

**THL Zinc Ventures Ltd**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2013**

THL Zinc Ventures Ltd  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

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**THL Zinc Ventures Ltd**  
**CORPORATE DATA**

		Date of appointment	Date of resignation
<b>DIRECTORS:</b>	Gyaneshwarnath Gowrea	17-Nov-10	-
	Din Dayal Jalan	17-Nov-10	-
	Mohammad Akhtar Janally	16-Feb-12	-
	Sonia Lutcmiah	26-Apr-13	26-Apr-13
	(alternate to Gyaneshwarnath Gowrea)		
<b>ADMINISTRATOR AND SECRETARY:</b>	<p>Multiconsult Limited  Les Cascades Building  Edith Cavell Street  Port Louis  Mauritius</p>		
<b>REGISTERED OFFICE:</b>	(With effect from 31 October 2012)		
	<p>C/o Multiconsult Limited  Les Cascades Building  Edith Cavell  Port Louis  Mauritius</p>		
	(Effective up to 30 October 2012)		
	<p>Multiconsult Limited  Level 3, Rogers House,  5, President John Kennedy Street  Port Louis  Mauritius</p>		
<b>BANKER:</b>	<p>Standard Chartered Bank (Mauritius) Limited  Units 6A and 6B  6th Floor, Raffles Tower, Lot 19  Cybercity  Ebène  Mauritius</p>		
<b>AUDITOR:</b>	<p>Deloitte  7th Floor, Raffles Tower  19 Cybercity  Ebène  Mauritius</p>		

**THL Zinc Ventures Ltd****COMMENTARY OF THE DIRECTORS**

The directors present their commentary, together with the audited financial statements of THL Zinc Ventures Ltd (the "Company") for the year ended 31 March 2013.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding.

**RESULTS AND DIVIDEND**

The Company's loss for the year ended 31 March 2013 is USD 22,087 (2012 - USD 546,571).

The directors do not recommend the payment of dividend for the year under review (2012: NIL).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Mauritius Companies Act 2001.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITOR**

The auditor, Deloitte, has indicated its willingness to continue in office and will be automatically re-appointed.

**SECRETARY'S CERTIFICATE**

We certify to the best of our knowledge and belief that we have filed with the Registrar of Companies, all such returns as are required of THL Zinc Ventures Ltd under the Mauritius Companies Act 2001 for the year ended 31 March 2013.

**For Multiconsult Limited**

Les Cascades Building  
Edith Cavell Street  
Port Louis  
Mauritius

Date:

## **Independent auditor's report to the shareholder of THL Zinc Ventures Ltd**

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This report is made solely to the company's shareholder, as a body, in accordance with section 205 of the Mauritius Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholder those matters we are required to state to the shareholder in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder as a body, for our audit work, for this report, or for the opinions we have formed.

### **Report on the Financial Statements**

We have audited the financial statements of **THL Zinc Ventures Ltd** on pages 5 to 23 which comprise the statement of financial position at 31 March 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibilities for the financial statements*

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in compliance with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies. They are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements on pages 5 to 23 give a true and fair view of the financial position of **THL Zinc Ventures Ltd** as at 31 March 2013 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the requirements of the Mauritius Companies Act 2001 in so far as applicable to Category 1 Global Business Licence companies.

### **Report on other legal requirements**

In accordance with the requirements of the Mauritius Companies Act 2001, we report as follows:

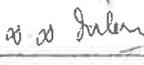
- we have no relationship with, or interests in, the company other than in our capacity as auditors;
- we have obtained all information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by the company as far as appears from our examination of those records.

**THL Zinc Ventures Ltd**  
**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2013**

	Note	2013 USD	2012 USD
<b>ASSETS</b>			
<b>Non-current asset</b>			
Investments in subsidiary	5	709,001,000	709,001,000
<b>Current assets</b>			
Other receivables	6	413,696	396,200
Cash and cash equivalents		54,833	73,725
<b>Total current assets</b>		<b>468,529</b>	<b>469,925</b>
<b>TOTAL ASSETS</b>		<b>709,469,529</b>	<b>709,470,925</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Stated capital	7	10,000,001	10,000,001
Accumulated losses		(581,487)	(559,400)
<b>Total equity</b>		<b>9,418,514</b>	<b>9,440,601</b>
<b>Current liabilities</b>			
Optionally convertible redeemable preference shares	8	700,000,000	700,000,000
Other payables	9	51,015	30,324
<b>Total liabilities</b>		<b>700,051,015</b>	<b>700,030,324</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>709,469,529</b>	<b>709,470,925</b>

These financial statements have been approved by the Board of Directors on and signed on its behalf by:

  
 \_\_\_\_\_  
 Director

  
 \_\_\_\_\_  
 Director

The notes on pages 9 to 23 form an integral part of these financial statements  
 Auditor's report on page 4

**THL Zinc Ventures Ltd**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	<u>Note</u>	<u>2013</u> USD	<u>2012</u> USD
INCOME	11	17,544	18,082
ADMINISTRATIVE EXPENSES		(22,135)	(547,109)
FINANCE COSTS	12	<u>(17,496)</u>	<u>(17,544)</u>
LOSS BEFORE TAXATION	13	(22,087)	(546,571)
TAXATION	14	<u>-</u>	<u>-</u>
LOSS FOR THE YEAR		<u>(22,087)</u>	<u>(546,571)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(22,087)</u>	<u>(546,571)</u>

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The notes on pages 9 to 23 form an integral part of these financial statements  
 Auditor's report on page 4

**THL Zinc Ventures Ltd**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	<u>Stated capital</u> USD	<u>Accumulated losses</u> USD	<u>Total equity</u> USD
At 1 April 2011	10,000,001	(12,829)	9,987,172
Total comprehensive loss for the year	<u>-</u>	<u>(546,571)</u>	<u>(546,571)</u>
At 31 March 2012	<u>10,000,001</u>	<u>(559,400)</u>	<u>9,440,601</u>
At 1 April 2012	10,000,001	(559,400)	9,440,601
Total comprehensive loss for the year	<u>-</u>	<u>(22,087)</u>	<u>(22,087)</u>
At 31 March 2013	<u>10,000,001</u>	<u>(581,487)</u>	<u>9,418,514</u>

**THL Zinc Ventures Ltd**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2013**

	<u>Note</u>	<u>2013</u> USD	<u>2012</u> USD
<b>Operating activities</b>			
Net cash used in operating activities	10	<u>(18,940)</u>	<u>(916,073)</u>
<b>Investing activities</b>			
Net interest received		<u>48</u>	<u>538</u>
Net cash generated from investing activities		<u>48</u>	<u>538</u>
<b>Net movement in cash and cash equivalents</b>		<b>(18,892)</b>	<b>(915,535)</b>
<b>Cash and cash equivalents at beginning of year</b>		<u>73,725</u>	<u>989,260</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>54,833</u></u>	<u><u>73,725</u></u>

The notes on pages 9 to 23 form an integral part of these financial statements  
Auditor's report on page 4

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013

**1. REPORTING ENTITY AND BUSINESS ACTIVITY**

THL Zinc Ventures Ltd (the "Company") was incorporated in Mauritius, under the Mauritius Companies Act 2001, on 28 February 2008 as a private company. The Company was set up as a Category 2 Global Business Licence company and pursuant to a shareholder resolution of 18 November 2010, the Company changed its legal regime to a Category 1 Global Business Licence company. The Company's registered office address is c/o Multiconsult Limited, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius. The Company's principal activity is investment holding.

**2. BASIS OF PREPARATION**

**(a) Statement of compliance**

The financial statements are prepared in accordance with and comply with the International Financial Reporting Standards ("IFRS").

**(b) Basis of preparation**

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

**(c) Functional and presentation currency**

The financial statements of the Company are expressed in the United States Dollars ("USD"). The Company's business or other activities is carried out in a currency other than the Mauritian Rupee, which is a requirement of the Financial Services Act 2007. The Company's functional currency is USD, the currency of the primary economic environment in which the Company operates.

**(d) Use of estimates and judgements**

The preparation of financial statements in accordance with IFRS requires the directors and management to exercise judgement in the process of applying the accounting policies. It also requires the use of accounting estimates and assumptions that may affect the reported amounts and disclosures in the financial statements. Judgements and estimates are continuously evaluated and are based on historical experience and other factors, including expectations and assumptions concerning future events that are believed to be reasonable under the circumstances. The actual results could, by definition therefore, often differ from the related accounting estimates.

Where applicable, the notes to the financial statements set out areas where management has applied a higher degree of judgement that have a significant effect on the amounts recognised in the financial statements, or estimations and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of investments

Determining whether investments in unquoted companies are impaired requires an estimation of the value in use of these investments. The value in use calculation requires the directors to estimate the future cash flows expected to arise from these investments and a suitable discount rate in order to calculate present value. The actual results could, however, differ from the estimates.

The directors have determined that no impairment loss was required to be recognised on the basis that the recoverable amounts of the investments in unquoted companies are higher than their carrying amounts.

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

2. BASIS OF PREPARATION (CONT'D)

(d) Use of estimates and judgements (Cont'd)

Determination of functional currency

The determination of functional currency of the Company is critical since recording of transactions and exchange differences arising are dependent on the functional currency selected. The directors have determined that the functional currency of the Company is the United States Dollars (USD) as the transactions are in USD.

3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 April 2012.

3.1 Revised Standards applied with no material effect on the financial statements

The following relevant revised Standards have been applied in these financial statements. Their application has not had any significant impact on the amounts reported for current and prior periods but may affect the accounting for future transactions or arrangements.

IAS 12	Income Taxes - Limited scope amendment (recovery of underlying assets)
IFRS 7	Financial Instruments: Disclosures - Amendments enhancing disclosures about transfers of financial assets

3.2 New and revised Standards in issue but not yet effective

At the date of authorisation of these financial statements, the following relevant Standards were in issue but effective on annual periods beginning on or after the respective dates as indicated:

IAS 1	Presentation of Financial Statements - Amendments to revise the way other comprehensive income is presented (effective 1 July 2012)
IAS 1	Presentation of Financial Statements - Amendments resulting from Annual Improvements 2009-2011 Cycle (Comparative Information) (effective 1 January 2013)
IAS 27	Consolidated and Separate Financial Statements - Reissued as IAS 27 Separate Financial Statements (as amended in 2011) (effective 1 January 2013)
IAS 27	Consolidated and Separate Financial Statements - Amendments for investment entities (effective 1 January 2014)
IAS 32	Financial Instruments: Presentation - Amendments to application guidance on the offsetting of financial assets and financial liabilities (effective 1 January 2014)

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**3. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (CONT'D)**

**3.2 New and revised Standards in issue but not yet effective (cont'd)**

IAS 32	Financial Instruments: Presentation - Amendments resulting from Annual Improvements 2009-2011 Cycle (tax effect of equity distributions (effective 1 January 2013))
IFRS 7	Financial Instruments: Disclosures - Amendments related to the offsetting of assets and liabilities (effective 1 January 2013)
IFRS 7	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
IFRS 9	Financial Instruments - Classification and measurement of financial assets (effective 1 January 2015)
IFRS 9	Financial Instruments - Reissue classification and measurement of financial liabilities and derecognition requirements (effective 1 January 2015)
IFRS 9	Financial Instruments: Disclosures - Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures (effective 1 January 2015)
IFRS 10	Consolidated Financial Statements - Original issue (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments to transitional guidance (effective 1 January 2013)
IFRS 10	Consolidated Financial Statements - Amendments for investment entities (effective 1 January 2014)
IFRS 12	Disclosures of Interests in Other Entities - Original issue (effective 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities - Amendments to transitional guidance (effective 1 January 2013)
IFRS 12	Disclosures of Interests in Other Entities - Amendments for investment entities (effective 1 January 2014)
IFRS 13	Fair Value Measurement (effective 1 January 2013)

The directors anticipate that these IFRSs will be applied on their effective dates in future periods in the financial statements for the annual periods beginning on the respective dates as indicated above. The directors have not yet had an opportunity to consider the potential impact of the application of these amendments.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A summary of the most important accounting policies, which have been applied consistently, is set out below.

(a) **Foreign currency transaction**

*Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The functional currency of the Company is the United States Dollars (USD). The financial statements are presented in United States Dollar which is the Company's presentation currency.

*Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(b) Revenue recognition

Revenues earned by the Company are recognised on the following basis:-

*Interest income*

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

*Dividend income*

Dividend income from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably).

(c) Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the consideration required to settle the obligation at the reporting date. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

(d) Investments in subsidiaries

Investments in subsidiaries are stated at cost. Any impairment in the value of the investment is recognised by reducing the carrying amount of the investment to its recoverable amount and charging the difference to the statement of comprehensive income.

On disposal of an investment the difference between the net disposal proceeds and the carrying amount is charged or credited to the statement of comprehensive income.

The Company has taken advantage of paragraph 10 of the International Accounting Standard 27 - Consolidated and Separate Financial Statements which dispenses it from the need to present consolidated Financial Statements. The Company is wholly owned by Vedanta Resources Plc. which prepares group financial statements that comply with International Financial Reporting Standards and these are available from the company secretary, Vedanta Resources Plc, 16 Berkeley Street, London W1J 8DZ and at [www.vedantaresources.com](http://www.vedantaresources.com).

(e) Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) *Financial assets*

Financial assets are classified into 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(i) *Financial assets (cont'd)*

*Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at Fair Value Through Profit or Loss.

*Loans and receivables*

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost less impairment.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in statement of comprehensive income.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(e) **Financial instruments (cont'd)**

(i) *Financial assets (cont'd)*

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through statement of comprehensive income to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) *Financial liabilities and equity instruments issued by the Company.*

**Classification as debt or equity**

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

**Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Compound instruments**

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Financial instruments (cont'd)

(ii) *Financial liabilities and equity instruments issued by the Company (Cont'd)*

**Compound instruments (cont'd)**

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

**Financial liabilities**

Financial liabilities are classified as either financial liabilities 'at Fair Value Through Profit or Loss' or 'other financial liabilities'.

**Other financial liabilities**

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amount received, net of transaction costs.

**Derecognition of financial liabilities**

The Company derecognises financial liabilities when, the Company's obligations are discharged, cancelled or they expire.

(f) Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any, and the carrying amount of the asset is reduced to its recoverable amount.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is provided on the comprehensive basis using the liability method. Deferred tax liabilities are recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the relevant entity intends to settle its current tax assets and liabilities on a net basis.

(i) Related parties

Related parties are individuals and companies where the individual or company has the ability directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions, or vice versa.

(j) Cash and cash equivalents

Cash comprises cash at bank and term deposits. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**5. INVESTMENTS IN SUBSIDIARY**

	<u>2013</u> USD	<u>2012</u> USD
At 01 April and 31 March	<u>709,001,000</u>	<u>709,001,000</u>

Details of the investments held during the year are provided below:

Company	Country of Incorporation	Types of Shares	No of Shares Held 2013 and 2012	% Holding		Value of Investments at cost	
				2013	2012	2013 USD	2012 USD
THL Zinc Limited	Mauritius	Ordinary	90,010	100%	100%	9,001,000	9,001,000
THL Zinc Limited	Mauritius	Optionally convertible Redeemable Preference Shares	7,000,000	78.1%	78.1%	700,000,000	700,000,000
<b>Total</b>						<u><u>709,001,000</u></u>	<u><u>709,001,000</u></u>

The optionally convertible redeemable preference shares carry interest at the rate of 0.25% p.a.. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the issuer at any time. The directors have confirmed that they will not opt for conversion within the next twelve months.

The Company has adopted the policy of measuring its investment at cost. The directors are of the opinion that the investment are fairly stated at cost and have not suffered any impairment in value.

**6. OTHER RECEIVABLES**

	<u>2013</u> USD	<u>2012</u> USD
Amount due from THL Zinc Ltd	373,000	373,000
Interest on preference shares	40,696	23,200
	<u>413,696</u>	<u>396,200</u>

The amount due from THL Zinc Ltd, the subsidiary, is unsecured, interest free and repayable on demand.

**7. STATED CAPITAL**

	<u>2013</u> USD	<u>2012</u> USD
<b>Ordinary shares</b>		
<u>Issued and Fully Paid</u>		
At 01 April and 31 March	<u>10,000,001</u>	<u>10,000,001</u>

The shares in the capital of the Company comprise of 1 ordinary share of par value USD 1 and 100,000 ordinary shares of par value USD 100 each, issued to Sterlite Infra Limited.

The ordinary shares carry voting rights and a right to dividend.

Pursuant to a shareholder's resolution dated 03 December 2010, there has been an alteration in the capital structure of the Company such that henceforth all subsequent issuance of ordinary shares will be made of par value USD 100. There was no change to the existing 1 ordinary share of no par value.

**8. OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS")**

The Company has issued 7 Million, 0.25% Optionally Convertible Redeemable Preference Shares (OCRPS) of USD 1 each with a premium of USD 99 each to Sterlite Infra Limited, the holding company, incorporated in India pursuant to a board resolution dated 03 December 2010. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the Company at any time.

In accordance with paragraph 16 of IAS 32 Financial Instruments: Presentation, the Optionally Convertible Redeemable Preference Shares (OCRPS) have been classified as a liability.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**9. OTHER PAYABLES**

	<u>2013</u> USD	<u>2012</u> USD
Audit fees	7,720	7,025
Other payables	2,599	99
Accrued interest on optionally convertible redeemable preference shares	40,696	23,200
At 31 March	<u>51,015</u>	<u>30,324</u>

**10. NET CASH USED IN OPERATING ACTIVITIES**

	<u>2013</u> USD	<u>2012</u> USD
Loss before taxation	(22,087)	(546,571)
Adjusted for :		
- Interest income	(17,544)	(18,082)
- Interest expense	17,496	17,544
<b>Operating loss before working capital changes</b>	<u>(22,135)</u>	<u>(547,109)</u>
Adjustments for changes in working capital:		
Increase in other receivables	(17,496)	(390,532)
Increase in other payables	20,691	21,568
Cash used in operating activities	<u>(18,940)</u>	<u>(916,073)</u>

**11. INCOME**

	<u>2013</u> USD	<u>2012</u> USD
Interest on preference shares	17,496	17,544
Interest on fixed deposit	48	538
	<u>17,544</u>	<u>18,082</u>

**12. FINANCE COSTS**

	<u>2013</u> USD	<u>2012</u> USD
Interest on optionally convertible redeemable preference shares	<u>17,496</u>	<u>17,544</u>

**13. LOSS BEFORE TAXATION**

The loss before taxation for the year is arrived at after charging:

	<u>2013</u> USD	<u>2012</u> USD
Audit fees	<u>4,720</u>	<u>14,950</u>

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

14. TAXATION

The Company is a "Category 1 Global Business Licence Company" for the purpose of the Financial Services Act 2007. The profit of the Company, as adjusted for income tax purposes, is subject to income tax at 15%. It is, however, entitled to a tax credit equivalent to the higher of the foreign taxes paid and 80% of the Mauritius Tax on its foreign source income.

Interest income earned by the Company from its bank in Mauritius is exempt from tax and there is no tax on capital gains on investments in Mauritius.

At the end of the reporting date, the Company had tax losses amounting to USD 575,150 (2012: USD 553,015)

The directors have in accordance with the Company's accounting policy not recognised any deferred tax in asset as the probability of taxable profit arising in future is remote.

The estimated accumulated tax losses are available for offset against future taxable profits of the Company up to the financial year ending:

	2013 USD	Expiry Date
31 March 2011	6,444	2016
31 March 2012	546,571	2017
31 March 2013	22,135	2018
	575,150	

Tax reconciliation

The reconciliation of the applicable income tax rate of 15% (2012: 15%) and the effective tax rate of 0% (2012: 0%) is as follows:

	2013 %	2012 %
Applicable income tax rate	15.00	15.00
Less: Deferred tax asset not recognised	(15.00)	(15.00)
Effective income tax rate	-	-

15. RELATED PARTY TRANSACTIONS

During the year ended 31 March 2013, the Company traded with related parties. The nature and volume of transactions with the entities are as follows:

Name of company	Relationship	Nature of Transaction	2013 USD	2012 USD
THL Zinc Ltd	Subsidiary	Interest income	17,496	17,544
Sterlite Infra Limited	Holding company	Interest expense	17,496	17,544
<u>Outstanding balances</u>				
THL Zinc Ltd	Subsidiary	Receivable	373,000	373,000
THL Zinc Ltd	Subsidiary	Interest receivable on OCRPS	40,696	23,200
Twin Star Holdings Ltd.	Group company	Payable	99	99
Sterlite Infra Limited	Holding company	Interest payable on OCRPS	40,696	23,200
Sterlite Infra Limited	Holding company	Optionally convertible redeemable preference shares	700,000,000	700,000,000

The amount due from THL Zinc Ltd is unsecured, interest free and repayable on demand.

The amount due to Twin Star Holdings Ltd. is unsecured, interest free and repayable on demand.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

15. RELATED PARTY TRANSACTIONS (CONT'D)

**Compensation to Key Management Personnel**

No compensation to key management personnel was paid during the year (2012: USD Nil).

16. FINANCIAL INSTRUMENTS

**Significant accounting policies**

Details of significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial assets, financial liabilities and equity instrument are disclosed in note 4 to the financial statements.

**Fair values**

The carrying amounts of other receivables, cash at bank, and other payables approximate their fair values.

**Categories of financial instruments**

	<u>2013</u> USD	<u>2012</u> USD
<b>Financial assets</b>		
Other receivables	413,696	396,200
Cash and cash equivalents	54,833	73,725
	<u>468,529</u>	<u>469,925</u>
<b>Financial liabilities</b>		
Optionally convertible redeemable preference shares	700,000,000	700,000,000
Other payables	51,015	30,324
	<u>700,051,015</u>	<u>700,030,324</u>

**Currency profile**

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	<b>Financial assets 2013 USD</b>	<b>Financial liabilities 2013 USD</b>	<b>Financial assets 2012 USD</b>	<b>Financial liabilities 2012 USD</b>
United States Dollars	<u>468,529</u>	<u>700,051,015</u>	469,925	700,030,324

17. FINANCIAL RISK MANAGEMENT

**Strategy in using financial instruments**

The Company's activities expose it to a variety of financial risks: Market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**17. FINANCIAL RISK MANAGEMENT (CONT'D)**

The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

(a) Market Risk Management

Market risk is the risk that changes in market prices, foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(b) Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Any excess cash and cash equivalents of the Company are invested in short-term time deposits and liquid funds.

The following table details the Company's exposure to interest rate risks. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

	Up to 1 year	Non-interest bearing	Total
<b>31 March 2013</b>			
<b>Assets</b>			
Other receivables	-	413,696	413,696
Cash and cash equivalents	-	54,833	54,833
<b>Total assets</b>	<b>-</b>	<b>468,529</b>	<b>468,529</b>
<b>Liabilities</b>			
Optionally convertible redeemable preference shares	700,000,000	-	700,000,000
Other payables	-	51,015	51,015
<b>Total liabilities</b>	<b>700,000,000</b>	<b>51,015</b>	<b>700,051,015</b>
<b>31 March 2012</b>			
	Up to 1 year USD	Non-interest bearing USD	Total USD
<b>Assets</b>			
Other receivables	-	396,200	396,200
Cash and cash equivalents	-	73,725	73,725
<b>Total assets</b>	<b>-</b>	<b>469,925</b>	<b>469,925</b>
<b>Liabilities</b>			
Optionally convertible redeemable preference shares	700,000,000	-	700,000,000
Other payables	-	30,324	30,324
<b>Total liabilities</b>	<b>700,000,000</b>	<b>30,324</b>	<b>700,030,324</b>

The Optionally Convertible Redeemable Preference Shares are not sensitive to movement in interest rates.

**THL Zinc Ventures Ltd**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2013**

**17. FINANCIAL RISK MANAGEMENT (CONT'D)**

(b) Interest Rate Risk Management (Cont'd)

**Interest Rate Sensitivity**

A 100 basis point is the sensitivity rate used internally by key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points higher / lower and all other variables were held constant, the net loss for the year ended 31 March 2013 would increase / decrease by USD NIL (2012: USD Nil ) on account of Financial assets.

(c) Liquidity risk management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. The table below illustrates the maturity profile of the Company's financial liabilities.

<u>31 March 2013</u>	<u>Up to 1 year USD</u>	<u>Total USD</u>
<b>Liabilities</b>		
Optionally convertible redeemable preference shares	700,000,000	700,000,000
Other payables	51,015	51,015
Total	<u>700,051,015</u>	<u>700,051,015</u>
 <u>31 March 2012</u>		
	<u>Up to 1 year USD</u>	<u>Total USD</u>
<b>Liabilities</b>		
Optionally convertible redeemable preference shares	700,000,000	700,000,000
Other payables	30,324	30,324
Total	<u>700,030,324</u>	<u>700,030,324</u>

THL Zinc Ventures Ltd  
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2013

17. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company may adjust the amount of dividends paid to shareholder, return on capital to shareholder, issue new shares or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity and reserves. Net debt is calculated as total borrowings (including current and non-current borrowings) less cash and cash equivalents.

The capital structure of the company consists of stated capital and accumulated losses.

*Gearing ratio*

The gearing ratio at the year end was as follows:

	<u>2013</u> USD	<u>2012</u> USD
Debt (i)	700,000,000	700,000,000
Cash and cash equivalents	(54,833)	(73,725)
Net debt	<u>699,945,167</u>	<u>699,926,275</u>
Equity (ii)	<u>9,418,514</u>	<u>9,440,601</u>
Net debt to equity ratio (%)	7,432	7,414

(i) Debt is defined as short-term borrowings.

(ii) Equity includes all capital and reserves of the company.

(e) Currency risk management

There is no significant exchange rate risk as substantially all financial assets and financial liabilities are denominated in United States Dollar which is the functional currency of the company.

The investment in the subsidiary is denominated in United States dollars and therefore, the company is not exposed to movement in exchange rates on realisation of the investments.

18. EVENTS AFTER THE REPORTING PERIOD

There have been no material events after reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2013.

19. HOLDING AND ULTIMATE HOLDING COMPANY

The Company's immediate holding company is Sterlite Infra Limited, a company established in India. The Company's intermediate holding company is Vedanta Resources Plc a company incorporated in the United Kingdom. The ultimate holding company is Volcan Investments Limited, a company incorporated in the Bahamas.

THL Zinc Ventures LtdINCOME STATEMENT FOR THE YEAR ENDED 31 MARCH 2013

	<u>2013</u> USD	<u>2012</u> USD
<b>INCOME</b>		
Interest on preference shares	17,496	17,544
Interest on fixed deposit	<u>48</u>	<u>538</u>
	<u>17,544</u>	<u>18,082</u>
<b>ADMINISTRATIVE EXPENSES</b>		
Filing and registration fees	(310)	(990)
Professional fees	(14,900)	(530,900)
Audit fees	(4,720)	(14,950)
Director fees	(2,000)	-
Bank charges	<u>(205)</u>	<u>(269)</u>
	<u>(22,135)</u>	<u>(547,109)</u>
<b>FINANCE COSTS</b>		
Interest on preference shares	<u>(17,496)</u>	<u>(17,544)</u>
	<u>(17,496)</u>	<u>(17,544)</u>
<b>LOSS BEFORE TAXATION</b>	<u>(22,087)</u>	<u>(546,571)</u>
<b>TAXATION</b>	<u>-</u>	<u>-</u>
<b>LOSS FOR THE YEAR</b>	<u>(22,087)</u>	<u>(546,571)</u>