

COPPER MINES OF TASMANIA PTY LIMITED

A.B.N. 36 065 339 835

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 31 MARCH 2013

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COPPER MINES OF TASMANIA PTY LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

The directors of Copper Mines of Tasmania Pty Limited submit herewith the annual financial report of the company for the financial year ended 31 March 2013. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

DIRECTORS

Mr. Robert Tracy

Mr. DD Jalan

Mr. Jeyakumar Janakaraj

Mr. Vinod Bhandawat

The above named directors held office for whole of the financial year.

PRINCIPAL ACTIVITIES

The company's principal continuing activities during the financial year consisted of:

- (a) Mining, processing and sale of copper concentrate, and
- (b) Exploration for copper and other base metals at Mt. Lyell, Tasmania

DIVIDENDS

In respect of the financial year ended 31 March 2013, a fully franked dividend of \$ 28.6 million was declared and a fully franked dividend of \$28.6 million was paid. (2012: \$25.5million fully franked dividend was paid).

REVIEW OF OPERATIONS

A summary of revenues and results is set out below:

	2013	2012
	S'000	S'000
Revenue from operating activities	199,452	189,931
Other revenue	556	930
Total revenue	<u>200,006</u>	<u>190,861</u>
Operating profit for the financial year after income tax	<u>34,194</u>	<u>36,687</u>

Comments on the operations and the results of those operations are set out below:

COPPER MINES OF TASMANIA PTY LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

OPERATING RESULTS

Copper Mines of Tasmania Pty Ltd:

A total of 2,519,464 tonnes of ore were mined and 2,412,169 tonnes at 1.16% copper grade were processed to produce 98,682 dry metric tonnes of copper concentrate at 26.39% copper during the year ended 31 March 2013. The total copper content in the concentrate is 26,047 tonnes (previous year 22,607 tonnes).

The average copper price for the year was USD 7,853 per tonne, which was lower than the previous year ended 31 March 2012 annual average of USD 8,505, had a negative impact on the revenues of the company. The average Australian to United States of American dollar cross currency conversion rate of AUD 1.0318 during the year compared to AUD 1.0448 in the prior year, had a positive impact on the revenues of the company. The company has not entered into any hedging program during the year (2012: No hedging).

LIQUIDITY AND FUNDING

Considering the current market situations and high demand from China and India, we anticipate that the operations will generate a positive cash flow over the remainder of the known mine life.

RISK MANAGEMENT

The Copper mine entered the frame contract for the sale of copper concentrates with Sterlite Industries (India) Limited (SIIL) in 2009-10 for a future four years. Terms are negotiable on an annual basis. The company also periodically reviews the commodity hedging as a means to secure the sales realization. Existing contract is expiring by 30th Jun 2013 and new contract for further 4 years (2013-2017) is under negotiation with SIIL and will be finalised by 31 May 2013.

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the company's state of affairs during the financial year.

SUBSEQUENT EVENTS

On 10th April 2013, the directors resolved to loan Vedanta Resource Holding Limited, a subsidiary of the ultimate parent entity Vedanta Resources PLC, the sum of USD\$25m. The loan is repayable in 3 months.

As at 1st April 2013 there has been a revision to the life of the mine based on the proved and probable reserves. The life of mine as at 1st April 2013 is calculated as 3.6 years.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

FUTURE DEVELOPMENTS

There were no likely developments in the company's operations that were not finalised at the date of this report.

COPPER MINES OF TASMANIA PTY LIMITED
AUDITOR'S INDEPENDENCE DECLARATION

ENVIRONMENTAL REGULATION

The company is subject to environmental regulations and operates under licence. The company is guided by the Environment Management and Pollution Control Act, 1994. The land use permit conditions are contained in the Environment Protection Notice (EPN) No. 308/2. The Environmental Management Plan was completed in March 1998 and together with the Act and EPN, is the basis for the management of all environmental aspects of the mining leases. The company has been relieved of any environmental obligation in relation to any contamination, pollutants or pollution caused by past operations prior to acquisition of the company by Monte Cello BV (i.e. prior to 1 April 1999).

During the financial year there were no major breaches of license conditions. Internal environmental audits were conducted during the financial year.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the year the holding company has paid premiums to insure the directors of the company, the company secretary and other executive officers of the company against a liability incurred as such a director, company secretary or other executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor.

ROUNDING OF AMOUNTS

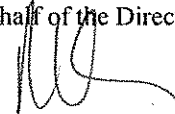
The company is of a kind referred to in Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 4 of the financial report.

Signed in accordance with a resolution of the directors and made pursuant to S298 (2) of the Corporations Act 2001.

On behalf of the Directors



Robert Tracy
Director
Sydney

Date: 19 April 2013

The Board of Directors
Copper Mines of Tasmania Pty Limited
C/o Henry Davis York
44 Martin Place
SYDNEY NSW 2000

18 April 2013

Dear Board Members

Copper Mines of Tasmania Pty Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Copper Mines of Tasmania Pty Limited.

As lead audit partner for the audit of the financial statements of Copper Mines of Tasmania Pty Limited for the financial year ended 31 March 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Rod Whitehead
Partner
Chartered Accountants

Independent Auditor's Report to the members of Copper Mines of Tasmania Pty Ltd

We have audited the accompanying financial report, being a special purpose financial report, of Copper Mines of Tasmania Pty Ltd, which comprises the statement of financial position as at 31 March 2013, the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 35.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Copper Mines of Tasmania Pty Ltd would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion, the financial report of Copper Mines of Tasmania Pty Ltd is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 March 2013 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3, and the *Corporations Regulations 2001*.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Debate Julie Johnson

DELOITTE TOUCHE TOHMATSU

Y/W

Rod Whitehead
Partner
Chartered Accountants
Hobart, 19 April 2013

**COPPER MINES OF TASMANIA PTY LIMITED
DIRECTORS DECLARATION**

Directors' declaration

As detailed in note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that :

- i. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- ii. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company

Signed in accordance with a resolution of directors made pursuant to S295 (5) of the Corporations Act 2001.

On behalf of the Directors

Director _____
Robert Tracy



Sydney

Dated: 19 April 2013

COPPER MINES OF TASMANIA PTY LIMITED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Notes	2013 \$'000	2012 \$'000
Revenue		200,006	190,861
Changes in inventories of finished goods and work in progress		3,174	(2,820)
Raw materials and consumables used		(12,458)	(11,856)
Employee benefits expense		(15,901)	(12,715)
Depreciation and amortization expense		(11,308)	(6,297)
Mining and milling costs		(89,698)	(81,880)
Selling and distribution costs		(17,112)	(15,522)
Finance costs		(239)	420
Other expenses		(8,219)	(7,811)
		<hr/>	<hr/>
Profit before income tax		48,245	52,380
Income tax expense		(14,051)	(15,693)
		<hr/>	<hr/>
Profit for the year		34,194	36,687

Notes to the financial statements are included on pages 13 to 35

COPPER MINES OF TASMANIA PTY LIMITED

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

	Notes	2013 \$'000	2012 \$'000
Profit for the year		34,194	36,687
Other comprehensive income			
Other comprehensive income for the period		<u>-</u>	<u>-</u>
Total comprehensive income during the year		<u>34,194</u>	<u>36,687</u>

Notes to the financial statements are included on pages 13 to 35

COPPER MINES OF TASMANIA PTY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2013

	Notes	2013 \$'000	2012 \$'000
Current assets			
Cash and cash equivalents		3,829	18,330
Trade and other receivables	6	32,076	24,903
Inventories	7	11,642	7,876
Other	8	673	1,389
Deferred tax assets		2,621	309
Total current assets		50,841	52,807
Non current assets			
Investment in Subsidiary	9	22,829	14,523
Other financial assets	9	6,636	8,308
Property, plant and equipment	10	30,509	22,644
Total non current assets		59,974	45,475
Total assets		110,815	98,282
Current liabilities			
Trade and other payables	11	15,278	14,130
Current tax liabilities		6,521	5,112
Provisions	12	1,615	1,453
Total current liabilities		23,414	20,695
Non current liabilities			
Provisions	12	16,877	12,606
Total non current liabilities		16,877	12,606
Total liabilities		40,291	33,301
Net assets		70,524	64,981
Equity			
Issued capital (2 shares of AUD 1 each)	13	-	-
Retained earnings		70,524	64,981
Total equity		70,524	64,981

Notes to the financial statements are included on pages 13 to 35

COPPER MINES OF TASMANIA PTY LIMITED
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Profit before taxation		48,245	52,380
Adjustments to reconcile net income to net cash			
Depreciation expenses		11,308	6,297
Foreign exchange loss		835	(1,543)
Profit from Sale of Assets		(8)	-
Interest Income		(305)	(672)
Interest Expense		330	411
		<u>60,405</u>	<u>56,873</u>
Changes in assets and liabilities :			
Decrease/ (increase) in trade and other receivables		(7,885)	40,652
Decrease /(increase) in inventories		(3,766)	3,599
Decrease /(increase) in other current and non-current assets		716	767
Increase /(decrease) in trade payables and provisions		1,148	(347)
Increase in other current and non-current liabilities		162	222
Cash generated from operations		<u>50,779</u>	<u>101,766</u>
Interest received		(3)	467
Interest and other costs of finance paid		302	(19)
Income tax paid		(14,902)	(16,705)
Net cash provided by operating activities		<u>36,176</u>	<u>85,509</u>
Cash flows from investing activities			
Purchases of property, plant and equipment		(14,215)	(11,516)
Proceeds from Sale of Property, Plant and equipment		8	-
Advance to related parties (Fujairah Gold FZE)		(7,820)	-
Proceeds from Konkola Copper Mines Pty Ltd		-	94
Net cash provided by / (used in) investing activities		<u>(22,026)</u>	<u>(11,422)</u>
Cash flows from financing activities			
Repayment of borrowings		-	(34,670)
Payment of dividend		(28,651)	(25,543)
Net cash used in financing activities		<u>(28,651)</u>	<u>(60,213)</u>
Net decrease in cash and cash equivalents		<u>(14,501)</u>	<u>13,874</u>
Cash and cash equivalent at the beginning of the financial year		18,330	4,456
Cash and cash equivalents at the end of the financial year	18	<u>3,829</u>	<u>18,330</u>

Notes to the financial statements are included on pages 13 to 35

COPPER MINES OF TASMANIA PTY LIMITED
STATEMENT OF CHANGES IN EQUITY
AS AT 31 MARCH 2013

	Fully paid ordinary shares \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 April 2011	-	53,837	53,837
Profit for the period	-	36,687	36,687
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	36,687	36,687
Dividend paid during the year	-	(25,543)	(25,543)
Balance at 31 March 2012	-	64,981	64,981
Profit for the period	-	34,194	34,194
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	34,194	34,194
Dividend paid during the year	-	(28,651)	(28,651)
Balance at 31 March 2013	-	70,524	70,524

Notes to the financial statements are included on pages 13 to 35

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

1. New and revised Accounting Standards

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the annual reporting period ending 31 March 2013. The adoption of the following new and revised Standards and Interpretations has not resulted in any significant changes to the company's accounting policies or affected amounts reported for the current or prior years.

- AASB 124 'Related Party Disclosures' (revised), AASB 2009-12 'Amendments to Australian Accounting Standards'
- AASB 2009-10 'Amendments to Australian Accounting Standards – Classification of Rights Issues'
- AASB Interpretation 19 'Extinguishing Financial Liabilities with Equity Instruments'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'

Standards issued but not yet effective

Initial application of the following Standards and Interpretations are not expected to have material impact on the financial report of the Company:

- AASB 9 'Financial Instruments' (revised), AASB 2010-7, AASB 2009-11 - Effective for reporting periods beginning on or after 1 January 2013.
- AASB 10 Consolidated Financial Statements – Effective for reporting period being on or after 1 January 2013
- AASB 12 Disclosure of Interests in Other Entities – Effective for reporting period being on or after 1 January 2013
- AASB 127 Separate Financial Statements – Effective for reporting period being on or after 1 January 2013
- AASB 13 Fair Value Measurement, AASB 2011-8 – Effective for reporting period being on or after 1 January 2013
- AASB 119 Employee Benefits (2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (2011) – Effective for reporting period being on or after 1 January 2013
- AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets – Effective for reporting period being on or before 1 January 2012
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements – Effective for reporting period on or before 1 July 2013
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards – Effective for reporting period being on or after 1 January 2013
- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income – Effective for reporting period being on or after 1 July 2012
- Interpretation 20 'Stripping Costs in the Production Phase of a Surface Mine' and AASB 2011-12 'Amendments to Australian Accounting Standards arising from Interpretation 20 – Effective for reporting period on or before 1 January 2013

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

1. New and revised Accounting Standards (continued)

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and interpretations have not yet been adopted:

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)
- Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)

2. Significant accounting judgements, estimates and assumptions

The preparation of the company's financial statements in conformity with accounting policies described in note 3, requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the company's financial statements, and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However outcomes would differ from these estimates, if different assumptions were used and different conditions existed.

In particular, the company has identified the following areas where significant judgements, estimates and assumptions are required, and where actual results were to differ, may materially affect the financial position or the results reported in future periods. Further information on each of these and how they impact the various accounting policies is located in the relevant notes to the financial statements.

Mine Rehabilitation provision

The provision for rehabilitation costs represents the present value of the director's best estimate of the future sacrifice of economic benefits that will require rehabilitating the leasehold property. The director's estimates are based on reports provided by environmental consultants in March 2013. The company has reengaged the same environmental consultant to update estimates and discussion with government for approving the closure plan has been revived. Further, the company has engaged a mine planning consultant for working on design and feasibility to extend the life of mine. Any adjustment to the rehabilitation provision would be made after considering updated information on timing and the scope of the closure requirements.

Useful lives of property, plant and equipment:

As described in note 3, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. During the financial year, the directors have determined that the useful life of certain items of property, plant and equipment be 2.6 years in line with the expected mine life.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies

3.1 Financial reporting framework

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

3.2 Statement of compliance

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054 'Australian Additional Disclosures'. Since the Company has opted to prepare a Special Purpose Financial Report (SPFR) in the current year, the disclosure requirements of AASB 127 'Consolidated and Separate Financial Statements' are optional and it has elected to not apply the disclosure requirements of AASB 127 'Consolidated and Separate Financial Statements'.

3.3 Basis of preparation

The financial report has been prepared on the basis of historical cost; except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

3.4 Income tax

Nature of funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Copper Mines of Tasmania Pty Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the head entity under the tax funding agreement.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Tax consolidation:

Relevance of tax consolidation to the Group

The Company and its Associate Australian resident entity have formed a Multiple Entry Consolidated Group with effect from 1st April 2007 and are therefore taxed as single entity from that date. The head entity within the tax-consolidated group is Copper Mines of Tasmania Pty Ltd. The members of the tax-consolidated group are Copper Mines of Tasmania Pty Ltd and Thalanga Copper Mines Pty Ltd.

3.5 Foreign currency

The financial statements of the company are presented in its functional currency being the currency of primary economic environment in which the company operates. For the purpose of the financial statements, the results and financial position of the company are expressed in Australian dollars, which is the functional currency of the company and the presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Nonmonetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

On the disposal of a foreign operation (i.e. a disposal of the company's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the company are reclassified to profit or loss. In the case of a partial disposal that does not result in the company losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the company's ownership interests in associates or jointly controlled entities that do not result in the company losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for commodity hedge losses, and estimated customer returns, stock rotation, price protect, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

3.7 Inventories

(i) Ore and concentrate

Inventories of mined ore, concentrate and work in process are physically measured or estimated and valued at the lower of cost and net realisable value. Cost includes direct materials, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the period in which such inventories were produced.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

To the extent to which more than one finished product is obtained from the mineral resource ("joint products") all joint production costs are apportioned between the resulting finished products by reference to their estimated net realisable value at the point where those joint products become physically separated.

(ii) Stores and consumables

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value through the recognition of an impairment write down. A regular and ongoing review is undertaken to establish the extent of surplus items, and an impairment write down is made for any potential loss on their disposal.

3.8 Contingencies

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of the existence, and potential quantum, of contingencies inherently involves the exercise of significant judgement and use of estimates regarding the outcome of future events.

3.9 Impairment of long-lived assets excluding goodwill

At each reporting date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.10 Project exploration, evaluation and development expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale.

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest within the development area are written off as incurred.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only in the measurement of exploration and evaluation costs where they are related directly to operational in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating units to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset increases to the revised estimate of its recoverable amount, but only to the extent 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 previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to "development". Development expenditure is recognised at cost less accumulated amortisation and any impairment losses.

Where commercial production in an area of interest has commenced, the associated costs, are amortised over the estimated economic life of the mine on a units-of-production basis. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision was taken. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

3.11 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income/income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

3.12 Deferred Tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.13 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.14 Property, plant and equipment

Land, buildings, plant and equipment, mine development and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Where items of plant and equipment have separately identifiable components, which are subject to regular replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Depreciation is provided on all property, plant and equipment, mine development including freehold buildings but excluding land. Depreciation on mining assets is calculated based on the percentage of total ore reserve extracted to date. Leasehold improvements are depreciated over the period of the lease or the estimated residual life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate. The company's plant requires overhaul on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

3.15 Leased assets

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

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as an expense in the period, which they are incurred.

Finance leased assets are amortised on a straight-line basis over the term of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

3.16 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

3.17 Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised at the start of each project into the cost of the related asset and is charged to the income statement as depreciation on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset. 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 profit and loss account as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

3.18 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred.

3.19 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

3.20 Derivative financial instruments

The Company enters into a Forward contracts based on requirement and under management approval to manage its exposure to foreign exchange, interest rate and commodity price. The company does not hold nor issue derivative financial instruments for speculative purposes.

Derivative financial instruments are initially recorded at their fair value on the date the derivative transaction is entered and are subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). The fair value of hedging commitments is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives that are not designated into an effective hedge relationship are classified as current assets or current liabilities.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges or cash flow hedges.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income/income statement relating to the hedged item. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income/income statement as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument relating to the effective portion of the hedge accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operation.

3.21 Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company's financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently the company only has financial assets within the loans and receivables category.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate method for debt instruments other than those financial assets 'at fair value through profit or loss'.

Loans and receivables

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

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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3. Significant accounting policies (continued)

amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the at the original effective interest rate.

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

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

3.22 Financial Instruments issued by the Company and Financial Liabilities

Debt and equity instruments

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

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

3. Significant accounting policies (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured at fair value with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3.23 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

4. Other gains and losses

	2013	2012
	\$'000	\$'000
Gain/(loss) on disposal of property, plant and equipment	8	-
Government grants received for staff re-training		
Net foreign exchange gains/(losses)	(1,010)	(448)
	<u>(1,002)</u>	<u>(448)</u>

No other gains or losses have been recognised in respect of loans and receivables or held-to maturity Investments and impairment losses recognised/reversed in respect of trade receivables.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

5. Profit for the year	2013	2012
	\$'000	\$'000
(i) Other expenses		
Profit for the year includes the following expenses		
Cost of sales	(140,214)	(132,604)
Depreciation of non-current assets		
Buildings	(32)	(32)
Plant and equipment	(5,685)	(2,547)
	<u>(5,717)</u>	<u>(2,579)</u>
Amortisation of non-current assets		
Rehabilitation assets	(1,420)	102
Mine development	(4,171)	(3,820)
	<u>(5,591)</u>	<u>(3,718)</u>
Total Depreciation and amortisation	<u>(11,308)</u>	<u>(6,297)</u>
Employee benefit expense:		
Defined contribution plan	(1,449)	(1,227)
	<u>(1,449)</u>	<u>(1,227)</u>
6. Trade and other receivables		
Trade receivables (i)	30,860	23,071
Other receivables	1,216	1,832
	<u>32,076</u>	<u>24,903</u>

(i) Average credit period is 30 days and no interest is charged.

No allowance has been made for estimated irrecoverable trade receivable amounts due to past experience.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

	2013	2012
	\$'000	\$'000
7. Inventories		
Stores and consumables at cost	7,035	7,062
Write down to net realizable value	(1,739)	(2,357)
Work in progress at cost (ore)	3,225	382
Finished goods at cost (concentrate)	3,121	2,789
	<hr/>	<hr/>
	11,642	7,876
	<hr/>	<hr/>

8. Other assets

Prepayments	673	1,389
	<hr/>	<hr/>
	673	1,389
	<hr/>	<hr/>

9. Other financial assets

Loans and receivables carried at amortised cost

Investment in subsidiary at cost	22,829	14,523
Loan to subsidiary at amortised costs	6,636	8,308
	<hr/>	<hr/>
	29,465	22,831
	<hr/>	<hr/>

Disclosed in the financial statements as:

Current other financial assets		
Non current financial assets	6,636	8,308
Non-current- Investment in Subsidiary	22,829	14,523
	<hr/>	<hr/>
	29,465	22,831
	<hr/>	<hr/>

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

10. Property, plant and equipment

	Freehold land and Buildings at cost \$'000	Mine reserve and development at cost \$'000	Plant and equipment at cost \$'000	Capital work in progress \$'000	Rehabilitation assets \$'000	Total \$'000
Gross carrying amount						
Balance at						
1 April 2011	354	46,530	59,554	3,865	4,649	114,952
Additions	-	5,480	6,787	(750)	2,661	14,178
Balance at						
31 March 2012	354	52,010	66,341	3,115	7,310	129,130
Additions	-	2,649	5,928	6,892	3,704	19,173
Disposals	-	-	(109)	-	-	(109)
Balance at						
31 March 2013	354	54,659	72,160	10,007	11,014	148,194
Accumulated depreciation						
Balance at						
1 April 2011	228	44,658	50,654	-	4,649	100,189
Depreciation expense	32	3,820	2,547	-	(102)	6,297
Balance at						
31 March 2012	260	48,478	53,201	-	4,547	106,486
Depreciation expense	32	4,171	5,685	-	1,420	11,308
Disposals	-	-	(109)	-	-	(109)
Balance at						
31 March 2013	292	52,649	58,777	-	5,967	117,685
Net book value						
As at 31 March 2012	94	3,532	13,140	3,115	2,763	22,644
As at 31 March 2013	62	2,010	13,383	10,007	5,047	30,509

Aggregated depreciation and amortisation allocated during the year is recognised as an expense and disclosed in note 5 to the financial statements.

The following useful lives have been used in the calculation of depreciation and amortisation and depreciation is based on shorter of life of mine or useful life of assets as below :

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

Buildings	20 years
Plant and equipment	2 – 10 years
Equipment under finance lease	2 – 5 years
Mine reserve and development	4 years
Rehabilitation assets	4 years

(N.B. Remaining life 2.6 years from 1 April 2012. Remaining mine life at 1st Apr 2013 is estimated to be 3.6 years)

11. Trade and other payables

	2013	2012
	\$'000	\$'000
Trade payables (i)	15,278	14,130
	15,278	14,130

(i) The average credit period for purchase of goods and services is 30 days and no interest is paid. The company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

12. Provisions

Current

Employee benefits (i)	1,615	1,453
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Non-current

Employee benefits	1,522	1,282
Provision for rehabilitation (ii)	15,355	11,324
	16,877	12,606

(i) The current provision for employee benefits includes \$1,615 thousand of annual leave (2012: \$1,453 thousand)

(ii) The provision for rehabilitation costs represents the present value of the director's best estimate of the futures sacrifice of economic benefits that will require to rehabilitate the leasehold property.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

2013	2012
S'000	S'000

13. Issued capital

2 fully paid ordinary shares (2012: 2)

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Changes relating to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the numbers of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

14. Dividend

	2013		2012	
	per share	Total	per share	Total
	in S'000	S'000	in S'000	S'000
Unrecognised amounts				
<u>Fully paid ordinary shares</u>				
Final dividend Proposed:				
Fully franked at a 30% tax rate	-	-	-	-

During the financial year, the directors have declared a fully franked final dividend of \$ 14.30 million per share (total \$28.6 million) (2012: \$12.75 million per share (total \$25.5 million)).

	2013	2012
	S'000	S'000
Adjusted franking account balance	33,503	30,871

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

15. Remuneration of auditors

	2013	2012
	\$	\$
Auditor of the company		
Audit of the financial report	164,868	134,530
	<u>164,868</u>	<u>134,530</u>

The auditor of the company is Deloitte Touche Tohmatsu

16. Commitments for expenditure

	2013	2012
	\$'000	\$'000
Lease commitments		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	456	253
Later than one year but not later than 2 years	406	247
Later than 2 years but not later than 5 years	181	107
	<u>1,043</u>	<u>607</u>
Representing:		
Non-cancellable operating leases	<u>1,043</u>	<u>607</u>

17. Ownership interest

	Principal activity	Country of incorporation	2013 %	2012 %
Parent entity				
Copper Mines of Tasmania Pty Limited	Copper Mining	Australia		
Subsidiary				
Fujairah Gold FZE	Manufacturing, Refinery & Trading of Precious Metals and Copper Products.	United Arab Emirates	100	100

In accordance with the statement of compliance at note 3.2, the results of Fujairah Gold FZE have not been consolidated into the results of the company.

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

18. Notes to the statement of cash flows

(a) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments with maturity dates less than 3 months, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:

	2013	2012
	\$'000	\$'000
Cash and bank balances	3,829	18,330

19. Economic dependency

The CMT depends for a major volume of revenue on Sterlite Industries (India) Limited. During the period ended 31 March 2012, approximately 100% (31 March 2011– 100%) of the CMT's operating revenue was sourced from Sterlite Industries (India) Limited.

20. Commitments and contingent liabilities

Capital Commitment (1)	451	500
Bank Guarantee (2)	5,000	5,000
	<u>5,451</u>	<u>5,500</u>

- 1) CMT had made a purchase commitment for various Capital Projects and an amount of \$451 thousand (2012: \$500 thousand) was outstanding in those orders as on 31 March 2013.
- (2) CMT has issued Bank Guarantee of \$5,000 thousand in favour of Minister for Economic Development, Energy and Resources

COPPER MINES OF TASMANIA PTY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 MARCH 2013**

21. Subsequent Events

On 10th April 2013, the directors resolved to loan Vedanta Resource Holding Limited, a subsidiary of the ultimate parent entity Vedanta Resources PLC, the sum of USD\$25m. The loan is repayable in 3 months.

As at 1st April 2013 there has been a revision to the life of the mine based on the proved and probable reserves. The life of mine as at 1st April 2013 is calculated as 3.6 years.

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years

22. General information

COMPANY PARTICULARS

The parent entity is Monte Cello Corporation BV (incorporated in the Netherlands) that owns 100% of the issued ordinary shares of Copper Mines of Tasmania Pty Limited.

The ultimate parent entity is Vedanta Resources Plc (incorporated in United Kingdom) that indirectly owns 61.10 % of the issued ordinary shares of Monte Cello Corporation BV. Sterlite Industries (India) Limited is the parent entity of Monte Cello Corporation BV.

Copper Mines of Tasmania Pty Limited is a company limited by shares incorporated and domiciled in Australia. The company's registered office and its principal place of business are as follows:

Registered office:

C/o Henry Davis York
44 Martin Place
Sydney, New South Wales

Principal place of business:

Copper Mines of Tasmania Pty Limited
Private Bag 1
Queenstown, Tasmania

Monte Cello BV
Johan Musyskenweg
Postbus 231
C00AE Amsterdam
The Netherlands

Vedanta Resources plc
16 Berkeley Street
London W1J8DZ
United Kingdom