

**REVIEW REPORT OF INDEPENDENT AUDITOR**

**as of 31 December 2016**

**Austin Powder Slovakia, s.r.o.**

Bratislava, 13 March 2017

**13 March 2017**

VELOX, s.r.o.  
Bárdošova 33  
831 01 Bratislava

Ing. Miroslav Baláž  
certifikovaný audítor

**Subject: Letter of representation on the 2016 special purpose financial information of Austin Powder Slovakia, s.r.o.**

We are providing this letter of representation further to your review of the special purpose financial information of Austin Powder Slovakia, s.r.o. for the financial year ended on 31 December 2016.

We are expressing our responsibility for preparing the special purpose financial information in accordance with the Austin International, Inc. and Subsidiaries Statement of General Accounting Policy.

We are of the view that the financial information gives a true and fair view of the financial position of the company and of the result for the year.

#### **Errors and fraud**

We acknowledge our responsibility for designing, implementing and maintaining a system of internal control relevant to the preparation and fair presentation of the financial information, so that they are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

We discussed with you the outcome of our estimate of the risk of material misstatement in the financial information caused by fraud or errors. We have disclosed all significant facts relating to all indications of fraud, or allegations thereof, that to our knowledge may have influenced the company, including those reported by employees, former employees, analysts, regulatory authorities or third parties.

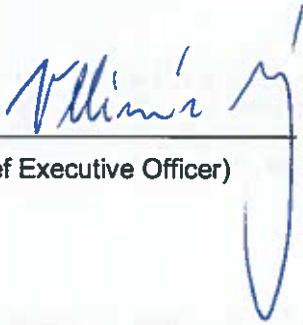
#### **Other representations**

To prevent any misunderstanding, we represent below a number of specific issues that we reported to you orally or otherwise during the review. These representations are based on facts known to us and information obtained from other members of the Board of Management and company employees who have sufficient knowledge and experience.

We hereby represent that:

- all rights and obligations have been adequately recognised and/or disclosed in the special purpose financial information;
- the valuation methods and significant assumptions used in establishing fair value were used consistently, are reasonable and accurately reflect our intentions and ability to implement

- certain policies on the company's behalf that are relevant to the fair value valuation and related disclosures (where applicable);
- we discussed with you the appended summary of review differences found and their impact on the view given by the reporting package; On the basis of our discussions, we see no reason for adjusting the reporting package as, in our view, these errors do not affect the true and fair view the reporting package gives;
  - we have no knowledge of any other unadjusted review differences or have been incorrectly disclosed in the reporting package;
  - we have no knowledge of any actual or potential violations of laws and regulations that must be considered in preparing the reporting package;
  - all information that is relevant to you was made available to you. This includes:
    - the complete financial accounts and all related information;
    - all minutes of Board of Management, shareholder and Supervisory Board meetings;
    - information on matters discussed and decisions made in Board of Management, shareholder and Supervisory Board meetings that have not yet been recorded in minutes;
    - reports on all relevant events after the balance sheet date and information that became available after the balance sheet date; and
    - information on any claims and legal proceedings.
  - we discussed our plans for future operations and financing with you and that we see no reason for doubting the going concern assumption with regard to the operations and their adequate financing;
  - all relevant information made available to you on all parties related to the company and all related-party transactions have been adequately disclosed in the reporting package.



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(Chief Executive Officer)



## **REVIEW REPORT OF INDEPENDENT AUDITOR** to the shareholders of Austin Powder Slovakia, s.r.o.

### ***Review report***

We have reviewed the accompanying special purpose financial information of Austin Powder Slovakia, s.r.o. as of 31 December 2016 and for year ended, prepared for consolidation purposes.

Management is responsible for the preparation and presentation of this special purpose financial information in accordance with Austin International, Inc. and Subsidiaries Statement of General Accounting Policy. Our responsibility is to express a conclusion on this special purpose financial information based on the review.

### ***Scope of review***

We conducted our review in accordance with International Standard on Review Engagement 2400, which applies to a review of historical financial information. A review of historical financial information consists of making inquiries and applying analytical and other review procedures. A review is less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

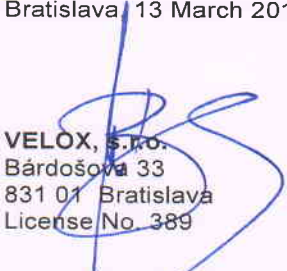
### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that the accompanying special purpose financial information of Austin Powder Slovakia, s.r.o. as of 31 December 2016 and for the year ended has not been prepared, in all material respects, in accordance with the Austin International, Inc. and Subsidiaries Statement of General Accounting Policy.


### ***Restriction on use and distribution***

This special purpose financial information has been prepared for purposes of providing information within preparation of the consolidated financial statements of the Austin International, Inc. group. As a result, the special purpose financial information is not a complete set of financial statements of Austin Powder Slovakia, s.r.o. in accordance with accounting principles generally accepted in United States of America and is not intended to give a true and fair view of the financial position of Austin Powder Slovakia, s.r.o. as of 31 December 2016, and of its financial performance and its cash flow for the year ended in accordance with accounting principles generally accepted in United States of America. The special purpose financial information may, therefore, not be suitable for another purpose and should not be distributed to other parties.

Bratislava, 13 March 2017



VELOX, s.r.o.  
Bárdošova 33  
831 01 Bratislava  
License No. 389



Ing. Miroslav Baláž  
certified Auditor  
License No. 1000

**Austin Powder Slovakia**  
**December 2016**

	12/2016		12/2016
<b><u>In Euro</u></b>		<b><u>In US Dollars</u></b>	
Month End Rate	0,9506000		
<b><u>ASSETS</u></b>		<b><u>ASSETS</u></b>	
Total Cash	241 274	Total Cash	253 812
Receivable, net	430 326	Receivable, net	452 689
Total Inventory	307 189	Total Inventory	323 153
Current Deferred Tax Benefits	0	Current Deferred Tax Benefits	0
Current Restricted Assets	0	Current Restricted Assets	0
Prepaid Expenses	7 431	Prepaid Expenses	7 817
Other Current Assets	0	Other Current Assets	0
<b>Total Current Assets</b>	<b>986 220</b>	<b>Total Current Assets</b>	<b>1 037 471</b>
Total Property, Plant & Equipment	660 554	Total Property, Plant & Equipment	694 881
Accumulated Depreciation	-551 670	Accumulated Depreciation	-580 339
<b>Net Property, Plant &amp; Equipment</b>	<b>108 884</b>	<b>Net Property, Plant &amp; Equipment</b>	<b>114 542</b>
Investments in Consolidated Subs	0	Investments in Consolidated Subs	0
Investments in Unconsolidated Subs	0	Investments in Unconsolidated Subs	0
Affiliates Intercompany	0	Affiliates Intercompany	0
Interco Loan Receivables	0	Interco Loan Receivables	0
Net Intangibles	5 891	Net Intangibles	6 197
Deferred Tax Benefits	36 244	Deferred Tax Benefits	38 127
Restricted Assets	0	Restricted Assets	0
Receivable Taxes Non-Current	0	Receivable Taxes Non-Current	0
Employee Receivables	0	Employee Receivables	0
Other Non Current Assets	0	Other Non Current Assets	0
<b>Total Non Current Assets</b>	<b>42 135</b>	<b>Total Non Current Assets</b>	<b>44 325</b>
<b>Total Assets</b>	<b>1 137 239</b>	<b>Total Assets</b>	<b>1 196 338</b>
<b><u>In Euro</u></b>		<b><u>In US Dollars</u></b>	
Month End Rate	0,9506000		
<b><u>LIABILITIES &amp; EQUITY</u></b>		<b><u>LIABILITIES &amp; EQUITY</u></b>	
Total Overdrafts	0	Total Overdrafts	0
Total Accounts Payable	190 714	Total Accounts Payable	200 625
Total Accrued Expenses	70 921	Total Accrued Expenses	74 607
Notes Payable & Debt - Current	0	Notes Payable & Debt - Current	0
<b>Total Current Liabilities</b>	<b>261 635</b>	<b>Total Current Liabilities</b>	<b>275 232</b>
Notes Payable & Debt - Long Term	0	Notes Payable & Debt - Long Term	0
Interco Loan Payable	867 116	Interco Loan Payable	912 178
Non Current Deferred Tax Liability	0	Non Current Deferred Tax Liability	0
Labor Obligations - Long Term	0	Labor Obligations - Long Term	0
Due to Minority Shareholder	0	Due to Minority Shareholder	0
Other Long Term Liabilities	0	Other Long Term Liabilities	0
<b>Total Long Term Liabilities</b>	<b>867 116</b>	<b>Total Long Term Liabilities</b>	<b>912 178</b>
<b>Total Liabilities</b>	<b>1 128 751</b>	<b>Total Liabilities</b>	<b>1 187 409</b>
Common Stock	611 639	Common Stock	0
Additional Paid in Capital	12 020	Additional Paid in Capital	0
Comprehensive Income	0	Comprehensive Income	0
Cumulative Translation Adj	0	Cumulative Translation Adj	-218 810
Net Retained Earnings	-615 171	Net Retained Earnings	227 738
<b>Total Austin Shareholder's Equity</b>	<b>8 488</b>	<b>Total Austin Shareholder's Equity</b>	<b>8 929</b>
Noncontrolling Interest	0	Noncontrolling Interest	0
<b>Total Equity</b>	<b>8 488</b>	<b>Total Equity</b>	<b>8 929</b>
<b>Total Liabilities &amp; Equity</b>	<b>1 137 239</b>	<b>Total Liabilities &amp; Equity</b>	<b>1 196 338</b>



Austin Powder Slovakia  
December 2016

In Euro  
Month End Rate

<u>INCOME STATEMENT</u>	<u>YTD 12/2016</u>
Total Sales - Manufactured Products	545 000
Total Sales - Resale	1 600 415
Total Sales - Blasting & Drilling Services	883 466
Total Sales - Shipping Revenue	71 958
<b>Third Party Sales &amp; Services</b>	<b>3 100 139</b>
<b>Intercompany Sales &amp; Services</b>	<b>700</b>
<b>Total Sales &amp; Services</b>	<b>3 100 839</b>
Total Costs of Sales & Services	2 608 394
Gross Profit	492 445
Gross Profit %	15.9%
Total Other Operating Revenues	8 401
Field Selling Expense	64 031
R&D Expense	0
Admin Expense	173 874
Total Operating Expenses	237 905
Operating Profit	262 941
Operating Profit %	8.5%
Net Other Income / (Expense)	-55 880
Income Before Taxes	207 061
Federal Income Taxes - Current	0
Foreign Tax	2 880
<b>Net Income</b>	<b>204 181</b>

**REPORT AUDIT (Sholud Be Zero)**

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In US Dollars

<u>INCOME STATEMENT</u>	<u>YTD 12/2016</u>
Total Sales - Manufactured Products	602 303
Total Sales - Resale	1 771 947
Total Sales - Blasting & Drilling Services	981 423
Total Sales - Shipping Revenue	79 763
<b>Third Party Sales &amp; Services</b>	<b>3 434 663</b>
<b>Intercompany Sales &amp; Services</b>	<b>772</b>
<b>Total Sales &amp; Services</b>	<b>3 435 435</b>
Total Costs of Sales & Services	2 890 571
Gross Profit	544 864
Gross Profit %	15.9%
Total Other Operating Revenues	9 332
Field Selling Expense	70 915
R&D Expense	0
Admin Expense	191 858
Total Operating Expenses	262 773
Operating Profit	291 423
Operating Profit %	8.5%
Net Other Income / (Expense)	-60 656
Income Before Taxes	230 768
Federal Income Taxes - Current	0
Foreign Tax	3 030
<b>Net Income</b>	<b>227 738</b>

**REPORT AUDIT (Sholud Be Zero)**

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**Austin Powder Slovakia**  
**Intercompany Profit**  
**US Dollars**  
**December 31, 2016**

<u>Intercompany Purchases in Ending Inventory</u>		<b>EUR</b>	
<u>Supplier (Name of Austin Company)</u>	<u>12 31, 2016</u>	<u>Dec 31, 2016</u>	<u>Inventory</u>
	<u>Balance</u>	<u>Balance</u>	<u>Balance</u>
AD	128 310	121 972	0,9506
APG	53 152	50 526	0,9506
APV	278	264	0,9506

<u>Margin on Intercompany Sales</u>	
<u>Customer (Name of Austin Company)</u>	<u>2016 Average</u>
	<u>Gross Margin</u>
	<u>Gross Margin %</u>
APR	772
	700
	0,9063

*Gayulak*

**Austin Powder Slovakia**  
**Intercompany Schedule**  
**US Dollars**  
**December 31, 2016**

**EUR**

Description	Other Party	Account	Year to Date Balance	Year to Date Balance
<b>Costs</b>				
Professional Fees	Austin Powder Service CZ s.r.o.	GA - Professional Fees	2 440	2 212
Interest Expense	Austin Detonator s.r.o.	Interest Expense	31 763	28 751
Intercompany Support Income	Austin Detonator s.r.o.	Intercompany Support Income	8 893	7 864
Intercompany Support Income	Austin Europe GmbH	Intercompany Support Income	8 849	8 000
Shipping Cost	Austin Powder GmbH	Shipping Cost	177	160
Shipping Cost	Austin Powder Service CZ s.r.o.	Shipping Cost	2 647	2 400
Insurance	Austin Detonator s.r.o.	OCS - Insurance	853	773
Other Expense	Austin Detonator s.r.o.	OCS - Other Expense	2 584	2 343
Insurance	Austin Detonator s.r.o.	SEL - Insurance	-64	-58
Advertise & Promotion	Austin Detonator s.r.o.	SEL - Advertise & Promotion	2 785	2 525
Other Expense	Austin Powder GmbH	SEL - Other Expense	221	200
Insurance	Austin Detonator s.r.o.	GA - Insurance	146	132
<b>Sales &amp; Revenues</b>				
Other Operating Revenue	Austin Detonator s.r.o.	Other Operating Revenue	6 019	5 722
Blasting & Drilling Revenue	Austin Powder Exploziv S.R.L.	Interco Blasting & Drilling Revenue	772	700
Accounts Payable - Intercompany	Austin Detonator s.r.o.	Accounts Payable - Intercompany	76 875	73 077
Accounts Payable - Intercompany	Austin Europe GmbH	Accounts Payable - Intercompany	4 208	4 000
Accounts Payable - Intercompany	Austin Powder GmbH	Accounts Payable - Intercompany	64 468	61 283
Accounts Payable - Intercompany	Austin Powder Service CZ s.r.o.	Accounts Payable - Intercompany	789	750
Interco Loan Payable	Austin Detonator s.r.o.	Interco Loan Payable	912 178	867 116

**Austin Powder Slovakia**  
**Net Income Reconciliation**  
**December 2016**  
**USD**

Preliminary Net Income	191 092
Adjustments (list and describe each major item separately):	
Third Party Mfg Sales	2
Third Party Resale Sales	-1
Third Party Blasting & Drilling Revenue	-3
Third Party Shipping Revenue	-2
Other Operating Revenue	16
MfgOverhead - Depreciation	1
Product Cost - Resale	23 905
Blasting & Drilling Cost	3 059
OthCostSales - Employee Benefits	-261
OthCostSales - Vehicle Expense	353
OthCostSales - Rents & Leases	-45
OthCostSales - Depreciation	-2
OthCostSales - Insurance	-510
OthCostSales - Travel & Entertainment	-1
OthCostSales - Office Expense	-1
OthCostSales - Other Expense	-929
FieldSellExp - Salary & Wages	-1
FieldSellExp - Employee Benefits	-2
FieldSellExp - Vehicle Expense	1
FieldSellExp - Depreciation	-2
FieldSellExp - Insurance	1
FieldSellExp - Professional Fees	1
FieldSellExp - Bad Debt Expense	9 497
FieldSellExp - Other Expense	-1
AdminExp - Salary & Wages	-726
AdminExp - Employee Benefits	-1
AdminExp - Rents & Leases	1
AdminExp - Telephone	1 280
AdminExp - Insurance	239
AdminExp - Travel & Entertainment	-272
AdminExp - Other Expense	-1
Interest Expense	1
Net Foreign Exchange Gain (Loss)	-6
Intercompany Support Income	4 086
Other Income	1
Foreign Tax	-3 030
Final Net Income	<u><u>227 738</u></u>

*Gregory*

**Austin Powder Slovakia**  
**Advertising, R&D, Inventory and Related Party Transactions**  
**Year Ended December 31, 2016**  
**US Dollars**

2016 Advertising Expense 5 328

2016 Research & Development Expense 0

**Inventory at 12/31/16**

Raw Materials	12 839
Work in Process	0
Finished Goods	384 226
Packing Material & Supplies	0
In Transit	0
<b>Total Inventory</b>	<b>397 065</b>

	2016 Sales	2016 Purchases	12/31/16 Receivable	12/31/16 Payable
<b><u>Related Party Transactions</u></b>				
AIDA Alta Engeria s.r.l.	0	0	0	0
Mount Rock Powder Corp. (Philippines)	0	0	0	0
Nitro Explosives Ltd. (Tanzania)	0	0	0	0
Explocen C.A.	0	0	0	0
ENAEX S.A.	0	0	0	0
<b>Total Related Party Transactions</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Describe any other transactions with related parties (such as loans, leases, guarantees, etc.):**

?  
?  
?



Only report transactions with companies listed above. Related party transactions with other Austin companies are not required.

Austin Powder Slovakia  
Fixed Assets  
Year Ended December 31, 2016  
US Dollars

	12/31/15 Balance	Additions	Disposals	Translation	Other *	12/31/16 Balance
<b>Cost</b>						
Land	0	0	0	0	0	0
Buildings	0	2 884	0	-169	0	2 715
Machinery and Equipment	129 585	12 724	-18 658	-3 775	0	119 875
Delivery Equipment	607 861	0	-17 007	-18 564	0	572 290
Construction in Progress	0	0	0	0	0	0
Total Cost	737 446	15 608	-35 665	-22 508	0	694 881

	12/31/15 Balance	Depreciation	Disposals	Translation	Other *	12/31/16 Balance
<b>Accumulated Depreciation</b>						
Buildings	0	-119	0	6	0	-113
Machinery and Equipment	-69 679	-26 030	18 658	2 207	0	-74 843
Delivery Equipment	-508 326	-31 204	17 007	17 142	0	-505 382
Total Accumulated Depreciation	-578 005	-57 353	35 665	19 355	0	-580 338
Net Fixed Assets	159 441	-41 745	0	-3 153	0	114 543

Proceeds from sale 9 219  
Gain(Loss) on disposals 9 219

	Depreciation Method	Depreciation Years
Buildings	n/a	n/a
Machinery and Equipment	linear	4/3
Delivery Equipment	linear	6/4

*Gregory*

Austin Powder Slovakia  
Intangible Assets  
Year Ended December 31, 2016  
US Dollars

	12/31/15	12/31/16
Cost	Balance	Balance
Goodwill Maxam business	6 398	6 197
?	0	0
?	0	0
Total Cost	6 398	6 197

	12/31/15	12/31/16
Accumulated Amortization	Balance	Balance
Goodwill Maxam business	0	0
?	0	0
?	0	0
Total Accumulated Amortization	0	0
Net Intangible Assets	6 398	6 197

Proceeds from sale 0  
Gain(Loss) on disposals 0

Amortization Policy	Amortization Years
Goodwill Maxam business	?
?	?
?	?

\* Please explain all amounts in the Other column below:

?

?