THL ZINC NAMIBIA HOLDINGS (PROPRIETARY) LIMITED

(Registration Number: 98/227)

ANNUAL FINANCIAL STATEMENTS
31 MARCH 2019

GENERAL INFORMATION

Country of incorporation and domicile	NAMIBIA
Nature of business and principal activities	Exploration, development, treatment, production and sale of zinc and associated minerals concentrates.
Registered office	24 Orban Street Klein Windhoek Windhoek
Postal address	P O Box 30 Windhoek
Ultimate holding company	Vedanta Resources Ltd
Holding company	100% held subsidiary of THL Zinc Limited, a company incorporated in Mauritius.
Bankers	First National Bank of Namibia Limited Standard Bank Namibia Limited
Auditors	Ernst & Young Namibia
Company registration number	98/227
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Emma Laubscher CA (SA) (Head of Financial Reporting & Shared Services).
Published	30 April 2019

THL ZINC NAMIBIA HOLDINGS (PROPRIETARY) LIMITED

GROUP ANNUAL FINANCIAL STATEMENTS
31 March 2019

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DIRECTORS' APPROVAL OF THE GROUP ANNUAL FINANCIAL STATEMENTS

The group annual financial statements set out on pages 4 to 57 were approved by the board of directors on 30 April 2019 and are signed on their behalf by:

DIRECTOR

DIRECTOR

EY
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF THL ZINC NAMIBIA HOLDINGS (PROPRIETARY) LIMITED

Opinion

We have audited the consolidated and separate financial statements of THL Zinc Namibia Holdings (Proprietary) Limited (the Group) set out on pages 4 to 57, which comprise the directors' report, the consolidated and separate statement of financial position as at 31 March 2019, and the consolidated and separate statement of comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group as at 31 March 2019, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group in accordance with the independence requirements applicable to performing audits in Namibia which is consistent with the International Ethics and Standards Board for Accountants' Code of Ethics for Professional Accountants (Part A and B). We have fulfilled our other ethical responsibilities in accordance with the ethical requirements applicable to performing audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the general information and the directors' approval on page 1. The other information does not include the consolidated and separate financial statements and our auditor's report thereon. Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, and for such internal control as the directors determine is necessary to enable the preparation of consolidate and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separated financial statements, the directors are responsible for assessing the group's and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group and/or the company or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's and company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and or the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Ernst & Young

Ernst & Young
Partner - Jaco Coetzee
Registered Accountants and Auditors
Chartered Accountant (Namibia)

Windhoek

Date: 2 May 2019

REPORT OF THE DIRECTORS
for the year ended 31 March 2019

The directors have pleasure in presenting their report on the activities of the company and the group for the year ended 31 March 2019.

GENERAL REVIEW

The company was incorporated in Namibia on 16 June 1998, for the purpose of owning investments in companies involved in mineral exploration, mining and beneficiation. The company's holding company is THL Zinc Limited, a company incorporated in Mauritius. The ultimate holding company is Vedanta Resources Ltd, incorporated in the United Kingdom which in turn is controlled by Mr Anil Agarwal and persons closely related to him.

The results of the company and the group are fully set out in the attached financial statements.

The authorised share capital of 4 000 (2018: 4 000) and issued share capital of 820 (2018: 820) ordinary shares have remained unchanged during the year.

The following companies are wholly owned subsidiaries of THL Zinc Namibia Holdings (Proprietary) Limited:

Skorpion Zinc (Proprietary) Limited

This company is a holding company, and its significant wholly owned subsidiaries are:

Skorpion Mining Company (Proprietary) Limited

This company is the holder of Mining Licence ML108 which holds the exclusive right to mine precious, base and rare metals over a certain portion of land in the Karas region, near Rosh Pinah. The mining licence was issued on 28 July 2000 for a period of twenty-five years. The company mines zinc ore by conventional open pit method. The ore is sold to Namzinc (Proprietary) Limited. The company also conducts exploration activities.

Namzinc (Proprietary) Limited

This company owns and operates a zinc refinery. The ore bought from Skorpion Mining Company (Proprietary) Limited is processed and refined to produce special high-grade zinc.

Namzinc (Proprietary) Limited has one significant capital project currently ongoing, namely the Sulphide Conversion project. The sulphide conversion project is a project, which allows for the conversion of the current refinery to treat both sulphide and oxide ore in order to extract the final zinc metal.

During the 2015 financial year, management made an assessment as to whether the sulphide conversion project is economically viable. Based on this assessment, the company commenced capitalisation and revised the estimated useful lives of the assets and the timing of the decommissioning and rehabilitation expense accordingly.

The financial statements have been prepared on the assumption that the refinery conversion will be approved, however no final decision has been made as to whether the refinery conversion will materialise. If the decision to discontinue the refinery conversion had been made before the approval of the 2019 financial statement of the company, it would have had the following impact on the financial results of Namzinc (Pty) Ltd as at 31 March 2019:

- Property, plant and equipment which would have been used in the refinery conversion and therefore depreciated over Gamsberg units of production of 1.8million metric tons over a period of 12 years will have accelerated depreciation of N$ 562 million.
- Capital work in progress directly related to the refinery conversion of N$ 173 million will have to be impaired assuming a zero recoverable amount.
- The decommissioning and restoration liability will have to be increased with N$ 158 million to reflect the fair value of the provision as at the reporting date.

Other subsidiaries, joint ventures and investments are listed in note 5 and 6 of the annual financial statements.

REPORT OF THE DIRECTORS (continued)
for the year ended 31 March 2019

DIVIDENDS

During the year under review no dividends were declared (2018: N$ nil).

STATEMENT OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements and their report appears on pages 2 to 3. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act in Namibia.

The directors are also responsible for the Company's and group's system of internal financial controls. These are designed to provide reasonable, but not absolute, assurance as to the reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets, and to prevent, and detect misstatement and loss. Nothing has come to the attention of the directors to indicate that any material breakdown in the functioning of these controls, procedures, and systems has occurred during the period under review.

The directors are satisfied that the company and group has access to adequate resources to remain a going concern for the foreseeable future. The group and company annual financial statements on pages 4 to 57 have therefore been prepared on a going concern basis.

The group and company annual financial statements were approved by the board of directors and signed on its behalf by directors on page 1.

PROPERTY, PLANT AND EQUIPMENT

Capital expenditure during the year amounted to N$454.4 million (2018: N$697.4 million).

DIRECTORS

The directors in office during the year and at the date of this report were as follows:

D Naidoo**
I Simataa***
P Singla*

*Indian
**South African
***Namibian

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
as at 31 March 2019

	Notes	Group		Company	
		2019	2018	2019	2018
		N$ '000	N$ '000	N$ '000	N$ '000
ASSETS					
NON-CURRENT ASSETS		2 462 358	1 698 104	257 582	257 582
Property, plant and equipment	2	1 778 121	1 639 721	-	-
Intangible asset	3	8 889	8 733	-	-
Group company loans	11	668 129	-	-	-
Other non-current assets	8	-	32 272	-	-
Investments	5, 6	7 219	7 135	257 582	257 582
Related party receivables	11	-	10 243	-	-
CURRENT ASSETS		2 637 433	2 682 210	999 740	1 000 204
Group company loans	11	739 562	1 329 124	-	-
Related party receivables	11	11 717	3 665	999 648	999 648
Inventory	9	510 487	430 405	-	-
Trade and other receivables	10	351 561	345 150	30	94
Taxation	22.2	2	-	-	-
Cash and cash equivalents	12	1 024 104	573 866	62	462
TOTAL ASSETS		5 099 791	4 380 314	1 257 322	1 257 786
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES		3 794 668	3 556 369	1 243 942	1 244 394
Share capital	13	1	1	1	1
Share premium	13	960 049	960 049	960 049	960 049
Retained income		2 834 618	2 596 319	283 892	284 344
NON-CURRENT LIABILITIES		513 348	420 903	-	-
Decommissioning provision	14	428 252	346 731	-	-
Restoration provision	15	85 096	74 172	-	-
CURRENT LIABILITIES		791 775	403 042	13 380	13 392
Trade and other payables	16	654 004	352 804	4	16
Related party payables	11	3 648	1 902	13 376	13 376
Group company loans	11	134 123	48 336	-	-
TOTAL EQUITY AND LIABILITIES		5 099 791	4 380 314	1 257 322	1 257 786

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2019

	Notes	Group		Company	
		2019	2018	2019	2018
		N$ '000	N$ '000	N$ '000	N$ '000
Revenue	4	2 603 612	3 602 414	-	-
Cost of sales		(2 271 880)	(2 059 448)	-	(22)
Gross profit / (loss)		331 732	1 542 966	-	(22)
Other income	23	24 501	18 475	-	-
Distribution costs		(76 092)	(64 289)	-	-
Administrative expenses		(218 124)	(264 527)	(464)	(786)
OPERATING PROFIT / (LOSS)		62 017	1 232 625	(464)	(808)
Net finance income / (costs)	17	176 169	(116 331)	12	34
- Finance income		229 590	35 448	12	34
- Finance costs		(53 421)	(151 779)	-	-
Share of profit in Joint Ventures		83	426	-	-
PROFIT / (LOSS) BEFORE TAXATION	18	238 269	1 116 720	(452)	(774)
Taxation	19	30	(428)	-	(112)
PROFIT / (LOSS) FOR THE YEAR		238 299	1 116 292	(452)	(886)
Other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		238 299	1 116 292	(452)	(886)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
for the year ended 31 March 2019

		Share capital	Share premium	Retained income	Total
		N$ ‘000	N$ ‘000	N$ ‘000	N$ ‘000
GROUP					
Balance at 1 April 2017		1	960 049	1 480 027	2 440 077
Comprehensive income for the year		-	-	1 116 292	1 116 292
Balance at 31 March 2018		1	960 049	2 596 319	3 556 369
Comprehensive income for the year		-	-	238 299	238 299
Balance at 31 March 2019		1	960 049	2 834 618	3 794 668
	Note	13	13		
COMPANY					
Balance at 1 April 2017		1	960 049	285 230	1 245 280
Comprehensive loss for the year		-	-	(886)	(886)
Balance at 31 March 2018		1	960 049	284 344	1 244 394
Comprehensive loss for the year		-	-	(452)	(452)
Balance at 31 March 2019		1	960 049	283 892	1 243 942
	Note	13	13		

CONSOLIDATED STATEMENTS OF CASH FLOWS
for the year ended 31 March 2019

	Notes	Group		Company	
		2019	2018	2019	2018
		N$ '000	N$ '000	N$ '000	N$ '000
CASH FLOWS FROM OPERATING ACTIVITIES		893 467	1 451 140	(400)	(782)
Cash generated / (utilised) by operations	22.1	805 661	1 416 743	(412)	(816)
Finance income		89 489	35 448	12	34
Finance costs		(1 711)	(1 036)	-	-
Taxation received / (paid)	22.2	28	(15)	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		(454 386)	(697 735)	-	-
Additions to property, plant and equipment		(454 400)	(697 397)	-	-
Additions to intangible assets		(22)	(338)	-	-
Proceeds on disposal of property, plant and equipment		36	-	-	-
CASH FLOWS FROM FINANCING ACTIVITIES		11 157	(850 324)	-	(1 113)
Decrease / (Increase) in loans due from related parties		3 937	-	-	(1 113)
Decrease / (Increase) in group company loans receivable		7 220	(850 324)	-	-
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		450 238	(96 919)	(400)	(1 895)
Cash and cash equivalents at the beginning of the year		573 866	670 785	462	2 357
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	1 024 104	573 866	62	462

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis except for certain financial instruments where the fair value basis of accounting is adopted. The principal accounting policies of the company and group, which are set out below, have been consistently applied and comply in all material respects with International Financial Reporting Standards ("IFRS"). Historical cost is generally based on the fair value consideration given in exchange for goods and services. The functional currency of the company is the Namibian Dollar (N$).

The company and group has adopted all standards and interpretations that were effective for the current year noted on the table below. The adoption of these standards did not have any significant effect on the financial position or results from operations, cash flows or disclosures.

New/Revised International Financial Reporting Standards		**Effective for annual periods beginning on or after**	**Impact on financial statements**
IFRS 2	Classification and Measurement of Share Based Payment Transactions	1 January 2018	None
IAS 40	Transfers of Investment Property	1 January 2018	None
IFRS 15	Revenue from Contracts from Customers Changes to revenue recognition criteria and additional disclosure requirements	1 January 2018	Immaterial
IFRS 9	Financial Instruments Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing recognition requirements	1 January 2018	Immaterial

At the date of authorisation of these financial statements, the following Standards and Interpretations were issued but not yet effective. A reliable estimate of the impact of the adoption of the recent amendments for the group and company has not yet been determined; however, directors anticipate that the adoption of the recent standards and interpretations will have no material impact on the annual financial statements in future periods.

New/Revised International Financial Reporting Standards		**Effective for annual periods beginning on or after**
IFRS 16	**Leases** IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.	1 January 2019
IFRIC Interpretation 23	**Taxation** The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 and does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.	1 January 2019
Definition of a Business - Amendments to IFRS 3	**Business combinations** The amendments clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. They also clarify that a business can exist without including all of the inputs and processes needed to create outputs.	1 January 2020

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after
Definition of Material - Amendments to IAS 1 and IAS 8	**IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors** Aligning the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.	1 January 2020
Plan Amendment, Curtailment or Settlement - Amendments to IAS 19	**Employee Benefits** The amendments to IAS 19 Employee Benefits address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period.	1 January 2019

1.1 Changes in accounting policies and disclosures

The new and amended standards and interpretations

The group applied IFRS 15 and IFRS 9 for the first time from 1 April 2018. The nature and effect of these changes because of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several other amendments and interpretations applied for the first time in 2019, but did not have an impact on the consolidated and separate financial statements of the group and company and, hence, have not been disclosed. The group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 and its related amendments supersede IAS 11 Construction Contracts, IAS 18 Revenue and related Interpretations. It applies to all revenue arising from contracts with its customers and became effective for annual periods beginning on or after 1 January 2018. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. It requires revenue to be recognised when (or as) control of a good or service transfers to a customer at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires enhanced and extensive disclosures about revenue to help investors better understand the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The group has adopted the modified transitional approach as permitted by the standard under which the comparative financial information is not restated. The accounting changes required by the standard do not have material effect on the company financial statements and no transitional adjustment is recognised in retained earnings at 1 April 2018.

The effect of adopting IFRS 15 is set out below.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.1 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

Overall impact

The group's revenue from contracts with customers comprises one main stream being the sale of Zinc metal. The group undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. For the group's metal sales not sold under CIF or CIP Incoterms (see "Freight/shipping services" commentary below for further discussion), the nature and timing of satisfaction of the performance obligations, and, hence, the amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

There were some differences noted in relation to the CIF/CIP arrangements mainly resulting in some reclassifications and impact on presentation – refer below for further discussion. See Note below for the company's IFRS 15 revenue recognition accounting policies.

Metal sales

There were no changes identified with respect to the timing of revenue recognition in relation to sale of metal, as control transfers to customers at the date of shipment for CIF, the date it arrives at the port of destination warehouse for CIP, and in limited cases for local sales DAP where control is transferred at the customer's premises. All terms are consistent with the point in time when risks and rewards passed under IAS 18.

However, there has been a change in the amount of revenue recognised for some metal sales sold under CIF/CIP Incoterms where the company provides freight/shipping services. This is because these services are now considered to represent separate performance obligations, which are satisfied at a different point in time from the metal. Therefore, some of the transaction price that was previously all allocated to the metal under IAS 18 is now required to be allocated to these new performance obligations under IFRS 15 (see "Freight/shipping services" commentary below for further discussion). This freight/shipping revenue has been disclosed separately. Disaggregated revenue disclosures are provided in the notes below.

Provisionally priced commodity sales

Most of the group's sales of metal to customers contain terms, which allow for price adjustments based on the market price at the end of a quotational period (QP) stipulated in the contract – these are referred to as "provisionally priced sales". Under previous accounting standards (IAS 18 Revenue and IAS 39 Financial Instruments: Recognition and Measurement), provisionally priced sales were considered to contain an embedded derivative (ED), which was required to be separated from the host contract for accounting purposes from the date of shipment. Revenue was initially recognised for these arrangements at the date of shipment (which was when the risks and rewards passed) and was based on the most recently determined estimate of metal (based on initial assay results) and the estimated forward price that the entity expected to receive at the end of the QP, determined at the date of shipment. Subsequent changes in the fair value of the ED were recognised in revenue in the statement of profit or loss and other comprehensive income each period until the end of the QP, which was allowed under IAS 39.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.1 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The group has applied IFRS 9 retrospectively, with the initial application date of 1 April 2018 and has adjusted the comparative information for the period beginning 1 April 2017. There were no material impacts on the comparative balances. There was no impact on hedging, as the group does not apply hedge accounting.

The effects of adopting IFRS 9 are set out below:

(a) Classification and measurement

Under IFRS 9, there is a change in the classification and measurement requirements relating to financial assets. Previously, there were four categories of financial assets: loans and receivables, fair value through profit or loss, held to maturity and available for sale. Under IFRS 9, financial assets are either classified as amortised cost, fair value through profit or loss or fair value through other comprehensive income.

For debt instruments, the classification is based on two criteria: the group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:

- Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
- Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

The assessment of the Group's business model was made as of the date of initial application, 1 April 2018, and then applied retrospectively to those financial assets that were not derecognised before 1 April 2018. The assessment of whether contractual cash flows on debt instruments are SPPI was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of IFRS 9 did not have a significant impact on the group.

Financial assets

The group continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the group's financial assets:

- Trade receivables (not subject to provisional pricing), other current financial assets (i.e., other receivables) previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as Debt instruments at amortised cost.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.1 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

IFRS 9 Financial Instruments (continued)

- Trade receivables (subject to provisional pricing) and Quotational period derivatives: prior to the adoption of IFRS 9, the exposure of provisionally priced sales to commodity price movements over the QP, previously led to embedded derivatives (QP derivatives) being which was included in trade receivables and not accounted for separately. Under IFRS 9, embedded derivatives should not be separated from financial assets and therefore the accounting remains unchanged. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test.

Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement. The group previously presented such fair value changes in Revenue but will now present them as 'fair value gains/losses'. There was an immaterial impact on the statement of financial performance and the statement of profit or loss and other comprehensive income arising from this change. In addition, the group has assessed the impact of fair value gain and loss relating to provisionally priced invoices for the current and prior financial year and have noted this impact to be immaterial and thus there was no reclassification made in this regard. The impact on presentation and disclosure because of the adoption of IFRS 9 is as follows:

In summary, upon the adoption of IFRS 9, the group had the following required or elected reclassifications for financial assets for prior periods:

2018		**IFRS 9 Measurement Category**		
	IAS 39 Carrying Value	**Fair value through profit or loss**	**Amortized cost**	**Fair Value through OCI**
N$ '000				
Loans and receivables	1 375 303	-	1 375 303	-
Trade receivables	118 000	-	118 000	-
Other receivables	227 150	-	227 150	-
	1 720 453	-	1 720 453	-

2017		**IFRS 9 Measurement Category**		
	IAS 39 Carrying Value	**Fair value through profit or loss**	**Amortized cost**	**Fair Value through OCI**
N$ '000				
Loans and receivables	497 147	-	497 147	-
Trade receivables	13 238	-	13 238	-
Other receivables	93 503	-	93 503	-
	603 888	-	603 888	-

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.1 Changes in accounting policies and disclosures (continued)

New and amended standards and interpretations (continued)

Financial liabilities

The group has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for the group's financial liabilities.

Other impacts

The change did not have material impact on the group's statement of cash flows.

(b) Impairment

The adoption of IFRS 9 has changed the group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the group to recognise an allowance for ECLs for all debt instruments not held at fair value through profit or loss and contract assets in the scope of IFRS 15.

As all of the group's trade receivables (not subject to provisional pricing) and other current receivables which the group measures at amortised cost are short term (i.e., less than 12 months) and the group's credit rating and risk management policies in place, the change to a forward-looking ECL approach did not have a material impact on the amounts recognised in the financial statements.

(c) Hedge accounting

The group has elected to adopt the new general hedge accounting model in IFRS 9. However, the changes introduced by IFRS 9 relating to hedge accounting currently have no impact, as the group does not apply hedge accounting.

Research and exploration expenditure

During the year, the accounting policy relating to research and exploration costs was changed to align with the group policy.

1.2 Research, exploration and pre-production expenditure

Research expenditure is written off in the period in which it is incurred until an economic reserve is defined. When a decision is taken that a mining property is viable for commercial production all further pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production. Capitalised pre-production expenditure is amortised from the date commercial production commences over the economic life of the mine.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities controlled by the company (its subsidiaries). Control is achieved where the company is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability affect those returns through its power over the entity.

The results of subsidiaries acquired and disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or disposal as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation, unless the amount involved are not material in which case this fact is disclosed.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of fair values, at the date of exchange, of assets given, liabilities incurred, and equity instruments issued by the group in exchange for control, plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets and liabilities recognised. If, after reassessment, the group's interest in the net fair value of the acquiree's identifiable assets and liabilities exceed the cost of the business combination, the excess is recognised immediately in profit or loss.

Interest in joint arrangements

A joint arrangement can be either a joint venture or a joint operation. A joint venture is an arrangement whereby the group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The group reports its interest in joint ventures using the equity method, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 Non-current Assets Held for Sale and Discontinuing Operations. Joint ventures are recognised initially at cost. Subsequent to initial recognition, the consolidated financial statements include the group's share of profit or loss.

Where the group transacts with its joint ventures, unrealised profits and losses are eliminated to the extent of the group's interest in the joint venture.

1.4 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 period. Taxable profit differs from profit reported in the statement of comprehensive income because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.4 Taxation (continued)

Deferred taxation is provided on the statement of financial position liability method in respect of net temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of assessable tax profit. In general, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation 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 taxation is calculated at the rate that is expected to apply to the period when the asset is realised or the liability is settled. Deferred taxation is charged or credited in the statement of comprehensive income, except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

1.5 Foreign currency transactions

Transactions in foreign currency, other than Namibian Dollar are accounted for at the rate of exchange ruling on the date of the transaction.

At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

1.6 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The company's financial instruments consist of investments, trade and other receivables, loans payable and trade and other payables.

1.6.1 Financial instruments — initial recognition and subsequent measurement

1.6.1.1 Financial assets

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15.

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a period established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The group's financial assets at amortised cost include trade receivables (not subject to provisional pricing) and other receivables. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Financial assets at fair value through profit or loss (continued)

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Company's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:

- The rights to receive cash flows from the asset have expired;
  or
- The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the company could be required to repay.

Impairment of financial assets

The company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other enhancements that are integral to the contractual terms.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Impairment of financial assets

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment including forward-looking information.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the group assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1.6.1.2 Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans, borrowings, and payables, net of directly attributable transaction costs. The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.6 Financial instruments (continued)

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables.

Derecognition

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.
When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

1.6.1.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

1.6.1.4 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, but exclude any restricted cash. Restricted cash, such as the rehabilitation trust, is not available for use by the company and therefore is not considered highly liquid.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.
The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period

Or, cash or cash equivalent, unless restricted from being exchanged or used, to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.6.1.4 Cash and cash equivalents (continued)

All other assets are classified as non-current.
A liability is current when either:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

1.7 Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision.

The cost estimates are reviewed periodically and are adjusted to reflect known developments, which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

Costs for restoration of subsequent site damage, which is caused on an ongoing basis during production, are provided for at their net present values and charged to the income statement as extraction progresses. Where the costs of site restoration are not anticipated to be significant, they are expensed as incurred.

1.8 Inventory

Inventory and work in progress are valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. The production cost of stocks includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- raw materials and metal ore on the average cost basis; or
- consumables on the weighted average cost basis; and
- finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.9 Property, plant and equipment

Buildings, plant and equipment are depreciated at varying rates, on the straight-line basis over their estimated useful lives taking into account their residual values:

	Depreciation rate	Residual value
Computer equipment	33%	Nil
Furniture and fittings	10%	Nil
Vehicles	25%	Nil

Land and properties in the course of construction are not depreciated.

The other mining and refining assets are depreciated based on the following policy:

Mining and refinery properties are depreciated using the unit-of-production method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date when the mining property is capable of commercial production.

Capitalised development expenditure, including the acquisition cost of freehold land and leasehold interests containing mineral resources as well as heavy equipment, is depreciated using the unit-of-production method once commercial production commences.

The per unit depreciation rate is determined annually by dividing the total of the undepreciated development expenditure and future development expenditure for the mine by the remaining proven and probable reserves based on the most current reserve study available. Where mining freehold and leasehold properties have significant value after reserves are depleted, the estimated residual value may be deducted from the amount of mining development expenditure, which is subject to depreciation.

Where the economic viability of reserves has been established, but future operations are dependent upon receiving future planning permission or lease extension, management assesses, on at least an annual basis, the probability of the planning permission or lease extension being received. If it is no longer considered probable, the estimate of reserves and the unit-of-production depreciation calculation is revised accordingly.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Management consider the remaining useful life of refinery's plant and equipment to approximate the remaining life of mine.

1.10 Impairments

At each reporting date, the group 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 impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. The discount rate applied is based upon the Vedanta Resources Ltd group's weighted average cost of capital, with appropriate adjustment made for local conditions.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.10 Impairments (continued)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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 the prior years.

A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

1.11 Retirement benefits

The company operates defined contribution schemes for its employees. The amount charged to profit or loss is the contributions paid or payable during the year.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. The expected return on the plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

1.12 Accounting for leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessee

Assets held under finance leases are recognised as assets of the group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the group’s policy on borrowing costs. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.13 Intangible assets

The development costs related to an internally generated intangible asset are recognised as an asset only if all of the following can be demonstrate:

- It is technically feasible that the intangible asset will be completed so that it will be available for use.
- It is the intention of the company to complete the project related to the intangible asset and that once the project is completed that the company will use the intangible asset.
- The company has the ability to use the intangible asset.
- It is probable that the company will generate future economic benefits resulting from the intangible asset.
- There are adequate technical and financial resources to complete the development and use the intangible asset.
- The development costs related to the project can be measured reliably.

No costs related to the research stage of an internally generated intangible asset are capitalised.
All the research costs are recognised as an expense when they were incurred.

The group's only internally generated is the SAP system is amortised over the life of the mine.

1.14 Stripping costs

Stripping costs to be recognised as part of an asset (either as inventory or as non-current asset), if the following conditions are met:

- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will follow to the entity;
- The entity can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

To the extent that the benefit creates improved access to ore to be mined in future periods, the entity must recognise these production stripping costs as non-current.

1.15 Borrowing costs

Interest on borrowings relating to the financing of major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.16 Judgements made by management

Preparing financial statements in conformity with IFRS requires estimates and assumptions that affect reported amounts and related disclosures. Actual results could differ from these estimates.

Certain accounting policies have been identified as involving particularly complex or subjective judgements or assessments, as follows:

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.16 Judgements made by management (continued)

Decommissioning and rehabilitation provision

Estimating the future costs of environment and rehabilitation obligations is complex and requires management to make estimates and judgements as most of the obligations will be fulfilled in future and contracts and laws are often not clear regarding what is required. The resulting provision is further influenced by changing technologies and environmental, safety, business and statutory considerations.

Asset lives and residual values

Property, plant and equipment is depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residuals are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, life-of-mine plan and maintenance programmes are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values.

Impairment of assets

Property, plant and equipment are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself or if it is a component of a larger economic unit, the viability of that unit. Equally previously impaired assets are assessed for evidence of changes in economic circumstance that would require a reversal of impairment.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value, and if lower, the assets are impaired to the present value, or if an impairment is released, such release is limited to the carrying value of the assets had no such impairment occurred.

Exploration costs-Gergarub

Skorpion Mining Company (Pty) Ltd and Rosh Pinah Zinc Corporation Ltd concluded a Memorandum of Understanding, signed 20 June 2005 (with subsequent amendments), on various aspects of Zinc exploration and development of Resource on each party's Exploration Prospecting License areas.

As part of the company's exploration activities the Gergarub deposits were discovered. Based on certain trigger points Rosh Pinah Zinc Corporation Ltd is required to contribute to certain past and future expenses.

Management assessed the project to be economically viable and elected to capitalise expenses related to the feasibility study of the project. At the reporting date, an amount of N$ 48 075 289 (2018: N$48 075 289) was included in capital work in progress related to this project.

Sulphide Conversion

Namzinc (Pty) Ltd has one significant capital project currently ongoing, namely the Sulphide Conversion project. The sulphide conversion project is a project which allows for the conversion to the current refinery to treat sulphide with the current oxide ore in order to extract the final zinc metal.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

1. ACCOUNTING POLICIES (continued)

1.16 Judgements made by management (continued)

During the 2015 financial year, management made an assessment as to whether the sulphide conversion project is economically viable, based on this assessment commenced capitalisation, and revised the estimated useful lives of assets and timing of decommissioning and rehabilitation expense accordingly.

The financial statements have been prepared on the assumption that the refinery conversion will be approved, however no final decision has been made as to whether the refinery conversion will materialise. If the decision to discontinue the refinery conversion had been made before the approval of the 2019 financial statements of the company, it would have had the following impact on the financial results of Namzinc (Pty) Ltd as at 31 March 2019:

- Property, plant and equipment which would have been used in the refinery conversion and therefore depreciated over Gamsberg units of production of 1.8million metric tons over a period of 12 years will have accelerated depreciation of N$ 562 million going forward.
- Capital work in progress directly related to the refinery conversion of N$ 173 million will have to be impaired assuming a zero recoverable amount.
- The decommissioning and restoration liability will have to be increased with N$ 158 million to reflect the fair value of the provision as at the reporting date.

1.17 Non-current assets held for sale

Property, plant and equipment held for sale or which is part of a disposal group held for sale is not depreciated. Property, plant and equipment held for sale is carried at the lower of its carrying value and fair value less disposal cost and is presented separately on the face of the statement of financial position.

1.18 Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Impairment of property, plant and equipment

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating unit to which it has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

Life-of-Mine review and estimated life of refinery

The Life-of-Mine ("LOM") plan is reviewed annually. The LOM plan takes into account an expectation of the changes in commodity prices, foreign exchange rates, fixed and variable mining cost, Zinc grade and capital expenditure. The LOM is now estimated to be 0.8 years.

Life of refinery is set using the expected available ore for refining from the Gamsberg development, currently being undertaken by the company's sister company, Black Mountain Mining.

Deferred tax assets

Deferred tax assets are recognised to the extent it is probable that taxable income will be available in future against which they can be utilised. Future taxable profits are estimated based on assumptions regarding economic growth, commodity prices and inflation. No deferred tax was raised in the current year.

1. ACCOUNTING POLICIES (continued)

1.18 Key sources of estimation uncertainty (continued)

Inventory
The metal content of the ore stockpiles is determined using estimates as indicated in note 9.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

2. PROPERTY, PLANT AND EQUIPMENT

	Group 2019					
	Mining properties and leases N$'000	Land and buildings N$'000	Plant and equipment N$'000	Work-in-progress N$'000	De-commissioning and restoration costs N$'000	Total N$'000
Cost						
At 1 April 2018	1 038 734	877 308	3 900 738	259 763	176 863	6 253 406
Transfers to intangible assets	-	-	(695)	-	-	(695)
Transfers from CWIP	-	-	16 160	(16 160)	-	-
Change in estimates of decommissioning and rehabilitation provision	-	-	-	-	47 465	47 465
Additions – stay in business capital	275 927	2 421	141 079	34 973	-	454 400
Disposals	-	-	(1 237)	-	-	(1 237)
At 31 March 2019	1 314 661	879 729	4 056 045	278 576	224 328	6 753 339
Depreciation, amortisation and impairment						
At 1 April 2018	310 186	753 481	3 398 557	-	151 461	4 613 685
Transfers to intangible assets	-	-	(81)	-	-	(81)
Depreciation charge for the year	260 963	9 493	70 798	-	21 270	362 524
Disposals	-	-	(910)	-	-	(910)
At 31 March 2019	571 149	762 974	3 468 364	-	172 731	4 975 218
Net book value 31 March 2019	743 512	116 755	587 681	278 576	51 597	1 778 121

2. PROPERTY, PLANT AND EQUIPMENT

	Group 2018					
	Mining properties and leases N$'000	Land and buildings N$'000	Plant and equipment N$'000	Work-in-progress N$'000	De-commissioning and restoration costs N$'000	Total N$'000
Cost						
At 1 April 2017	425 416	877 308	3 812 613	263 809	257 469	5 636 615
Transfers	-	-	65 424	(65 424)	-	-
Change in estimates of decommissioning and rehabilitation provision	-	-	-	-	(80 606)	(80 606)
Additions – stay in business capital	613 318	-	22 701	61 378	-	697 397
At 31 March 2018	1 038 734	877 308	3 900 738	259 763	176 863	6 253 406
Depreciation, amortisation and impairment						
At 1 April 2017	292 578	745 971	3 349 992	-	154 261	4 542 802
Depreciation charge for the year	17 608	7 510	48 038	-	(2 800)	70 356
Impairment loss	-	-	527	-	-	527
At 31 March 2018	310 186	753 481	3 398 557	-	151 461	4 613 685
Net book value 31 March 2018	728 548	123 827	502 181	259 763	25 402	1 639 721

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

2. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the group's freehold and leasehold land and buildings are maintained at the registered office of the company and are available for inspection by members or their duly authorised representatives.

The group tests the total capital investment made in the mining sector annually for impairment or more frequently if there is an indication that the capital investment made might be impaired.

The following cash generating unit ("CGU") has been identified:

- Mining and refinery activities
  - Skorpion Project

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding resource availability, the discount rates, growth rates, exchange rates and expected changes to commodity prices. Management estimates discount rates using pre-tax rates that reflect current market conditions of the time value of money and the risks specifically associated with the CGU's. Growth rates are based on industry growth forecasts. Changes in commodity prices are based on past practices and expectations of future changes in the market.

Key assumptions used in impairment calculations are:

	2019	2018
- Foreign exchange rate (USD)	14.04	12.47
- Average zinc price (USD/t)	2 611	3 112
- Inflation rate (%)	5.48	5.88
- Discount rate (%)	17.60	13.50

All figures stated above are in nominal terms.

Successful conversion of the refinery to a dual stream sulphide/oxide refinery at cost approved. (See note 27)

At 31 March 2019, no impairment was necessary related to the Skorpion Project (2018: Nil).

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

3. INTANGIBLE ASSET

Group	2019 N$'000	2018 N$'000
Cost		
Opening balance	20 981	20 643
Additions	22	338
Transfers	695	-
Closing balance	21 698	20 981
Amortisation and impairment		
Opening balance	12 248	11 871
Amortisation charge for the year	480	377
Transfers	81	-
Closing balance	12 809	12 248
Opening net book value	8 733	8 772
Closing net book value	8 889	8 733

Intangible assets relate to SAP implementation expenses and G-Risk software, which are carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the units of production method over the estimated life of mine. The effects of any revision are recognised in profit or loss when the changes arise.

4. REVENUE

The group's principal activities are mining and producing of special high-grade zinc and form part of the other mining and industrial category in the Vedanta Resources Ltd group. The group's revenue derives from one significant operation, the production of zinc. All information contained in the statement of profit or loss and other comprehensive income and statement of financial position relate to this activity.

Type of goods:

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
Zinc	2 562 451	3 558 152	-	-
Freight / shipping services	41 161	44 262	-	-
	2 603 612	3 602 414	-	-

All revenue from zinc is recognised at a point in time when control transfers and revenue from freight/shipping services is recognised over time as the services are provided.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

5. SUBSIDIARY COMPANIES

		Company	
Shares at cost	Percentage held	2019 N$ '000	2018 N$ '000
Directly held			
Skorpion Zinc (Proprietary) Limited	100%	460 945	460 945
Less: Impairment		(203 363)	(203 363)
Indirectly held			
Skorpion Mining Company (Proprietary) Limited	100%	-	-
Amica Guest House (Proprietary) Limited	100%	-	-
Namzinc (Proprietary) Limited	100%	-	-
Total shares at cost		257 582	257 582

6. INVESTMENTS

UNLISTED		Group	
		N$ '000	N$ '000
Shares at cost			
50 Ordinary shares of N$1 each in RoshSkor Township (Proprietary) Limited	50%	-	-
Accumulated share of profit in joint venture		7 219	7 135
Shares at cost			
69 Ordinary shares of N$1 each in Rosh Pinah Health Care (Proprietary) Limited (Share premium of N$138 946.13 per share)	69%	-	-
Accumulated share of losses in joint venture		-	-
Total investment in joint ventures		7 219	7 135

Additional information on investments:

Investment	% Held	Nature	Principal activities
Skorpion Zinc (Proprietary) Limited	100%	Subsidiary	Investment company
Skorpion Mining Company (Proprietary) Limited	100%	Subsidiary	Mining and exploration
Amica Guest House (Proprietary) Limited	100%	Subsidiary	Accommodation and catering services
Namzinc (Proprietary) Limited	100%	Subsidiary	Zinc ore refinery
RoshSkor Township (Proprietary) Limited	50%	Joint venture	Development and delivery of utilities
Rosh Pinah Health Care (Proprietary) Limited	69%	Joint venture	Leasing out of medical equipment, building, and conducting services related thereto.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000
7. DEFERRED TAXATION				
Liability at beginning of the year	-	-	-	-
Statement of profit or loss and other comprehensive income movement	-	-	-	-
Liability at end of the year	-	-	-	-
Deferred tax liability / (asset) arises from:				
Deferred stripping asset	289 795	283 512	-	-
Fixed asset allowances	46 722	58 254	-	-
Prior year adjustment	38 678	22 339	-	-
Prepayments	2 234	6 639	-	-
Other items	28 146	19 092	-	-
Tax loss utilised	(405 575)	(389 836)	-	-
	-	-	-	-

At 31 March 2019, a deferred tax asset of N$531 747 211 (2018: N$580 710 642) was not recognised because it is not probable that future taxable profit will be available against which the group can utilise the benefits therefrom.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000

8. OTHER NON-CURRENT ASSETS

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Basil Read	-	32 272	-	-

Other non-current assets consist of receivable from Basil Read in relation to the mining assets sold.

9. INVENTORY

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Work in progress	273 234	177 824	-	-
Consumable stock	211 707	243 084	-	-
Finished zinc metal	14	4 558	-	-
Mining stockpile and Copper Cement	25 532	4 939	-	-
	510 487	430 405	-	-

Stockpiles are valued by estimating the zinc content in tons and applying the average cost method to the tons in stock. Zinc content of stockpiles is quantified by performing geological samples on the stockpiles in order to determine the grade (expressed as a percentage). This percentage is then applied to the total tons of ore in the stockpile. At year end the estimation of grade and zinc content was:

	Group 2019	Group 2018	Company 2019	Company 2018
Stacker/reclaimer				
- Average grade (%)	7.10	4.90	-	-
- Zinc content (tons)	653	1 872	-	-
Mining Stockpile				
- Average grade (%)	5.45	5.11	-	-
- Zinc content (tons)	3 373	6 628	-	-

Consumable stock is carried after a provision for obsolescence has been made.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

9. INVENTORY (continued)

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Balance at the beginning of the year	68 872	62 096	-	-
Provision for the year	1 287	6 776	-	-
Balance at the end of the year	70 159	68 872	-	-

The obsolete stock provision has been estimated based on the age of consumables and their rate of movement.

10. TRADE AND OTHER RECEIVABLES

Trade receivables	110 601	118 000	-	-
Prepayments	19 511	27 090	-	-
Other receivables	168 968	162 257	-	-
Value added tax	52 481	37 803	30	94
	351 561	345 150	30	94

Trade receivables are non-interest-bearing and are generally on terms of 30 to 90 days. Payment is due from customers on receipt of the provisional invoice and the bill of lading and is generally paid within 5 days of the customer receiving the documentation, which reduces the initial receivable recognised under IFRS 15.

The directors consider that the carrying amounts of trade and other receivables approximate their fair values.

Impairment of trade and other receivables

An allowance for expected credit losses has been made in respect of other receivables. There are no trade receivable accounts that are past due as per the individual sales contracts at the reporting date. The outstanding trade receivable balances at 31 March 2019 was mainly due from 5 customers.

An amount of N$36 788 591 (2018: N$31 966 731) was included in trade and other receivables as allowance for credit losses.

Trade and other receivables with the following values are past their due date:

Within one month	142 211	77 516	-	-
Between 1 to 2 months	4 608	20 296	-	-
Between 2 to 3 months	920	111	-	-
Greater than 3 months	6 251	4 565	-	-
	153 990	102 488	-	-

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

11. GROUP COMPANY LOANS

Ultimate holding company	Vedanta Resources Ltd
Holding company	THL Zinc Limited
Subsidiaries	Refer to notes 5 and 6.
Other related companies	All companies in the Vedanta Ltd and Vedanta Resources Ltd groups respectively.

Amounts owing (to) / by related parties

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Skorpion Zinc (Pty) Ltd*	-	-	983 048	983 048
Skorpion Mining Company (Pty) Ltd*	-	-	16 600	16 600
RoshSkor Township (Pty) Ltd* (Note 6)	10 645	13 908	-	-
	10 645	13 908	999 648	999 648
Current	10 645	3 665	999 648	999 648
Non-current	-	10 243	-	-

*The loans are unsecured, interest free and have no set terms of repayment.

Loans / other receivables / (other payables)

	Group		Company	
	N$ '000	N$ '000	N$ '000	N$ '000
Non-current receivables:				
- Black Mountain Mining (Pty) Ltd**	668 129	-	-	-
	668 129	-		
Current receivables:				
- Black Mountain Mining (Pty) Ltd**	-	787 158	-	-
- THL Zinc Ltd***	708 760	513 371	-	-
- Monte Cello BV***	30 802	28 595	-	-
- Vedanta Resources Ltd	1 072	-	-	-
	740 634	1 329 124	-	-
Current payables:				
- Vedanta Lisheen Holdings Ltd ****	(134 123)	(48 336)	-	-
- Skorpion Zinc (Pty) Ltd	-	-	(750)	(750)
- Black Mountain Mining (Pty) Ltd*	(3 384)	(1 902)	-	-
- Other group companies*	(264)	-	-	-
- Namzinc (Pty) Ltd	-	-	(12 626)	(12 626)
	(137 771)	(50 238)	(13 376)	(13 376)

*The balances are for management fees charged and or reimbursement of expenses.

**Namzinc (Pty) Ltd advanced a loan to Black Mountain Mining (Pty) Ltd for a period of 2.5 years, the loan carries interest at rate of 9.5%.

***The loan to THL Zinc Ltd is for a period of 1 year and carries interest at a rate of 2.2%.

***The loan to Monte Cello BV is for a period of 1 year and carries interest at a rate of 2.25%.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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11. GROUP COMPANY LOANS (continued)

****The loan from Vedanta Lisheen Holdings Ltd is for a period of 1 year and carries interest at a rate of 2%.

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Purchases of goods and services				
- Black Mountain Mining (Pty) Ltd	35 735	24 235	-	-
- Vedanta Resources Ltd	172	263	-	-
	35 907	24 498	-	-

12. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash and short-term deposits held by the treasury function. The carrying amounts of these assets approximate their fair value.

Bank balances and cash are denominated as follows:

- Local currency:	189 422	94 638	62	462
- Foreign currency (held in US$):	834 682	479 228	-	-
	1 024 104	573 866	62	462

The average interest rates earned on local currency denominated balances during the year were as follows:	**%**	**%**	**%**	**%**
- Local currency:	5.50	5.62	5.50	5.00
- Foreign currency (held in US$):	2.00	0.94	-	-

13. SHARE CAPITAL AND PREMIUM

Authorised				
4 000 ordinary shares of N$1 each	4	4	4	4
1 000 5% redeemable preference shares	1	1	1	1
Issued				
820 ordinary shares (2018: 820) of N$1 each	1	1	1	1
Share premium	960 049	960 049	960 049	960 049
	960 050	960 050	960 050	960 050

The unissued shares are under the control of the directors until the next annual general meeting.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

	Group		Company	
	2019 N$ '000	2018 N$ '000	2019 N$ '000	2018 N$ '000

14. DECOMMISSIONING PROVISION

Balance at beginning of year	346 731	385 010	-	-
Changes in estimate capitalised / (deducted)	43 184	(73 978)	-	-
Movements expensed to statement of comprehensive income	38 337	35 699	-	-
Balance at end of year	428 252	346 731	-	-

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was discounted at a rate of 8.17% (Mining) and 9.66% (Refinery) (2018: 7.63% (Mining) and 9.99% (Refinery). These costs are expected to be incurred over the remaining Life-of-mine currently being 11 years (2018: 12 years) (Refinery) and 0.8 years (2018: 2.2 years) (Mining).

15. RESTORATION PROVISION

Balance at beginning of year	74 172	73 668	-	-
Changes in estimate capitalised / (deducted)	4 281	(6 628)	-	-
Movements expensed to statement of comprehensive income	6 643	7 132	-	-
Balance at end of year	85 096	74 172	-	-

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. These costs are expected to be incurred over the remaining Life-of-mine currently being 11 years (2018: 12 years) (Refinery) and 0.8 years (2018: 2.2 years) (Mining).

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

16. TRADE AND OTHER PAYABLES

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Trade and other payables	174 511	134 424	4	16
Royalty accrual	1 294	1 674	-	-
Salary accruals	12 705	10 836	-	-
Contract liabilities	290 280	6 385	-	-
Other accruals	135 776	164 873	-	-
Other provisions	39 438	34 612	-	-
	654 004	352 804	4	16

The movement in contract liabilities from one period to the next depends on the value of deferred revenue relating to freight / shipping services that are still in the process of being provided at period end. If the ship has sailed at the period end, then the shipping costs have been incurred.

As there is no margin charged on shipping services and revenue on shipping cost is recognised on a net basis in accordance with IFRS 15, the contract liability will be nil for that shipment as the costs will net off the revenue. If however the terms of the contract are CIP and the ship has not sailed, the shipping costs have not been incurred and thus cannot be netted off the revenue already received for the shipping services.

The directors consider that the carrying amounts of accounts payable approximate their fair value.

17. NET FINANCE INCOME

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Finance income	222 860	35 448	12	34
Bank and loans receivable	89 489	35 448	12	34
Foreign exchange gain	133 371	-	-	-
Less: Finance costs	(46 691)	(151 779)	-	-
Bank and loans receivable	(1 711)	(1 036)	-	-
Foreign exchange loss	-	(107 912)	-	-
Decommissioning provision	(44 980)	(42 831)	-	-
Net finance income / (costs)	176 169	(116 331)	12	34

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
18. PROFIT / (LOSS) BEFORE TAXATION				
Profit / (loss) before taxation is arrived at after taking into account the following items:				
Expenditure				
Auditors' remuneration:				
- Audit fees	3 182	4 022	-	-
Depreciation and amortisation of property, plant and equipment	363 004	71 261	-	-
By-product sales	(28 615)	(44 098)	-	-
Impairment loss on investments	-	5 345	-	-
Loss on disposal of property, plant and equipment	293	527	-	-
Staff costs	299 107	290 913	-	-
Number of employees at 31 March 2019	612	618	-	-

Compensation of key management personnel

Key management comprise the directors of the company as well as the members of the executive committee of the Skorpion project.

The remuneration of directors and key management personnel paid by subsidiaries during the year was as follows:

Directors remuneration				
Directors – managerial services				
- managerial services	3 690	2 380	-	-
- medical and pension	224	345	-	-
Other key management				
- managerial services	10 620	10 216	-	-
- medical and pension	795	1 007	-	-
- share based payments	-	-	-	-
Total	15 329	13 948	-	-

The share-based expenses for the period are for certain employee shares or rights over shares in a Vedanta Resources Ltd Group company and are administered by Vedanta Limited.

The share-based awards are equity-settled as defined by IFRS 2 'Share-based Payment'. The fair value of these awards has been determined at the date of grant of the award allowing for the effect of any market-based performance conditions. This fair value, adjusted by an estimate of the number of awards that will eventually vest as a result of non-market conditions, is expensed uniformly over the vesting period.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

19. TAXATION

	Group 2019 N$ '000	Group 2018 N$ '000	Company 2019 N$ '000	Company 2018 N$ '000
Namibian Normal Taxation				
Current taxation: current year	30	(428)	-	(112)
Deferred taxation: current year	-	-	-	-
	30	(428)	-	(112)

Reconciliation of tax rate	%	%	%	%
- standard statutory tax rate	32.0	32.0	32.0	32.0
- Increase in unrecognised deferred tax	-	1.9	-	-
- prior year tax adjustment	(0.1)	-	-	-
- unutilised tax loss	-	-	(32.0)	(32.0)
- subsidiary exempt from tax	(31.9)	(33.9)	-	-
Effective tax rate	-	-	-	-

A subsidiary of the company, Namzinc (Proprietary) Limited has been granted Export Processing Zone status and is therefore exempt from paying taxes.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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20. RETIREMENT BENEFITS

The group provides retirement benefits to its employees through an independent retirement fund plan, The Skorpion Zinc Provident Fund. At 31 March 2019, 612 (2018: 618) employees were members of the fund. The fund is a defined contribution fund and has been registered in Namibia in terms of the Pension Funds Act.

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
The following contributions were expensed:				
Employer contributions	15 396	12 468	-	-
Employee contributions	11 904	11 868	-	-
	27 300	24 336	-	-

21. FINANCIAL RISK AND CAPITAL MANAGEMENT

Capital risk management

The group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2018.

Return to the shareholder is maximised, through structured dividend declarations and share buy-backs, while keeping sufficient cash funds to meet normal working capital and capital expenditure requirements.

In order to achieve this overall objective, the company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company adjusts the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2019 and 31 March 2018.

The company monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity and net debt. The company includes in its net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

Accounts payable, contract liabilities and accrued liabilities	654 004	352 804	4	16
Less cash and short-term deposits	(1 024 104)	(573 866)	(62)	(462)
Net debt	(370 100)	(221 062)	(58)	(446)
Equity	3 794 668	3 556 369	1 243 942	1 244 394
Capital and net debt	3 424 568	3 335 307	1 243 884	1 243 948
Gearing ratio	-11%	-7%	0%	0%

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2019

21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Foreign currency management

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenues or expenses are denominated in currencies other than N$) and foreign denominated interest bearing borrowings. All sales are invoiced in USD. Revenues collected in USD are paid into a USD denominated bank account and is only converted to N$ as and when funds are needed.

The group's policy is to only take cover on large foreign currency capital purchases with long lead times. The group's major exposure to foreign currency is to the United States Dollar ("USD"), in relation to trade receivables and cash in its CFC bank account, both denominated in USD.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the company's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

Effect on profit before tax for the year ended
Increase / (decrease)

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Increase / (decrease) in foreign exchange rate				
+10% US$ to the N$	119 270 720	50 207 115	-	-
-10% US$ to the N$	(119 270 720)	(50 207 115)	-	-
+10% INR to the N$	-	-	-	-
-10% INR to the N$	-	-	-	-
+10% EUR to N$	-	-	-	-
-10% EUR to N$	-	-	-	-

The company has a very limited direct exposure to foreign currency risk. All transactions are in local currency, and there are no foreign denominated bank accounts, loans, or receivables.

The group is exposed to mainly US Dollar currency. The group's policy is not to hedge such exposures as hedging is not deemed appropriate. The exposure of the group's financial assets and liabilities to currency risk is as follows:

Financial assets				
US$	1 643 675	579 969	-	-
N$	1 079 406	1 649 458	999 740	1 000 204
Total financial assets	2 723 081	2 229 427	999 740	1 000 204
Financial liabilities				
US$	164 788	77 897	-	-
N$	297 269	284 149	13 380	13 376
Total financial liabilities	462 057	362 046	13 380	13 376

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Interest rate management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates relates primarily to the group's long-term debt obligations with floating interest rates.

Borrowings, should these be required, will be requested from the holding company or from external parties and interest rates are managed in accordance with the policies set down by the Vedanta Resources Ltd group treasury function.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected, based on the last two years' historical rates and economic forecasters' expectations of the company's profit before tax through the impact on floating rate borrowings and cash and cash equivalents (with all other variables held constant).

	Effect on profit before tax for the year ended Increase / (decrease)			
	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Increase / (decrease) in foreign exchange rate				
+10% interest rate	4 669	4 387	-	-
-10% interest rate	(4 669)	(4 387)	-	-

The company has a very limited direct exposure to interest rate risk.

Credit risk management

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The group trades only with recognised creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which are based on an extensive credit rating scorecard, short-term liquidity and financial position. Individual credit limits are defined in accordance with this assessment. In addition, outstanding receivable balances are regularly monitored on an ongoing basis, with the result that the group's exposure to credit-impaired balances and bad debts is not significant.

An impairment analysis is performed at each reporting date to measure expected credit losses. There were no expected credit losses arising from trade receivables at 31 March 2019 (2018: nil). The only expected credit loss relates to other receivables with respect to rental income received on a building on site leased to a number of storeowners.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Credit risk management (continued)

With respect to credit risk arising from the other financial assets of the company and group, which comprise cash and short-term deposits the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The company and group limits its counterparty credit risk on these assets by dealing only with financial institutions of high credit standing.

Credit risk from balances with banks and financial institutions is managed by the company and group's treasury department in accordance with the company and group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company and group's management on a regular basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The group monitors its risk of a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The group manages its liquidity risk by ensuring that it has access to adequate cash resources to meet its obligations. The group has reported positive operating cash flows for the current year and projections indicate this trend to be sustainable.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

	On demand N$' 000	< 1 year N$' 000	1 – 2 years N$' 000	2 – 5 years N$' 000	> 5 years N$' 000	Total N$' 000
At 31 March 2019						
Group company loans	-	134 123	-	-	-	134 123
Trade and other payables*	-	363 724	-	-	-	363 724
	-	497 847	-	-	-	497 847

	On demand N$' 000	< 1 year N$' 000	1 – 2 years N$' 000	2 – 5 years N$' 000	> 5 years N$' 000	Total N$' 000
At 31 March 2018						
Group company loans	-	48 336	-	-	-	48 336
Trade and other payables*	-	346 419	-	-	-	346 419
	-	394 755	-	-	-	394 755

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 March 2019 and 2018, respectively.

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21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Market risk (continued)

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to floating interest rates on the debt and derivatives, and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

The analyses exclude the impact of movements in market variables on the carrying value of provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and foreign currency-denominated trade receivables.
- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.
- The impact on equity is the same as the impact on profit before tax.

Commodity price risk

The group is exposed to the risk of fluctuations in prevailing market commodity prices of mineral products it produces, which is mainly zinc (goods), which it sells into global markets. The market prices of the metals are the key drivers of the company's capacity to generate cash flow. The group is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of metals. The group's policy is to manage these risks through the use of contract-based prices with customers. Most customer contracts are based on the average LME (London Metal Exchange) price in the month of shipment plus a premium.

Sales are invoiced at the agreed LME price between the group and the customer. No changes to the agreed LME price are made between the provisional and final invoice. Changes to the invoice relate only to the quantity and quality of the goods after testing once the product is received by the customer. If the results of the tests are significantly different to the test carried out by the group a third test is then carried out by an independent laboratory before the invoice is finalised.

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of trade receivables (subject to provisional pricing).

The analysis is based on the assumption that the Zinc LME price moves 5% with all other variables held constant. Reasonable possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

	Effect on profit before tax for the year ended Increase / (decrease)			
	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Increase / (decrease) in Zinc LME price				
+5% price	5 559	5 759	-	-
-5% price	(5 559)	(5 759)	-	-

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Fair values

Carrying value versus fair value

All non-current liabilities carrying amounts are a reasonable approximation of fair value.

Fair value hierarchy

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management of the company have assessed that the fair values of cash and cash equivalents, trade receivables (not subject to provisional pricing), trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values:

Fair values of the company's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

- Level 1 - Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
- Level 2 - Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 - Inputs for the financial asset or financial liability that are not based on observable market data.

All financial instruments measured at fair value use Level 2 valuation techniques in both years.

There have been no transfers between fair value levels during the reporting period.

21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Categories of financial instruments

The following is a summary of the classification of financial instruments. The table shows the category under IAS 39 and the change under IFRS 9:

		IFRS 9 measurement category		
	IAS 39 carrying value N$' 000	Fair value through profit or loss N$' 000	Amortised cost N$' 000	Fair value through OCI N$' 000
At 31 March 2019				
Loans and receivables				
Loans to group companies	1 407 691	-	1 407 691	-
Amounts due by group companies	11 717	-	11 717	-
		-	1 419 408	-
Amortised cost				
Trade and other receivables	351 561	-	351 561	-
Trade and other payables	(654 004)	-	(654 004)	-
Loans from group companies	(134 123)	-	(134 123)	-
Amounts owed to group companies	(3 648)	-	(3 648)	-
		-	(440 214)	-
Other				
Cash and cash equivalents	1 024 104			
Other non-financial assets	2 304 816			
Property, plant and equipment and intangible assets	1 787 010			
Investments	7 219			
Inventories	510 587			
Other non-financial liabilities	(513 348)			
Environmental restoration provision	(85 096)			
Decommissioning provision	(428 252)			
Total equity	**(3 794 668)**			

21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Categories of financial instruments (continued)

The following is a summary of the classification of financial instruments. The table shows the category under IAS 39 and the change under IFRS 9:

		IFRS 9 measurement category		
	IAS 39 carrying value N$' 000	Fair value through profit or loss N$' 000	Amortised cost N$' 000	Fair value through OCI N$' 000
At 31 March 2018				
Loans and receivables				
Loans to group companies	1 329 124	-	1 329 124	-
Amounts due by group companies	13 908	-	13 908	-
Other non-current assets	32 272	-	32 272	
		-	1 375 304	-
Amortised cost				
Trade and other receivables	345 150	-	345 150	-
Trade and other payables	(352 804)	-	(352 804)	-
Loans from group companies	(48 336)	-	(48 336)	-
Amounts owed to group companies	(1 902)	-	(1 902)	-
		-	(57 892)	-
Other				
Cash and cash equivalents	573 866			
Other non-financial assets	2 085 994			
Property, plant and equipment and intangible assets	1 648 454			
Investments	7 135			
Inventories	430 405			
Other non-financial liabilities	(420 903)			
Environmental restoration provision	(74 172)			
Decommissioning provision	(346 731)			
Total equity	**(3 556 369)**			

21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Categories of financial instruments (continued)

Accounting policy - fair value measurement

The group measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at fair value less costs of disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
In the principal market for the asset or liability
In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share based payments, leasing transactions that are within the scope of lAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in lAS 2 Inventories or value in use in lAS 36 Impairment of Assets.

The group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Significant estimates and assumptions

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When the fair values of non-financial assets/CGUs need to be determined, e.g., for the purposes of calculating FVLCD for impairment testing purposes, they are measured using valuation techniques including the DCF model.

21. FINANCIAL RISK AND CAPITAL MANAGEMENT (continued)

Categories of financial instruments (continued)

The group's principal financial liabilities comprise accounts payable, bank loans and overdrafts and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the group's capital expenditure programme. The group's principal financial assets and provisionally priced trade receivables, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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22. NOTES TO THE STATEMENTS OF CASH FLOW

22.1 RECONCILIATION OF PROFIT / (LOSS) BEFORE TAXATION TO CASH GENERATED / (UTILISED) BY OPERATIONS

	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000
Profit / (loss) before taxation	238 269	1 116 720	(452)	(774)
Adjust for non-cash items				
Depreciation and amortisation	363 004	70 733	-	-
Impairment of property, plant and equipment	-	527	-	-
Impairment on loans and investments	-	5 345	-	-
Loss on disposal of property, plant and equipment	293	-	-	
Share of profit in joint ventures	(83)	(426)	-	-
Finance income	(222 860)	(35 448)	(12)	(34)
Other non-cash items	(3)	-	(2)	(1)
Finance costs	46 691	151 779	-	-
Foreign exchange gain / (loss)	133 371	(107 912)	-	-
	558 682	1 201 318	(466)	(809)
Working capital changes	246 979	215 425	54	(7)
Inventory	(80 082)	318 175	-	-
Trade and other receivables	25 861	(120 682)	66	-
Trade and other payables	301 200	17 932	(12)	(7)
Cash generated / (utilised) by operations	805 661	1 416 743	(412)	(816)

22.2 TAXATION PAID

	Group 2019	Group 2018	Company 2019	Company 2018
Balance at beginning of the year	-	413	-	(112)
Charge per statement of comprehensive income	(30)	428	-	112
Balance at end of the year	(2)	-	-	-
Taxation received / (paid)	28	(15)	-	-

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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23. OTHER INCOME

Included in Other Income in the Statement of Profit or Loss and Other Comprehensive income are the following items:

	Group		Company	
	2019	2018	2019	2018
	N$'000	N$'000	N$'000	N$'000
Scrap metal sales	23 268	16 964	-	-
Rental and other income	1 233	1 511	-	-
	24 501	18 475	-	-

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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24. GUARANTEES AND CONTINGENT LIABILITIES

				Group		Company	
				2019	2018	2019	2018
				N$'000	N$'000	N$'000	N$'000
Guarantees issued:	**Guarantor**	**Maturity**	**Nature**				
Customs and Excise Bond	FNB	Open ended	SACU sales bond	3 200	3 200	-	-
Namibian Ports Authority	FNB	Upon payment or cancellation	Surety on default	1 184	1 184	-	-
NamPower (Pty) Ltd - RoshSkor	FNB	Upon payment or cancellation	Surety on default	91	91	-	-
NamPower (Pty) Ltd	FNB	Upon payment or cancellation	Surety on default	46 226	18	-	-
RoshSkor Township (Pty) Ltd	FNB	Upon payment or cancellation	Surety on default	1 159	1 159	-	-
				51 860	5 652	-	-
Contingent Liabilities:							
Rosh Pinah Zinc Corporation				6 000	6 000	-	-
				6 000	6 000	-	-

The contingent liability relates to a claim for refund of proportionate costs incurred on the Gergarub Project by Skorpion Mining Company (Proprietary) Limited's joint venture partner, Rosh Pinah Zinc Corporation (Proprietary) Limited (RPZC). Skorpion Mining Company (Proprietary) Limited believes it is not liable for the costs, as RPZC was not authorised to incur the expenses. The likelihood of reimbursement of the N$6 000 000 claimed by RPZC is considered to be remote. The contingent liability is for penalties and interest that could potentially be payable to the Ministry of Finance.

25. UNCOVERED FOREIGN CURRENCY MONETARY ITEMS

	Group		Company	
	2019	2018	2019	2018
United States Dollar				
Year-end exchange rate	14.48	11.83	14.48	11.83
	US$ '000	US$ '000	US$ '000	US$ '000
Current assets				
- Bank balances and cash	56 925	40 525	-	-
Current liabilities				
- Payables	10 401	1 224	-	-

26. OPERATING LEASE COMMITMENTS

At the statement of financial position date the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	N$'000	N$'000	N$'000	N$'000
Within 1 year	1 894	1 750	-	-
Between 1 to 2 years	-	1 894	-	-
Between 2 to 5 years	-	-	-	-
	1 894	3 644	-	-

Operating leases are in relation to the use of Spitskop Wes farm to mine limestone, as well as for the lease of various other assets where the useful lives of such assets significantly exceed the period of the leased asset. None of the operating leases has escalation rates of more than 10% per annum.

CONSOLIDATED NOTES TO THE GROUP ANNUAL FINANCIAL STATEMENTS
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	Group		Company	
	2019	2018	2019	2018
	N$ '000	N$ '000	N$ '000	N$ '000

27. CAPITAL COMMITMENTS

Capital expenditure to be financed from own resources to be incurred:

Contracted	31 895	45 185	-	-
Authorised but not contracted	2 289 120	2 289 120	-	-
	2 321 015	2 334 305	-	-

Included in the capital commitments is an amount of N$ 2 289 120 000 related to the sulphide conversion project. The project has been approved by the directors as well as the directors of Vedanta Resources Ltd.

28. DIVIDENDS

During the year dividends of the following values were declared:	-	-	-	-

29. MATERIAL EVENTS AFTER YEAR END

The directors are not aware of any fact or circumstances that occurred between the date of the financial statements and the date of this report that might influence an assessment of the group and company's state of affairs.

30. AUTHORISATION OF ANNUAL FINANCIAL STATEMENTS

The group and separate company financial statements were authorised by the Directors and approved for issue on 30 April 2019.