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# Financial statements of TS Canada Capital Ltd.

(In U.S. dollars)

March 31, 2021

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Independent Auditor's Report

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**TS Canada Capital Ltd.****Balance sheet**

As at March 31, 2021

(In U.S. dollars)

	2021	2020
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	930,876	803,028
Advances (note 5)	3,267,918	3,260,378
Interest receivable on advance (note 5)	492,626	492,626
	<b>4,691,420</b>	4,556,032
	<b>4,691,420</b>	4,556,032
<b>Liabilities</b>		
Current liabilities		
Accounts payable	294,265	232,656
	<b>294,265</b>	232,656
<b>Shareholders' equity</b>		
Capital stock (note 3)	1	1
Cumulative translation adjustment	(246,476)	(246,476)
Retained earnings	4,643,630	4,569,851
	<b>4,397,155</b>	4,323,376
	<b>4,691,420</b>	4,556,032

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 earnings and loss and retained earnings**

Year ended March 31, 2021

(In U.S. dollars)

	2021	2020
	\$	\$
<b>Revenue</b>		
Interest	<b>38,948</b>	22,353
<b>Expenses</b>		
General and administrative expenses	<b>31,890</b>	731,075
Foreign exchange loss (gain)	<b>(66,721)</b>	(5,574)
	<b>(34,831)</b>	725,501
Loss before income taxes	<b>73,779</b>	(703,148)
Current income tax expense	-	-
<b>Net loss for the year</b>	<b>73,779</b>	(703,148)
Retained earnings, beginning of year	<b>4,569,851</b>	5,272,999
<b>Retained earnings, end of year</b>	<b>4,643,630</b>	4,569,851

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

**TS Canada Capital Ltd.**  
**Statement of Cash Flows**  
Year ended March 31, 2021  
(In U.S. dollars)

	2021	2020
	\$	\$
<b>Operating activities</b>		
Net loss for the year	<b>73,779</b>	(703,148)
Changes in non-cash working capital items		
Advances	<b>(7,541)</b>	(25,002)
Interest receivable on advance	-	-
Accounts payable	<b>61,609</b>	225,806
	<b>54,068</b>	200,804
	<b>127,847</b>	(502,344)
Increase (decrease) in cash and cash equivalents	<b>127,847</b>	(502,344)
Cash and cash equivalents, beginning of year	<b>803,028</b>	1,305,372
<b>Cash and cash equivalents, end of year</b>	<b>930,876</b>	803,028

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

## **TS Canada Capital Ltd.**

### **Notes to the financial statements**

Year ended March 31, 2021

(In U.S. dollars)

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#### **1. Nature of operations**

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 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.

#### **2. Accounting policies**

##### *Basis of presentation*

The financial statements are prepared in accordance with ASPE as set out in Part II of the CPA Canada Handbook – Accounting and include the following significant accounting policies:

##### *Accounting estimates*

The preparation of financial statements in accordance with 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 tax-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. Under this method, the Company reports as an expense (income) of the period only the cost (benefit) of current income taxes determined in accordance with the rules established by taxation authorities.

##### *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 loss for the year.

### 3. Accounting policies

#### *Financial instruments*

(a) Measurement of financial instruments

(b) *The Company initially measures its financial assets and financial liabilities at fair value except for certain non-arm's length transactions. The Company subsequently measures all its financial assets and financial liabilities at amortized cost. Financial assets measured at amortized cost include cash and cash equivalents, advances and interest receivable on advance. Financial liabilities measured at amortized cost include other liabilities.*

(c) 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 loss.

(d) 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.

(e) Revenue

Interest income is accrued on a time proportion basis taking into account the principal outstanding and effective interest rate applicable.

### 3. Capital stock

#### *Authorized capital*

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

#### *Issued capital*

	2020	2019
	\$	\$
1 Common share	1	1

## **TS Canada Capital Ltd.**

### **Notes to the financial statements**

Year ended March 31, 2021

(In U.S. dollars)

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#### **4. 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:

##### *Currency risk*

Currency 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 expenses are related to the advances that are transacted in U.S. dollars. The Company also incurs minor expenses in Canadian dollars and therefore has exposure to fluctuations in the Canadian dollar.

On March 31, 2021, the Company had C\$1,173,238 (C\$1,139,256 in 2020) in cash and cash equivalents, which has been translated into U.S. dollars at the exchange rate prevailing on March 31, 2021.

##### *Liquidity risk*

Liquidity risk is the risk that an entity will encounter financial difficulty in meeting obligations associated with financial liabilities.

##### *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 consists of 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.



## TS Canada Capital Ltd.

### Notes to the financial statements

Year ended March 31, 2021

(In U.S. dollars)

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#### 5. Related party transactions

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

	2021	2020
	\$	\$
Balance sheet accounts		
Interest receivable from company under common control	492,626	492,626
Advances to company under common control	3,244,940	3,249,307
Advance to shareholder company	12,490	11,071

Interest receivable represents the interest charged on the advance to TSMC which is due to be settled in fiscal 22.

Advances to company under common control include the inter company advance to TSMC for \$3,597,972 net of an advance from TSMC for \$353,032.

#### 6. Income taxes

Losses amounting to \$514,152 at the federal and provincial levels are available to reduce future gains. The tax benefits of these losses have not been recognized in the non-consolidated financial statements.

Reconciliation of the effective income tax rate to the statutory rate	2021
	\$
Net Income	73,779
Less: Previous Accumulated Losses	(73,779)
Net Adjusted Income	-
Expected tax expense (recovery) at combined tax rate of 26.58%	-
Tax effect of non-deductible expenses for tax purposes	-
Tax effect of other temporary differences & mining taxes	-
	-
Income tax expense	-
	-