under a Scheme of Arrangement in September 2015 and completed in October 2015. As a result of the demerger, Stemcor Risk Management AG is now part of the New Group, and is a subsidiary of Stemcor Global Holdings Limited. The ability of Stemcor Risk Management AG to continue as a going concern is closely linked to the New Group's ability to continue as a going concern.

The restructuring provided the following positive enhancements for the New Group, compared to the Original Group:

- a) Removal of legacy debt servicing;
- b) Cessation of all advisor fees associated with the restructuring;
- c) A strengthening of the New Group's balance sheet
- d) Provision of \$760m of trade finance working capital facilities (a \$320m borrowing base, and \$440m in trade finance);
- e) A new supportive shareholder structure lead by the anchor shareholder, Apollo;
- f) Implementation of a revised corporate governance structure.

Under the new debt agreements, the New Group is covenanted on its Fixed Charge Cover Ratio (EBITDA to Debt Service Costs), Minimum Free Cash and Current Ratio (current assets to current liabilities). The New Group's Integrated Financial Forecasts (IFF) and Short Term Cash Flow analysis forecast that the New Group will not breach the covenants during the forecast period to the end of 2017.

Following the successful restructuring, the directors expect the New Group to trade profitability. The directors have reviewed current trading, cash flow projections, business forecasts and the facility agreements as part of their assessment of the New Group's ability to continue as a going concern.

However the directors are aware of the following uncertainties facing the business:

- the commodities market is currently subject to a higher degree of volatility, which could result in unforeseen market shocks;
- the planned reduction of administrative costs may take longer to implement than currently forecasted.

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These uncertainties may prevent the New Group from performing in accordance with the IFF and meeting its forecasted EBITDA and covenant compliance, specifically the Fixed Charge Cover covenant.

The directors recognise that these factors represent material uncertainties which may cast significant doubt upon the New Group's, and therefore Stemcor Risk Management AG's ability to continue as a going concern. Therefore the New Group, if impacted by these uncertainties and by consequence its subsidiaries, including Stemcor Risk Management AG, *may be unable to continue to realise assets and discharge liabilities in the normal course of business.*

After making reasonable enquiries and having carefully considered the matters described above, the directors believe that the New Group and its subsidiaries, including Stemcor Risk Management AG, will be able to meet their liabilities as they fall due and will have adequate resources to continue in operational existence for the foreseeable future. Accordingly the directors continue to adopt the going concern basis in preparing the annual report and the financial statements of Stemcor Risk Management AG.

The financial statements do not include the adjustments that would result if Stemcor Risk Management AG *was 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.*

Stemcor Risk Management AG has deposited with Stemcor Holdings 2 Ltd. CHF 3'077'789 as of 31 December 2015 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.

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PROPOSED APPROPRIATION OF AVAILABLE EARNINGS (expressed in Swiss francs)
(Proposal of the Board of Directors)

The Directors of Stemcor Risk Management AG propose that the balance of available earnings at December 31, 2014 amounting to CHF 2'519'266 (2013: CHF 2'637'844) be carried forward.