

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Report of the Statutory Auditor
Year ended March 31, 2017

May 2017

To the Shareholders of Mpumalanga Mining Resources SA

Independent Auditor's Report

Opinion

We have audited the financial statements of MPUMALANGA MINING RESOURCES SA (MMR SA), which comprise the Balance Sheet as at 31 March 2017, the Income Statement, Statement of changes in equity and Cash Flows Statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements showing a loss of Ariary 1,686,564,473.08 present fairly, in all material respects, the financial position of the Company as at 31 March 2017 and its financial performance and its cash flows for the year then ended in accordance with Malagasy Accounting Standards (PCG 2005).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements of the International Ethics Standard Board for Accountants (IESBA), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Malagasy Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Antananarivo May 9, 2017

Delta Audit

Sahondra RASOARISOA
Managing Director

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Balance Sheets
as at 31 March
(Currency : Ariary)

	Note	2017		2016	
		Gross Value	Amortizations / Impairment	Net Value	Net Value
Assets					
Non-Current Assets					
Intangible assets	3	9,659,553,025.33	(841,152,104.73)	8,818,400,920.60	8,094,986,915.72
Tangible assets	4	643,575,299.02	(243,449,281.20)	400,126,017.82	403,346,053.69
Financial assets		12,617,492.57	-	12,617,492.57	12,617,492.57
Assets in progress		-	-	-	-
Deferred taxes asset	5	772,213,749.55	-	772,213,749.55	772,213,749.55
Total Non-Current Assets		<u>11,087,959,566.47</u>	<u>(1,084,601,385.93)</u>	<u>10,003,358,180.54</u>	<u>9,283,164,211.53</u>
Current Assets					
Trade receivables		-	-	-	-
Other receivables	6	2,055,052,475.84	-	2,055,052,475.84	1,834,633,398.04
Cash and cash equivalents	7	456,200,614.07	-	456,200,614.07	1,654,921,807.67
Total Current Assets		<u>2,511,253,089.91</u>	<u>-</u>	<u>2,511,253,089.91</u>	<u>3,489,555,205.71</u>
Total Assets		<u>13,599,212,656.38</u>	<u>(1,084,601,385.93)</u>	<u>12,514,611,270.45</u>	<u>12,772,719,417.24</u>

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Balance Sheets
as at 31 March
(Currency : Ariary)

Shareholders' Equity and Liabilities	Note	2017	2016
Shareholders' Equity			
Capital issued	8	18,768,000,000.00	16,836,000,000.00
Reserves and premiums		-	-
Retained earnings		(4,704,014,747.66)	(3,191,714,388.06)
Net income		(1,686,564,473.08)	(1,512,300,359.60)
Total Shareholders' Equity		<u>12,377,420,779.26</u>	<u>12,131,985,252.34</u>
Non-current Liabilities			
Provisions		-	28,341,889.16
Total non-current Liabilities		<u>-</u>	<u>28,341,889.16</u>
Current Liabilities			
Trade payables	9	95,684,642.36	530,668,891.10
Other payables	10	41,505,848.83	81,723,384.64
Bank overdraft		-	-
Total Current Liabilities		<u>137,190,491.19</u>	<u>612,392,275.74</u>
Total Equity and Liabilities		<u>12,514,611,270.45</u>	<u>12,772,719,417.24</u>

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Income Statements (by nature)
as at 31 March
(Currency : Ariary)

	Note	2017	2016
Revenue		-	-
Capitalized production		-	-
Production of the year		-	-
Purchases	11	(19,210,532.18)	(20,652,471.04)
External expenses	12	(377,950,406.28)	(392,384,016.94)
Expenses of the year		(397,160,938.46)	(413,036,487.98)
Value Added		(397,160,938.46)	(413,036,487.98)
Staff costs	14	(937,062,994.38)	(837,231,383.59)
Taxes	13	(23,971,893.82)	(47,177,652.63)
Gross margin		(1,358,195,826.66)	(1,297,445,524.20)
Other operating surplus		223,095.45	-
Other operating incomes	15	(208,314,589.13)	(218,165,776.13)
Depreciation and amortization	16	(97,079,653.72)	(255,661,613.69)
Provisions		28,341,889.16	-
Operating Income		(1,635,025,084.90)	(1,771,272,914.02)
Financial incomes	17	129,168,711.15	373,770,522.36
Financial expenses	18	(180,608,099.33)	(114,697,967.94)
Financial Income		(51,439,388.18)	259,072,554.42
Income before taxes		(1,686,464,473.08)	(1,512,200,359.60)
Income Taxes		(100,000.00)	(100,000.00)
Deferred taxes		-	-
Net Income from ordinary activities		157,733,695.76	373,770,522.36
Total expenses on ordinary activities		(1,844,298,168.84)	(1,886,070,881.96)
Net Income from ordinary activities		(1,686,564,473.08)	(1,512,300,359.60)
Extraordinary Expense		-	-
Extraordinary Income		-	-
Net Income from extraordinary activities		-	-
Net Income		(1,686,564,473.08)	(1,512,300,359.60)

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Income Statements (by function)

as at 31 March

(Currency : Ariary)

	<u>2017</u>	<u>2016</u>
Revenue from ordinary activities	-	-
Cost of sales	-	-
Gross profit	-	-
Other operating incomes	28,564,984.61	-
Distribution costs	-	-
Administrative expenses	(1,358,195,826.66)	(1,297,445,524.20)
Other operating expenses	(305,394,242.85)	(473,827,389.82)
Operating Income	<u>(1,635,025,084.90)</u>	<u>(1,771,272,914.02)</u>
Financial Incomes	129,168,711.15	373,770,522.36
Financial expenses	(180,608,099.33)	(114,697,967.94)
Income before Taxes	<u>(1,686,464,473.08)</u>	<u>(1,512,200,359.60)</u>
Income Taxes	(100,000.00)	(100,000.00)
Deferred Taxes	-	-
Net Income from Ordinary Activities	<u>(1,686,564,473.08)</u>	<u>(1,512,300,359.60)</u>
Extraordinary Income	-	-
Extraordinary Expenses	-	-
Net Income	<u>(1,686,564,473.08)</u>	<u>(1,512,300,359.60)</u>

Cash Flow Statements

as at 31 March

(Currency : Ariary)

	<u>2017</u>	<u>2016</u>
Cash flow from operating activities		
Net Income	(1,686,564,473.08)	(1,512,300,359.60)
Adjustments for :		
Depreciation and amortization	97,079,653.72	255,661,613.69
Provisions	(28,341,889.16)	-
Decrease/(increase) in deferred taxes	-	-
Decrease/(increase) in inventories	-	-
Decrease/(increase) in Trade receivables and other receivables	(220,419,077.80)	(1,264,343,452.49)
Decrease/(increase) in Trade payables and other payables	(475,201,784.55)	307,823,830.79
Cash flow provides by operating activities	<u>(2,313,447,570.87)</u>	<u>(2,213,158,367.61)</u>
Cash flows from investments activities		
Disbursements on acquisitions of tangible assets	(817,273,622.73)	(6,093,082,982.37)
Disbursements on acquisitions of long-term financial investments	-	-
Proceeds from sales of assets	-	-
Cash flow from investments activities	<u>(817,273,622.73)</u>	<u>(6,093,082,982.37)</u>
Cash flows from financing activities		
Capital increase in cashes	1,932,000,000.00	9,430,000,000.00
Dividends paid to the shareholders	-	-
Loan issue	-	-
Repayment of loan	-	-
Cash flow from financing activities	<u>1,932,000,000.00</u>	<u>9,430,000,000.00</u>
Net increase/(decrease) in cash flows	<u>(1,198,721,193.60)</u>	<u>1,123,758,650.02</u>
Cash and cash equivalent opening balance	1,654,921,807.67	531,163,157.65
Cash and cash equivalent closing balance	<u>456,200,614.07</u>	<u>1,654,921,807.67</u>
Net increase/(decrease) in cash and cash equivalents	<u>(1,198,721,193.60)</u>	<u>1,123,758,650.02</u>

**MPUMALANGA MINING RESOURCES SA
(MMR SA)**

Statement of Changes in Equity
as at 31 March
(Currency : Ariary)

	Share capital	Retained earnings	Profit/(loss)	Total
Balance as at 31 March 2015	7,406,000,000.00	(2,211,528,982.22)	(980,185,405.84)	4,214,285,611.94
Change in accounting method	-	-	-	-
Correction of errors	-	-	-	-
Other incomes and expenses	-	-	-	-
Allocation of the result of year 2014/2015	-	(980,185,405.84)	980,185,405.84	-
Operations in Capital	9,430,000,000.00	-	-	9,430,000,000.00
Net Income 2015/2016	-	-	(1,512,300,359.60)	(1,512,300,359.60)
Balance as at 31 March 2016	16,836,000,000.00	(3,191,714,388.06)	(1,512,300,359.60)	12,131,985,252.34
Change in accounting method	-	-	-	-
Correction of errors	-	-	-	-
Other incomes and expenses	-	-	-	-
Allocation of the result of year 2015/2016	-	(1,512,300,359.60)	1,512,300,359.60	-
Operations in Capital	1,932,000,000.00	-	-	1,932,000,000.00
Net Income 2016/2017	-	-	(1,686,564,473.08)	(1,686,564,473.08)
Balance as at 31 March 2017	18,768,000,000.00	(4,704,014,747.66)	(1,686,564,473.08)	12,377,420,779.26

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

(Currency : Ariary)

1. PRESENTATION AND ACTIVITIES

Mpumalanga Mining Resources limited, (MMR SA) is a company with unique shareholder managed by an Administrator General, set up on 08 February 2011.

Mpumalanga Mining Resources SA was set up with a start-up capital of Ariary 2,000,000 by Mpumalanga Mining Resources Limited.

In June 2011, as a result of the capital increase through the sole shareholder's cash contribution, the share capital was raised to Ariary 2,850,000,000 divided into 1.425 shares of a nominal value of Ariary 2,000,000 each.

In March 2012, the company's shares were all transferred to TATA Africa Holdings (SA) (Pty) Ltd, then to TAHL (Mauritius) Mining Projects Limited which is currently the company's sole shareholder.

In August 2013, subsequent to the capital increase through the sole shareholder's cash contribution, the share capital amounts to Ariary 4,590,000,000 divided into 2,295 shares of a nominal value of Ariary 2,000,000 each.

In 2014, subsequent to the three capital increases through the sole shareholder's cash contribution, the share capital amounts to Ariary 7,406,000,000 divided into 3.703 shares of a nominal value of Ariary 2,000,000 each.

As at 31 March 2016, the share capital is amounting to Ariary 16,836,000,000 divided into 8,418 shares of a nominal value of Ariary 2,000,000 each subsequent to four capital increases by the sole shareholder's cash contribution.

As at 31 March 2017, subsequent to the capital increase through the sole shareholder's cash contribution, the share capital amounts to Ariary 18,768,000,000 divided into 9,384 shares of a nominal value of Ariary 2,000,000 each.

It has for purpose to make in the territory of the Republic of Madagascar:

- Any services in mining sector;
- And generally, any commercial, industrial, financial, or real estate transactions which can be connected directly or indirectly with the business purpose or with any similar or related business.

The company is a holder of three licences of research "R" for the substance chromite. These licences were delivered on 23 May 2011 and valid for duration of five years as from the date of their delivery.

The licences "R" confer to Mpumalanga Mining Resources SA the exclusive right to make the prospecting and the research within the perimeters. The perimeters of the aforementioned licences contain respectively 656 squares of 625 m², 128 squares of 625 m², 656 squares of 625 m² aside situated mainly in the municipalities of Andriamena, Brieville, Manakana, Ambakireny and Keliloha, district of Tsaratanana, region of Betsiboka.

2. SIGNIFICANT ACCOUNTING POLICIES

Financial statements are established in accordance to the principles and the methods of the Malagasy accounting standards 2005 (PCG 2005) in particular the sectorial Guide Energy - Mines - Water and the fundamental accounting principles below:

- Cut-off principle
- Materiality principle
- Conservatism principle
- Consistency principle
- Historical cost principle
- Principle of intangibility of the opening balance sheet
- Substance over form principle
- Non-offsetting principle.

2.1. Intangible assets

Fixed assets are estimated at their purchasing cost including extra costs.

The expenses incurred after the obtaining of the legal authorization to prospect and which are directly linked to the activities of research are capitalized in intangible assets. However, these intangible assets will be depreciated only in operating phase.

2.2. Tangible assets

Fixed assets are valued in their acquisition cost including the expenses of approach.

The depreciations are linearly calculated in prorata temporis and in following rates:

- | | |
|--------------------------------------|-------|
| - Furniture and fitting | : 10% |
| - Computer hardware | : 25% |
| - Geologist Equipment and tools | : 10% |
| - Office furniture & Equipment | : 10% |
| - Motor & Vehicles | : 20% |
| - Residential furniture and fittings | : 10% |

Tangible assets were depreciated in accordance with their useful life as defined by the Company.

It is advisable to note that the test of impairment (to ensure that MMR's assets are carried at no more than their recoverable amount) was not made.

2.3. Posting of Foreign Currency Operations

Foreign Currency Operations are converted at the foreign exchange rate published by the Central Bank of Madagascar at the date of transaction. The financial accounts in currencies are translated to the current exchange rates in the closing date. The payable and the receivable resulting from transactions in foreign currencies are translated to the current exchange rates in the closing date. The differences of exchange resulting from this revaluation are directly recorded either in losses or in foreign exchange gains.

The exchange rates used for converting accounts on the closing date are the official rates of the Central Bank of Madagascar as at 31 March 2017, that is:

1 USD = 3,221.68 Ariary

3. INTANGIBLE ASSETS

This section is as follows as at 31 March 2017 and 2016 (in Ariary) :

	2017			2016
	Gross Value	Amortizations/ Impairment	Net Value	Net Value
Licences	828,000,000.00	(828,000,000.25)	(0.25)	22,539,999.75
Research Costs	8,817,739,692.00	-	8,817,739,692.00	8,071,558,834.22
Softwares	13,813,333.33	(13,152,104.48)	661,228.85	888,081.75
	<u>9,659,553,025.33</u>	<u>(841,152,104.73)</u>	<u>8,818,400,920.60</u>	<u>8,094,986,915.72</u>

The transactions of intangible assets are as at 31 March 2017 (in Ariary) :

		Gross value 31/03/2016	Transactions of the year		Gross value 31/03/2017
			Acquisitions	Transfers	
Licences	3.1	828,000,000.00	-	-	828,000,000.00
Research Costs	3.2	8,071,558,834.22	746,180,857.78	-	8,817,739,692.00
Softwares		13,355,000.00	458,333.33	-	13,813,333.33
		<u>8,912,913,834.22</u>	<u>746,639,191.11</u>	<u>-</u>	<u>9,659,553,025.33</u>

3.1. Licences

This section is detailed as follows as at 31 March 2017 (in Ariary) :

	Amounts in Ariary
LICENSE N°39657	73,600,920.00
LICENSE N°39655	377,199,540.00
LICENSE N°39656	377,199,540.00
Total	<u>828,000,000.00</u>

3.2. Research costs

There is an increase of the research and development costs of Ariary 746,180,857.78 compared to the financial year ended 31 March 2016. The increase is due to the payment of consultancy fees to the foreign services providers TATA STEEL for technical support to the project, ALS CHEMEX and MINTEK for the analysis of the samples and finally to SRK CONSULTING for the technical review of the project.

In addition, the expenses directly related to the exploration works are capitalized.

4. TANGIBLE ASSETS

Tangible assets are analyzed as follows as at 31 March 2017 and 2016 (in Ariary) :

	2017			2016
	Gross Value	Amortizations/ Impairment	Net Value	Net Value
Motor and vehicles	112,316,688.17	(87,781,706.28)	24,534,981.89	23,164,962.88
Computer and Hardware	40,018,988.67	(27,212,801.84)	12,806,186.83	12,094,593.99
Office furniture and equipment	31,502,011.32	(12,396,804.65)	19,105,206.67	19,303,440.92
Residential furniture and fittings	51,843,826.65	(19,170,002.26)	32,673,824.39	30,337,756.89
Tools and equipment	142,918,170.09	(43,219,042.57)	99,699,127.52	87,029,967.07
Furniture and fittings	264,975,614.12	(53,668,923.60)	211,306,690.52	231,415,331.94
	<u>643,575,299.02</u>	<u>(243,449,281.20)</u>	<u>400,126,017.82</u>	<u>403,346,053.69</u>

Transactions of the tangible assets are detailed as follows as et 31 March 2017 and 2016 (in Ariary) :

	Gross value	Transactions of the year		Gross value
	31/03/2016	Acquisitions	Transfers	31/03/2017
Motor and vehicles	90,316,666.67	22,000,021.50	-	112,316,688.17
Computer and Hardware	33,511,072.00	6,507,916.67	-	40,018,988.67
Office furniture and equipment	28,721,451.32	2,780,560.00	-	31,502,011.32
Residential furniture and fittings	44,823,160.00	7,020,666.65	-	51,843,826.65
Tools and equipment	116,904,111.64	26,014,058.45	-	142,918,170.09
Furniture and fittings	258,664,405.77	6,311,208.35	-	264,975,614.12
	<u>572,940,867.40</u>	<u>70,634,431.62</u>	<u>-</u>	<u>643,575,299.02</u>

5. DEFERRED TAXES-ASSET

The deferred taxes – asset are amounting to Ariary 772,213,749.55 as at 31 March 2017, they result from the claims of taxes ensuing from deductible temporary differences related to tax losses to be carried forward according to the current tax legislation.

There is no change compared to the previous year ended 31 March 2016. Indeed, the management of the company has decided from the financial year ended 31 March 2016 not to raise any more deferred tax – asset ensuing from the tax losses to be carried forward.

6. OTHER RECEIVABLES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Taxes	6.1	2,049,375,557.17	1,829,929,647.36
Other receivables	6.2	5,676,918.67	4,703,750.68
		<u>2,055,052,475.84</u>	<u>1,834,633,398.04</u>

6.1. Taxes

This section is as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
VAT balance carried forward		2,027,416,676.33	1,674,142,372.70
VAT deductible on services		21,395,145.88	155,119,453.93
VAT deductible on purchases		189,902.40	293,988.17
Corporate Tax		373,832.56	373,832.56
		<u>2,049,375,557.17</u>	<u>1,829,929,647.36</u>

The item « Taxes » significantly increased. Indeed, the company VAT credit rose from Ariary 1.829.929.147,36 in 2016 to Ariary 2.049.001.724,61 in 2017, that is an increase of Ariary 219.739.897,88. This significant variation is mainly due to the fact that the company paid Intermittent VAT (Withholding tax on the income of foreign service providers) and VAT for domestic purchases.

6.2. Other receivables

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Advances to suppliers		-	-
Prepaid expenses		5,676,918.67	4,703,750.68
		<u>5,676,918.67</u>	<u>4,703,750.68</u>

7. CASH AND CASH EQUIVALENTS

This section is analyzed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
BMOI sub-account		76,233,633.14	235,854,658.05
BMOI (USD)		379,748,120.14	1,419,022,100.15
Petty cash		218,860.79	45,049.47
		<u>456,200,614.07</u>	<u>1,654,921,807.67</u>

The cash and cash equivalents are Ariary 456,200,614.07 as at 31 March 2017 against Ariary 1,654,921,807.67 during the year ended 31 March 2016. This decrease results from the fact that the sole shareholder TAHL (Mauritius) Mining Projects Ltd has only injected USD 600,000. This is due mainly to the slowing down of the exploration activities which were oriented on mapping and exploration of new areas within the perimeter of MMRSA.

8. SHAREHOLDERS' EQUITY

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Share Capital	8.1	18,768,000,000.00	16,836,000,000.00
Premium and reserves		-	-
Retained earnings	8.2	(4,704,014,747.66)	(3,191,714,388.06)
Profit/(Loss) of the year		<u>(1,686,564,473.08)</u>	<u>(1,512,300,359.60)</u>
		<u>12,377,420,779.26</u>	<u>12,131,985,252.34</u>

8.1 Share capital

During the fiscal year 2017/2016, the sole shareholder TAHL (Mauritius) Mining Projects Ltd subscribed for 966 shares of Ariary Ariary 2,000,000.00 each, it means Ariary 1,932,000,000, thereby increasing the capital from Ariary 18,768,000,000.00 as at 31 March 2017.

8.2 Retained earnings

The loss of the previous financial year ended 31 March 2016 amounting to Ariary (1,512,300,359.60) was allocated to the account « Retained earnings» based on the report of the sole shareholder's decisions on 10 May 2016. As at 31 March 2017 the balance of this account is Ariary (4,704,014,747.66).

9. TRADE PAYABLES

Trade payables comprise as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Trade payables	9.1	79,576,242.36	506,537,903.66
Payables on purchase of tangible assets		-	8,237,237.44
Accruals (Invoices not received)		<u>16,108,400.00</u>	<u>15,893,750.00</u>
		<u>95,684,642.36</u>	<u>530,668,891.10</u>

9.1. Trade payables

The balance of Trade payables is Ariary 79,576,242.36 as at 31 March 2017 :

	<u>Montant en MGA</u>
AMS MADAGASCAR	2,160,000.00
APC RESOURCES SARL	34,904,051.03
BLUEBERRY TRAVEL	3,532,100.00
HK-JF	13,610,200.00
SAHAM ASSURANCE	1,941,123.96
SOMADA	21,100,800.00
OTHERS (Inferior of Ariary 1 million)	<u>2,327,967.37</u>
	<u>79,576,242.36</u>

10. OTHER PAYABLES

The other payables are as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Tax and social contribution- welfare	10.1	22,355,797.33	36,598,076.65
Other payables	10.2	19,150,051.50	45,125,307.99
		<u>41,505,848.83</u>	<u>81,723,384.64</u>

10.1. Tax and social contributions welfare

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
CNAPS		4,251,424.80	6,808,811.52
ESIA		1,822,039.20	2,918,003.18
IRSA		15,199,320.00	15,698,900.00
Withholding tax on income of foreign service providers		1,083,013.33	11,172,361.95
		<u>22,355,797.33</u>	<u>36,598,076.65</u>

10.2. Other payables

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Provision on paid leaves		19,150,051.50	45,117,307.99
Harify Fidele		-	4,000.00
Auguste Martial		-	4,000.00
		<u>19,150,051.50</u>	<u>45,125,307.99</u>

There is a decrease of Ariary 25,971,256.49 which is mainly due to the decrease of provision for paid leave amounting to Ariary 19,150,051.50 as at 31 March 2017.

11. PURCHASES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Purchase of consumables		5,935,337.50	7,481,819.48
Purchase of equipment		-	35,000.00
Water, electricity expenses		3,834,711.77	3,413,482.36
Fuel		2,200,000.00	1,687,000.00
Purchase of clean product and similar items		864,106.87	811,063.20
Administrative expenses		2,946,258.04	4,490,710.00
Other office stationaries		3,430,118.00	2,733,396.00
		<u>19,210,532.18</u>	<u>20,652,471.04</u>

12. EXTERNAL CHARGES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

		<u>2017</u>	<u>2016</u>
Rental expenses	12.1	81.810.031,97	77.685.225,94
Rental of vehicles		690.000,00	-
Maintenance and reparations		2.258.155,60	1.559.433,00
Insurance cost		6.415.896,58	5.986.429,70
Other external services		1.407.983,61	614.100,00
Printing expenses		1.576.344,00	760.900,00
Remuneration of professionals	12.2	147.542.698,00	113.113.572,00
Advertisement, publication and public relation		838.700,00	19.401.370,00
Transport fees of the staff		2.447.800,00	2.626.400,00
Restauration		2.599.130,00	478.000,00
Accomodation		5.622.516,42	14.714.626,71
Travel expenses	12.3	68.968.665,32	68.294.528,55
Communication and internet		37.601.447,82	41.505.895,31
Phone expenses		526.333,34	776.200,00
Banking services & relates		17.644.703,62	44.867.335,73
		<u>377.950.406,28</u>	<u>392.384.016,94</u>

12.1 The rental expenses mainly concern the lease related to the company's premises located in Immeuble Assist and the rent of the head office at 76, rue Victoire Rasoamanarivo, Isoraka.

12.2 The item « Remuneration of professionals » includes mainly the professional fees paid to HK-JURIFISC for various services provided to the company (legal, tax and Administrative assistance), the current year statutory auditor fees and the acting allowances amounting to Ariary 2,500,000.00 paid to the resident deputy administrator general.

This section has increased of Ariary 34,429,126.00 compared to the previous year ended 31 March 2016. This increase is resulting from the professional fees of HK-JURIFISC in connection with the assistance to the company for the tax litigation, the follow up of the renewal process of licenses, the management of the closure of APC service agreement and the termination of Dr. Prasad work contract.

12.3 The travel expenses are related mainly to the purchases of air tickets to allow the consultants deputed by TATA STEEL to travel to Madagascar in accordance with the service provision agreement, also the air tickets paid by MPUMALANGA MINING RESOURCES SA for its expatriates employees during their paid leaves to allow them to return home.

13. TAXES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

	<u>2017</u>	<u>2016</u>
Visa	4.003.573,10	4.404.572,27
Registration fees	18.192.000,00	39.323.195,50
Other taxes	1.776.320,72	3.381.884,86
	<u>23.971.893,82</u>	<u>47.177.652,63</u>

The item « Registration fees » is related to the amounts paid for the registration of the board resolutions and other related documents for the capital increase. This section has significantly decreased of Ariary 23,205,758.81 compared to the year ended 31 March 2016. The decrease is due to the fact that the company has increased only once its share capital during the year ended 31 March 2017.

14. STAFF COSTS

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

	<u>2017</u>	<u>2016</u>
Salaries and wages	935.874.852,82	780.096.465,32
Retirement fund (CNAPS)	19.624.847,65	21.873.627,36
Contribution welfare (ESIA)	7.055.625,40	8.412.873,62
Provision for paid leaves	(25.492.331,49)	26.848.417,29
	<u>937.062.994,38</u>	<u>837.231.383,59</u>

The item « Salaries and wages » showed a significant variation of Ariary 155,778,387.50 which is mainly due to the increase of the employees' salaries, the payment of annual bonuses, the payment of exploration Manager indemnities further to the termination of his work contract and the recruitment of the General Manager Mining in February 2017.

15. OTHER OPERATING EXPENSES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary):

	<u>2017</u>	<u>2016</u>
Mining administration costs	155.952.000,00	155.952.000,00
Fines-Penalties/Donation/	32.791.571,29	9.687.345,85
MMR.SA social action plan	19.570.956,00	34.812.750,00
Operating expenses	61,84	17.713.680,28
	<u>208.314.589,13</u>	<u>218.165.776,13</u>

16. DEPRECIATION AND PROVISION

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary):

	<u>2017</u>	<u>2016</u>
Depreciation of intangible assets	23.225.186,23	166.991.275,87
Depreciation of tangible assets	73.854.467,49	60.328.448,66
Provisions	-	28.341.889,16
	<u>97.079.653,72</u>	<u>255.661.613,69</u>

17. FINANCIAL INCOME

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary):

	<u>2017</u>	<u>2016</u>
Exchange gains	129.168.711,15	373.770.522,36
	<u>129.168.711,15</u>	<u>373.770.522,36</u>

18. FINANCIAL EXPENSES

This section is detailed as follows as at 31 March 2017 and 2016 (in Ariary) :

	<u>2017</u>	<u>2016</u>
Exchange Loss	180.608.099,33	114.697.967,94
	<u>180.608.099,33</u>	<u>114.697.967,94</u>

19. TAXATION

Mpumalanga Mining Resources SA is a limited company with unique shareholder registered in Madagascar. It is governed by the regime of the tax common law. As such, it is subjected to the main regulations and the taxes below:

- Value-added tax (VAT): rate 20%,
- Withholding tax on securities income, interest and dividend income (IRCM),
- Withholding tax on salaries (IRSA),
- Withholding tax on the income of the foreign service provider, previously tax on the transfer (TFT),
- Registration fee.

Regarding Income Tax (IR), Mpumalanga Mining Resources limited company has incurred a fiscal loss of Ariary 1,632,544,498.35. For that purpose, the minimum of taxation of Ariary 100,000.00 is due with respect to the financial year 31 March 2017.

The Company is subjected to the custom duties and taxes in Madagascar for the export and import operations.

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Delta Audit

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**To the Shareholders
of Mpumalanga Mining Resources SA**

Special Report
of the Statutory Auditor
related to the articles 527 and 529
of the Act 2003-036 of January 30, 2004
Year ended 31 March, 2017

Dear Sirs,

According to provisions of the articles 527 - 529 of the law 2003-036 of January 30, 2004 and texts which completed or modified it, we have been informed that there is no operation falling under the aforementioned articles other than those mentioned in the note to the financial Statements.

Antananarivo May 9, 2017
Delta Audit


Sahondra RASOARISOA
Managing Director