Aleris Rolled Products LLC

Financial Statements and Related Notes As of March 31, 2021

(Unaudited)

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CERTIFICATION

I, Stephanie Rauls, have reviewed the attached unaudited standalone financial statements for Aleris Rolled Products LLC and certify that the information included therein accurately reflects the financial position of Aleris Rolled Products LLC as of March 31, 2021 and the results of its operations for the period April 14, 2020 to March 31, 2021.

By: Stephanie Rauls

Name: Stephanie Rauls
Title: Chief Accounting Officer and Controller
Date: May 20, 2021

Aleris Rolled Products LLC
STATEMENT OF OPERATIONS (UNAUDITED)
(In thousands, except number of shares)

.

	Period Ended March 31, 2021
Net sales	415,974
Cost of goods sold (exclusive of depreciation and amortization)	351,724
Selling, general and administrative expenses	3
Interest expense	1,259
Other expense, net	37,379
	390,365
Income before income taxes	**25,609**
Income tax provision	-
Net income from continuing operations	25,609
Loss from discontinued operations, net of tax	(42,578)
Loss on sale of discontinued operations, net of tax	(24,346)
Net Loss	**(41,315)**

See accompanying notes to financial statements.

Aleris Rolled Products LLC
BALANCE SHEET (UNAUDITED)
(In thousands, except number of shares)

	March 31 ,2021
ASSETS	
Current assets	
Accounts receivable, net	
— third parties (net of uncollectible accounts of $0)	48,621
— related parties	334,055
Inventories	27,472
Fair value of derivative instruments	8,310
Total current assets	**418,458**
Total assets	**418,458**
LIABILITIES AND MEMBER'S EQUITY	
Current liabilities	
Accounts payable	
— third parties	43,023
— related parties	100,990
Fair value of derivative instruments	7,981
Accrued expenses and other current liabilities	362
Total current liabilities	**152,356**
Other long–term liabilities	6
Total liabilities	**152,362**
Member's equity	
Member's capital	307,411
Retained earnings	(41,315)
Total equity	**266,096**
Total liabilities and equity	**418,458**

See accompanying notes to financial statements.

Aleris Rolled Products LLC
STATEMENT OF CASH FLOWS (UNAUDITED)
(In thousands, except number of shares)

	Period ended March 31, 2021
OPERATING ACTIVITIES	
Net loss	(41,315)
Net loss from discontinued operations	66,924
Adjustments to determine net cash provided by operating activities:	
Loss (gain) on change in fair value of derivative instruments, net	23,053
Accounts receivable	(88,691)
Inventory	69,895
Due from Related Party	(200,426)
Accounts payable	67,955
Other current liabilities	2,124
Other noncurrent liabilities	(9,976)
Net cash used in operating activities - discontinued operations	(10,210)
Net cash provided by operating activities	**(120,668)**
INVESTING ACTIVITIES	
Net cash provided by investing activities - discontinued operations	120,668
Net cash used in investing activities	**120,668**
Net cash used in financing activities	-
	-
Net increase (decrease) in cash and cash equivalents	-
	-
Cash and cash equivalents — beginning of period	-
Cash and cash equivalents — end of period	-

See accompanying notes to financial statements.

Aleris Rolled Products LLC
STATEMENT OF MEMBER'S EQUITY (UNAUDITED)
(In thousands, except number of shares)

	Member's Capital	Retained Earnings	Total Equity
Balance as of April 14, 2020	307,411		307,411
Net loss	-	(41,315)	(41,315)
Balance as of March 31, 2021	**307,411**	**(41,315)**	**266,096**

See accompanying notes to financial statements.

Aleris Rolled Products LLC
NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
(In thousands, except number of shares)

1. BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In this unaudited financial statements, references herein to the "Company," "we," "our," or "us" refer to Aleris Rolled Products LLC unless the context specifically indicates otherwise. References herein to "Novelis" refer to Novelis Inc. Novelis acquired Aleris Corporation ("Aleris") in April 2020. Unless otherwise specified, the period referenced is the current fiscal period. Reference to "fiscal 2021," refers to the fiscal period April 14, 2020 to March 31, 2021. These financial statements have been prepared after considering the "push down effect" of value adjustments arising out of the acquisition of the Company by Novelis.

Organization and Description of Business

Aleris Rolled Products LLC is engaged in manufacturing and sales of rolled aluminum. Novelis acquired Aleris on April 14, 2020. All the common shares of Aleris Rolled Products LLC are owned directly by Aleris Rolled Products, Inc. The Company's functional and reporting currency is United States Dollar (USD).

Basis of Presentation

These financial statements have been prepared to satisfy the reporting requirements of the ultimate parent company, Hindalco Industries Limited, for the sole purpose of complying with the Companies Act, 2013 ("The 2013 Act"). In accordance with Sections 136 and 137 of the 2013 Act, it is required to present separate subsidiary financial statements, and Section 137 further requires entities with foreign subsidiaries to submit individual financial statements of such foreign subsidiaries along with its own standalone and consolidated financial statements. Thus, the results of the Company's separate financial statements are included in the consolidated financial statements of our parent, Novelis Inc. and our ultimate parent, Hindalco Industries Limited, and those consolidated financial statements are publicly available.

U.S. GAAP requires that wholly owned subsidiaries, majority-owned subsidiaries over which we exercise control, entities in which we have a controlling financial interest and entities for which we are deemed to be the primary beneficiary be consolidated. The books and records of the Company are prepared and recorded under U.S. GAAP. Accordingly, we have presented these financial statements on a standalone unconsolidated basis, which is a deviation from U.S. GAAP as it is not feasibly possible to present these statements in another basis of accounting other than books and records of the subsidiary. Otherwise, these separate financial statements are prepared in accordance with U.S. GAAP.

These statements have not been audited, as there is no local jurisdictional requirement to present audited standalone subsidiary financial statements. When applicable, Investments in subsidiaries are presented using the cost method.

Use of Estimates and Assumptions

The preparation of our financial statements in accordance with generally accepted accounting principles in the United States ("U.S. GAAP") requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. The principal areas of judgment relate to tax uncertainties and valuation allowances; and assessment of loss contingencies, including environmental and litigation liabilities. the fair value of derivative financial instruments. Future events and their effects cannot be predicted with certainty, and accordingly, our accounting estimates require the exercise of judgment. The accounting estimates used in the preparation of our financial statements may change as new events occur, as more experience is acquired, as additional information is obtained and as our operating environment changes. We evaluate and update our assumptions and estimates on an ongoing basis and may employ outside experts to assist in our evaluations. Actual results could differ from the estimates we have used.

Risks and Uncertainties

We are exposed to a number of risks in the normal course of our operations that could potentially affect our financial position, results of operations, and cash flows.

Risks & Uncertainty resulting from COVID-19

Beginning late in the fourth quarter of fiscal year ended March 31, 2020 and carrying into the current fiscal year, the COVID-19 pandemic, and its unprecedented negative economic implications, have affected production and sales across a range of industries around the world.

Our global operations, similar to those of many other large, multi-national corporations, were also impacted. Early in fiscal year 2021, we were required to partially shut down or temporarily close certain facilities in the United States ("U.S.") and abroad to comply with state orders and governmental decrees and adjust schedules at some of our facilities based on customer demand. The plant shutdowns and adjusted schedules resulting from the COVID-19 pandemic resulted in disruptions to our supply chain, interruptions to our production, and delays of shipments to our customers, mainly during the first quarter of the current fiscal year.

While much of our customer demand and shipments recovered in the majority of our end markets during the second fiscal quarter and remained robust through the remainder of fiscal 2021, the overall extent of the impact of the COVID-19 pandemic on our operating results, cash flows, liquidity, and financial condition will depend on certain developments, including the duration and spread of the outbreak and its impact on our customers, employees, and vendors. We believe this will be primarily driven by the severity and duration of the pandemic, the pandemic’s impact on the U.S. and global economies and the timing, scope, and effectiveness of federal, state, and local governmental responses, including the distribution and adoption of vaccines.

Our application of U.S. GAAP requires the pervasive use of estimates and assumptions in preparing the unaudited financial statements. The global COVID-19 pandemic has required greater use of estimates and assumptions. More specifically, those estimates and assumptions that are utilized in our forecasted cash flows that form the basis in developing the fair values utilized in impairment assessments as well as annual effective tax rate. This has included assumptions as to the duration and severity of the pandemic, timing and amount of demand shifts amongst sales channels (primarily in the automotive industry), workforce availability, and supply chain continuity. We have experienced short-term disruptions and anticipate such disruptions may continue for the foreseeable future but anticipate an eventual return to normal demand. Although we have made our best estimates based upon current information, the effects of the COVID-19 pandemic on our business may result in future changes to our estimates and assumptions based on its duration. Actual results could materially differ from the estimates and assumptions developed by management. If so, we may be subject to future impairment charges as well as changes to recorded reserves and valuations.

Net Sales

We recognize revenue in accordance with the FASB Accounting Standards Codification ("ASC") 606, Revenue from Contracts with Customers ("ASC 606"). Refer Note 8- Revenue from contract with customers for further details.

Cost of Goods Sold (Exclusive of Depreciation and Amortization)

Cost of goods sold (exclusive of depreciation and amortization) includes all costs associated with inventories, including the procurement of materials, the conversion of such materials into finished products, and the costs of warehousing and distributing finished goods to customers. Material procurement costs include inbound freight charges as well as purchasing, receiving, inspection and storage costs. Conversion costs include the costs of direct production inputs such as labor and energy, as well as allocated overheads from indirect production centers and plant administrative support areas. Warehousing and distribution costs include inside and outside storage costs, outbound freight charges and the costs of internal transfers.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include selling, marketing and advertising expenses; salaries, travel and office expenses of administrative employees and contractors; legal and professional fees.

Accounts Receivable – Third Party

We do not obtain collateral relating to our accounts receivable. We do not believe there are any significant concentrations of revenues from any particular customer or group of customers that would subject us to any significant credit risks in the collection of our accounts receivable. We report accounts receivable at the estimated net realizable amount we expect to collect from our customers.

Additions to the allowance for credit losses are made by means of the provision for credit losses. We write-off uncollectible accounts receivable against the allowance for credit losses after exhausting collection efforts. For each of the periods presented, we performed an analysis of our historical cash collection patterns and considered the impact of any known material events in determining the allowance for credit losses. See Note 1 – Accounts Receivable for further discussion.

Derivative Instruments

We hold derivatives for risk management purposes and not for trading. We use derivatives to mitigate uncertainty and volatility caused by underlying exposures to metal prices, foreign exchange rates, interest rates, and energy prices. The fair values of all derivative instruments are recognized as assets or liabilities at the balance sheet date and are reported gross.

We may be exposed to losses in the future if the counterparties to our derivative contracts fail to perform. We are satisfied that the risk of such non-performance is remote due to our monitoring of credit exposures. Additionally, we enter into master netting agreements with contractual provisions that allow for netting of counterparty positions in case of default, and we do not face credit contingent provisions that would result in the posting of collateral.

Consistent with the cash flows from the underlying risk exposure, we classify cash settlement amounts associated with designated derivatives as part of operating activities in the statements of cash flows.

The majority of our derivative contracts are valued using industry-standard models that use observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current ("spot") and forward market prices for commodity and foreign exchange rates. See Note 8-Financial Instruments and Note 9- Fair Value Measurements for further discussion

Inventories

We carry our inventories at the lower of their cost or net realizable value, reduced for obsolete and excess inventory. We use the average cost method to determine cost. Included in inventories are stores inventories, which are carried at average cost. See Note 2 – Inventories for further discussion.

Fair Value of Financial Instruments

ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. ASC 820 also applies to measurements under other accounting pronouncements, such as ASC 825, Financial Instruments ("ASC 825") that require or permit fair value measurements. ASC 825 requires disclosures of the fair value of financial instruments. Our financial instruments may include cash and cash equivalents; certificates of deposit; accounts receivable; accounts payable; foreign currency, energy and interest rate derivative instruments; cross-currency swaps; metal option and forward contracts; share-based compensation; related party notes receivable and payable; letters of credit; short-term borrowings and long-term debt.

The carrying amounts of cash and cash equivalents, certificates of deposit, accounts receivable, accounts payable and current related party notes receivable and payable approximate their fair value because of the short-term maturity and highly liquid nature of these instruments. The fair value of our letters of credit is deemed to be the amount of payment guaranteed on our behalf by third party financial institutions. We determine the fair value of our short-term borrowings and long-term debt based on various factors including maturity schedules, call features and current market rates. We also use quoted market prices, when available, or the present value of estimated future cash flows to determine fair value of our share-based compensation liabilities, short-term borrowings and long-term debt. When quoted market prices are not available for various types of financial instruments (such as currency, energy, and forward contracts), we use standard pricing models with market-based inputs, which take into account the present value of estimated future cash flows. Refer Note-9 Fair Value Measurements for further discussions.

Income Taxes

We account for income taxes using the asset and liability method. This approach recognizes the amount of income taxes payable or refundable for the current year, as well as deferred tax assets and liabilities for the future tax consequence of events recognized in the financial statements and income tax returns. Deferred income tax assets and liabilities are adjusted to recognize the effects of changes in tax laws or enacted tax rates. Under ASC 740, Income Taxes ("ASC 740"), a valuation allowance is required when it is more likely than not that some portion of the deferred tax assets will not be realized. Realization is dependent on generating sufficient taxable income through various sources.

We used the benefits-for-loss method of tax allocation so that net operating losses are characterized as realized (or realizable). Net operating losses (or other current or deferred tax attributes) are characterized as realized (or realizable) when those tax attributes are realized (or realizable) by the group of Novelis Holdings Inc. even if Aleris Rolled Products LLC would not otherwise have realized the attributes on a stand-alone basis

We record tax benefits related to uncertain tax positions taken or expected to be taken on a tax return when such benefits meet a more than likely than not threshold. Otherwise, these tax benefits are recorded when a tax position has been effectively settled, the statute of limitation has expired, or the appropriate taxing authority has completed their examination. Interest and penalties related to uncertain tax positions are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law until such time that the related tax benefits are recognized.

Recently Adopted Accounting Standards

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Standard	Adoption	Description	Disclosure Impact
Accounting Standards Update ("ASU") 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting along with additional technical improvements and clarifications since issued (Issued March 2020)	April 1, 2020	The standard provides transitional guidance and optional expedients and exceptions for applying U.S. GAAP to contract modifications and hedging relationships which reference LIBOR or another reference rate expected to be discontinued.	No impact on company's financial statements
ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes (Issued December 2019)	April 1, 2020	The standard simplifies the accounting for income taxes by eliminating certain exceptions in ASC 740 related to the methodology for calculating income taxes in an interim period. It also clarifies and simplifies other aspects of the accounting for income taxes, improving the consistent application and simplification of U.S. GAAP.	No impact on company's financial statements
ASU 2019-04, Codification Improvements to Topic 326, Financial Instruments - Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments	April 1, 2020	The standard provides various codification updates and improvements to address comments received.	No impact on company's financial statements
ASU 2018-17, Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities (Issued October 2018)	April 1, 2020	This standard eliminates the requirement that entities consider indirect interests held through related parties under common control in their entirety when assessing whether a decision-making fee is a variable interest. Instead, the reporting entity must consider such indirect interests on a proportionate basis.	No impact on company's financial statements
ASU 2018-15, Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (Issued August 2018)	April 1, 2020	This standard requires capitalization of implementation costs incurred in a hosting arrangement that is a service contract. This change will better align with requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected.	No impact on company's financial statements

ASU 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans (Issued August 2018)	April 1, 2020	This standard added requirements for new disclosures such as requiring a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period and also an explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in the other disclosures required by ASC 715. Further, the standard removes some currently required disclosures such as (a) the requirement (for public entities) to disclose the effects of a one-percentage-point change on the assumed health care costs and the effect of this change in rates on service cost, interest cost, and the benefit obligation for postretirement health care benefits and (b) the amounts in accumulated other comprehensive income expected to be recognized in net periodic benefit costs over the next fiscal year.	No impact on company's financial statements
ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment (Issued January 2017)	April 1, 2020	This standard removes Step 2 from the goodwill impairment test. As amended, the goodwill impairment test will consist of one step comparing the fair value of a reporting unit with its carrying amount. Under the simplified model, a goodwill impairment is calculated as the difference between the carrying amount of the reporting unit and its fair value, but not to exceed the carrying amount of goodwill allocated to that reporting unit. This standard will need to be considered each time Novelis performs an assessment of goodwill for impairment under the quantitative test.	No impact on company's financial statements
ASU 2016-13, Financial Instrument-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments along with additional technical improvements and clarifications since issued (Issued June 2016)	April 1, 2020	The standard provides financial statement users with more decision-useful information about expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The current expected credit loss ("CECL") model requires the Company to measure all expected credit losses for financial instruments held at the reporting date based on historical experience, current conditions, and reasonable supportable forecasts.	No impact on company's financial statements
ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the interaction between Topic 808 and Topic 606 (Issued November 2018)	October 1, 2020	The standard clarifies the interaction between Topic 808, collaborative agreements, and Topic 806, Revenue from Contracts with Customers. Targeted improvements served to clarify when transactions between collaborative arrangement participants should be accounted for as revenue under Topic 606.	No impact on company's financial statements

1. ACCOUNTS RECEIVABLE

"Accounts receivable, net" consists of the following:

	March 31, 2021
Trade accounts receivable	48,621
Accounts receivable - third party	**48,621**
Accounts receivable, net - related parties	334,055
Accounts receivable, net	**382,676**

(a) Refer Note-3 Related party transactions for further details.

2. INVENTORIES

Inventories consists of the following:

	March 31, 2021
Finished goods	1,340
Work in process	14,402
Raw materials	11,730
Inventories	**27,472**

3. RELATED PARTY TRANSACTIONS

Included in the accompanying financial statements are transactions and balances arising from business we conduct with our indirect parent and affiliates which we classify as related party transactions and balances. The following table describes the period-end account balances that we had with these related parties, shown as related party balances in the accompanying balance sheet:

	March 31, 2021
Aleris International, Inc.	313,339
Aleris RM, Inc.	20,716
Accounts receivable-related parties	**334,055**
IMCO Recycling of Ohio, LLC	52,346
Aleris Rolled Products, Inc.	9,265
Nichols Aluminum, LLC	32,962
Novelis Corporation	2,167
Aleris Rolled Products Sales Corporation	4,250
Accounts payable-related parties	**100,990**

4. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

"Accrued expenses and other current liabilities" consist of the following:

	March 31, 2021
Accrued taxes	272
Other current liabilities	90
Accrued expenses and other current liabilities - third parties	**362**

5. OTHER EXPENSES

"Other expense, net" is comprised of the following:

	Period ended March 31, 2021
Gains on change in fair value of derivative instruments, net	37,379
Other expenses, net	**37,379**

6. PUSH DOWN ACCOUNTING

Effective April 14, 2020, Novelis acquired 100% equity interest in Aleris for a purchase consideration of $ 2,775,000. Pursuant to this, Novelis allocated the purchase consideration to the Company and all the other group entities. The allocated purchase consideration amounted to $ 307,411. The Company accounted the acquisitions by following the purchase method of accounting wherein allocated purchase consideration was allocated to all the acquired assets-and-assumed-liabilities. The Company has elected to push-down the effects of accounting for the acquisitions under the purchase method from the date of acquisitions, and accordingly all such adjustments are reported in these financial statements. The purchase price paid was allocated as follows:

	Amount
Allocated purchase consideration	307,411
Allocated to:	
Accounts receivable	82,408
Accounts receivable, net - related party	34,248
Inventories	289,593
Fair value of derivative instrument asset	25,187
Fair value of derivative instrument liability	(1,805)
Accounts Payable	(56,425)
Accounts payable, net - related party	(1,614)
Accrued expenses and other current liabilities	(14,709)
Other long–term liabilities	(49,472)
Total	**307,411**

7. REVENUE FROM CONTRACT WITH CUSTOMERS

The Company's contracts with customers are comprised of purchase orders with standard terms and conditions. These contracts typically consist of the manufacture of products, which represent single performance obligations that are satisfied upon transfer of control of the product to the customer at a point in time.

The Company’s revenue for the period April 14, 2020 to March 31, 2021 comprises of below-

	Period Ended March 31, 2021
Net sales to third parties	288,670
Net sales to related parties	127,303
Total	415,974

The Company’s sales to third parties and related parties are all situated in North America, and hence the Company does not have major disaggregation of revenue over the geographical region.

8. FINANCIAL INSTRUMENTS AND COMMODITY CONTRACTS

The gross fair values of our financial instruments and commodity contracts are as follows:

	March 31, 2021				
	Assets		Liabilities		Net Fair Value
	Current	Noncurrent	Current	Noncurrent	Assets/(Liabilities)
Metal contracts	8,310	-	(7,981)	-	329
Total derivative fair value	8,310	-	(7,981)	-	329

Metal

We use derivative instruments to preserve our conversion margins and manage the timing differences associated with metal price lag. We sell over-the-counter derivatives indexed to the LME and Midwest transaction premium aluminum forward contracts to reduce our exposure to fluctuating metal prices associated with the period of time between the pricing of our purchases of inventory and the pricing of the sale of that inventory to our customers, known as "metal price lag". We also purchase forward LME aluminum contracts simultaneous with our sales contracts with customers that contain fixed metal prices. These LME aluminum forward contracts directly hedge the economic risk of future metal price fluctuations to better match the selling price of the metal with the purchase price of the metal.

As of March 31, 2021 we have 30 kt of outstanding aluminum Sales/Purchase contracts. The maximum and average duration of metal forward contracts is 20 months and 6 months, respectively.

The following table summarizes the gains (losses) associated with the change in fair value of derivative instruments recognized in "Loss on change in fair value of derivative instruments, net".

	Period ended March 31, 2021
Derivative Instruments	
Metal contracts	(39,184)
Energy contracts	1,805
Loss on change in fair value of derivative instruments, net	**(37,379)**

9. FAIR VALUE MEASUREMENTS

We record certain assets and liabilities, primarily derivative instruments, on our balance sheets at fair value. We also disclose the fair values of certain financial instruments, including debt and loans receivable, which are not recorded at fair value. Our objective in measuring fair value is to estimate an exit price in an orderly transaction between market participants on the measurement date. We consider factors such as liquidity, bid/offer spreads and nonperformance risk, including our own nonperformance risk, in measuring fair value. We use observable market inputs wherever possible. To the extent observable market inputs are not available, our fair value measurements will reflect the assumptions we used. We grade the level of the inputs and assumptions used according to a three-tier hierarchy:

Level 1 — Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities we have the ability to access at the measurement date.

Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for which there is little or no market data, which require us to develop our own assumptions based on the best information available as what market participants would use in pricing the asset or liability.

The following section describes the valuation methodologies we used to measure our various financial instruments at fair value, including an indication of the level in the fair value hierarchy in which each instrument is generally classified.

Derivative Contracts

For certain derivative contracts with fair values based upon trades in liquid markets, such as aluminum, copper, zinc, foreign exchange, natural gas and diesel fuel forward contracts and options, valuation model inputs can generally be verified and valuation techniques do not involve significant judgment. The fair values of such financial instruments are generally classified within Level 2 of the fair value hierarchy.

The majority of our derivative contracts are valued using industry-standard models with observable market inputs as their basis, such as time value, forward interest rates, volatility factors, and current (spot) and forward market prices. We generally classify these instruments within Level 2 of the valuation hierarchy. Such derivatives include interest rate swaps, cross-currency swaps, foreign currency contracts, aluminum, copper, and zinc forward contracts, natural gas and diesel fuel forward contracts.

We classify derivative contracts that are valued based on models with significant unobservable market inputs as Level 3 of the valuation hierarchy.

For Level 2 and 3 of the fair value hierarchy, where appropriate, valuations are adjusted for various factors such as liquidity, bid/offer spreads and credit considerations (nonperformance risk). We regularly monitor these factors along with significant market inputs and assumptions used in our fair value measurements and evaluate the level of the valuation input according to the fair value hierarchy. This may result in a transfer between levels in the hierarchy from period to period. As of March 31, 2021 we did not have any Level 1 derivative contracts. No amounts were transferred between levels in the fair value hierarchy.

All of the Company's derivative instruments are carried at fair value in the statements of financial position prior to considering master netting agreements.

The following table presents our derivative assets and liabilities which were measured and recognized at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of March 31, 2021. The table below also discloses the net fair value of the derivative instruments after considering the impact of master netting agreements.

	March 31, 2021	
	Assets	Liabilities
Level 2 Instruments		
Aluminum contracts	$ 8,310	$ (7,981)
Total gross	**$ 8,310**	**$ (7,981)**
Netting adjustment (A)	**(7,981)**	**7,981**
Total net	**$ 329**	**$ -**

10. DISCONTINUED OPERATION

On April 14, 2020, Novelis closed the acquisition of Aleris for $2,775,000. As a result of the antitrust review processes in the U.S., required for approval of the acquisition, Novelis were obligated to divest Aleris North American automotive assets, including plant in Lewisport, Kentucky ("Lewisport"). On November 8, 2020, Novelis entered into a definitive agreement with American Industrial Partners for the sale of Lewisport and closed the sale on November 30, 2020. Upon closing, we received $180,000 in cash proceeds. In addition, Aleris Rolled Products Inc has recorded a $17,000 receivable for net working capital adjustments. For the period ended March 31, 2021, the results of operations of Lewisport have been presented within loss from discontinued operations, net of tax in the statements of operations and cash flows of Lewisport have been presented as discontinued operations in the statements of cash flows Loss on Sale of Discontinued Operations. As a result of the transactions above, for the fiscal year ended March 31, 2021 we recorded a loss on sale of discontinued operations of $182,000 (of which $ 24,000 pertains to the discontinued operations in the Company), net of taxes, associated with the sales of Lewisport. Cash flows from the sales of Lewisport are included in the statements of cash flows as net cash provided by investing activities - discontinued operations. An offsetting $12,000 in net cash provided by investing activities - discontinued operations relates primarily to capital expenditures and outflows from the sale of derivative instruments for Lewisport during the period prior to their divestiture.

11. DEBT

On April 14, 2020, the Company borrowed $275,000 under the ABL revolver to fund the merger and repayment of indebtedness of Aleris and its subsidiaries. As of March 31, 2021 the Company has no outstanding balance under ABL revolver.