

# **COPPER MINES OF TASMANIA PTY LTD**

ABN 36 065 339 835

Financial Report for the Financial Year Ended  
31 March 2020

# **COPPER MINES OF TASMANIA PTY LTD**

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# COPPER MINES OF TASMANIA PTY LTD

## DIRECTORS' REPORT

The directors of Copper Mines of Tasmania (the "Company") submit herewith the annual financial statements of the Company for the year ended 31 March 2020 in order to comply with the provisions of the Corporations Act 2001.

### Directors

The names of the directors of the Company during or since the end of the financial year are:

- Mrs Deshnee Naidoo
- Mr Kishore Kumar (resigned 26 August 2019)
- Mr Peter Walker (resigned 15 October 2019)
- Mr Arun Kumar GR
- Mr Clint Mayes (appointed 11 November 2019)
- Mr Sharad Gargiya (appointed 26 August 2019)

### Principal activities

During the year the principal activities of the Company consisted of:

- Care and maintenance activities of mining, processing plant.

### Review of operations

A summary of revenues and results is set out below:

	2020	2019
	\$'000	\$'000
Revenue from operating activities	-	-
Other revenues	598	809
Total revenue	<u>598</u>	<u>809</u>
Operating profit/(loss) for the financial year after income tax	(23,221)	(16,642)

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

On 17 January 2014 a mud-rush event occurred on the 1315 production level of the Company's Prince Lyell ore body resulting in the fatality of a contractor and the mining operation was suspended.

All possible efforts were made to restart the operation safely. On 27 June 2014, a rockfall occurred in the NEA access drive which connects the lower levels of the mine to surface. Due to the rockfall incident, the directors decided to put the operation into Care & Maintenance. Operations are still under suspension and the Company is engaged in exploration and project studies to restart the mine operation. The Company has completed the D Panel prospect feasibility and technical peer review studies, it has established a 17Mt Indicated Resource in the Northern Flank and also has completed the Scoping Study of the Copper Chert prospect. The Company is committed to develop the D Panel prospects. A proposed restart process has been tabled to the Vedanta Group for approval.

# **COPPER MINES OF TASMANIA PTY LTD**

## **DIRECTORS' REPORT (CONTINUED)**

### **Review of operations (continued)**

The State Government agreed to provide a monetary grant of \$9.5 million to CMT to undertake a range of projects needed for the restart of mine operations. Projects included: \$1.5 million to reopen the North Lyell Tunnel; \$4.5 million for the access decline refurbishment and preparation; \$2 million for the dismantling, removal and storage of the existing crushing circuit; and \$1.5 million towards pre-engineering studies. The signed Grant Deed acknowledges that nothing in the Deed requires CMT to recommence its mining operations at the mine.

### **Changes in state of affairs**

Other than as disclosed in this report or in the accompanying financial statements and notes thereto, in the opinion of the directors, there have been no significant changes in the state of affairs of the Company during the year.

### **Subsequent events**

At the date of this report, there were no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

### **Likely developments and expected results of operations**

The directors are of the opinion that it would be prejudicial to the best interests of the Company to make any comment regarding likely developments or the expected results of the consolidated entity's future operations.

### **Environmental regulations**

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 indemnified by statute for 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).

The Company's mining licences were renewed in August 2013 for a further period of 14 years to 30 December 2027. There were no major breaches of license conditions. The Company has completed Princess Creek tailings facility lift construction & dredging and tailings are under water. ISO 9001, ISO 14001, OHSAS 18001, AS/NZS 4801:2001 surveillance assessments were successfully conducted previously.

### **Dividends**

No dividends were paid or provided for during or since the end of the financial year.

### **Indemnification of officers and auditors**

During the year a related Company 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.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

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## DIRECTORS' REPORT (CONTINUED)

### Principal risks and uncertainties

The Company holds a Letter of Comfort issued by Vedanta Limited, a related Company, under the approval of the board of directors, that states that Vedanta Limited accepts the responsibility for arranging to provide sufficient financial assistance to the Company as and when it is needed to enable the Company to continue its operations and fulfil all of its financial obligations a period of not less than one year from the date of signing of these financial reports.

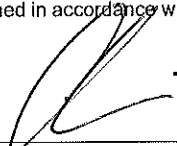
### Rounding off of amounts

The amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC Corporations (Rounding in financial / Director's reports) Instrument 2016/191. The Company is an entity to which this legislative instrument applies.

### Auditor's independence declaration

The auditor's independence declaration is included on page 6.

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



Mr Clint Mayes  
Director

Queenstown, 15 June 2020



**Building a better  
working world**

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## Auditor's Independence Declaration to the Directors of Copper Mines of Tasmania Pty Ltd

As lead auditor for the audit of the financial report of Copper Mines of Tasmania Pty Ltd for the financial year ended 31 March 2020, I declare to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads "Ernst &amp; Young".

Ernst & Young

A handwritten signature in black ink that reads "Richard Bembridge".

Richard Bembridge  
Partner  
15 June 2020

## COPPER MINES OF TASMANIA PTY LTD

### STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	<i>Notes</i>	2020 \$'000	2019 \$'000
Revenue from operations		-	-
Other Income	4 (a)	598	809
Raw material & consumables used		(613)	(1,273)
Employee benefit expenses	4 (b)	(3,982)	(3,772)
Depreciation and amortisation expenses		(454)	(315)
Mining and milling maintenance costs		(3,049)	(3,653)
Finance costs	4 (c)	(13,252)	(6,473)
Impairment of other receivable		-	(214)
Other expenses		(2,469)	(2,315)
<b>Loss before tax</b>		<b>(23,221)</b>	<b>(17,206)</b>
Income tax benefit / (expense)	5	-	564
<b>Loss for the year</b>		<b>(23,221)</b>	<b>(16,642)</b>
Other comprehensive income		-	-
<b>Total comprehensive loss for the year</b>		<b>(23,221)</b>	<b>(16,642)</b>

The above Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

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## STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	<i>Notes</i>	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6	1,153	2,130
Trade and other receivables	7	1,135	1,122
Inventories	8	4,107	4,058
Other assets	9	162	168
<b>Total Current Assets</b>		<b>6,557</b>	<b>7,478</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	10	5,559	5,021
<b>Total Non-Current Assets</b>		<b>5,559</b>	<b>5,021</b>
<b>TOTAL ASSETS</b>		<b>12,116</b>	<b>12,499</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	926	1,733
Provisions	12	618	1,011
Lease liability	13	27	-
Borrowings	18	89,363	66,969
<b>Total Current Liabilities</b>		<b>90,934</b>	<b>69,713</b>
<b>Non-Current Liabilities</b>			
Provisions	12	20,507	18,897
Lease liability	13	7	-
<b>Total Non-Current Liabilities</b>		<b>20,514</b>	<b>18,897</b>
<b>TOTAL LIABILITIES</b>		<b>111,448</b>	<b>88,610</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(99,332)</b>	<b>(76,111)</b>
<b>EQUITY</b>			
Issued capital	14	2	2
Accumulated losses		(99,334)	(76,113)
<b>TOTAL EQUITY/ (DEFICIT)</b>		<b>(99,332)</b>	<b>(76,111)</b>

The above Statement of Financial Position is to be read in conjunction with the accompanying notes.



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### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Issued capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance as at 1 April 2018</b>	<b>2</b>	<b>(59,471)</b>	<b>(59,469)</b>
Loss for the year	-	(16,642)	(16,642)
Other comprehensive income for the year, net of tax	-	-	-
Dividends paid	-	-	-
<b>Balance as at 31 March 2019</b>	<b>2</b>	<b>(76,113)</b>	<b>(76,111)</b>
<b>Balance as at 1 April 2019</b>	<b>2</b>	<b>(76,113)</b>	<b>(76,111)</b>
Loss for the year	-	(23,221)	(23,221)
Other comprehensive income for the year, net of tax	-	-	-
Dividends paid	-	-	-
<b>Balance as at 31 March 2020</b>	<b>2</b>	<b>(99,334)</b>	<b>(99,332)</b>

The above Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

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## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Loss before tax		(23,221)	(16,642)
<b>Adjusted for</b>			
Depreciation		454	315
Unrealised foreign exchange (gain) / loss		11,338	4,700
Impairment of other receivable		-	214
Interest income		(6)	(13)
Interest expenses		1,914	1,773
<b>Changes in assets and liabilities</b>			
Decrease /(increase) in trade and other receivables		(13)	2,490
Decrease /(increase) in inventories		(51)	165
Decrease /(increase) in other assets		6	(40)
(Decrease) /increase in trade payables and provisions		(698)	(3,830)
<b>Net cash used in operating activities</b>		<b>(10,277)</b>	<b>(10,868)</b>
<b>Cash flows from investing activities</b>			
Payments for purchase of property, plant and equipment		(92)	-
Interest expense as investing		(3)	-
Interest income as investing		6	13
<b>Net cash from / (used in) investing activities</b>		<b>(89)</b>	<b>13</b>
<b>Cash flows from financing activities</b>			
Proceeds from associated entity borrowings		9,424	9,060
Payment of principal portion of lease liability		(35)	-
<b>Net cash from financing activities</b>		<b>9,389</b>	<b>9,060</b>
Net change in cash and cash equivalents		(977)	(1,795)
Cash and cash equivalents at the beginning of the year		2,130	3,925
<b>Cash and cash equivalents at the end of the year</b>	<b>6</b>	<b>1,153</b>	<b>2,130</b>

The above Statement of Cash Flows is to be read in conjunction with the accompanying notes

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 1 APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

#### (a) Amendments to AASBs and new Interpretations that are mandatorily effective for the current year

In the current year, the Company has applied all amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 April 2019, and therefore relevant for the current year end. The impact of the new standards that are expected to significantly impact reporting have been further disclosed below:

##### **AASB 16 Leases**

AASB 16 supersedes AASB 117 *Leases* and IFRIC 4 *Determining whether an Arrangement contains a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The Company adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 April 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying AASB 117 at the date of initial application. The Company also applied the available practical expedient to use a single discount rate to a portfolio of leases with reasonably similar characteristics.

The effect of adoption AASB 16 as at 1 April 2019 (increase/(decrease)) is, as follows:

<b>Assets</b>	<b>\$'000</b>
Right-of-Use Asset (classified within Property, plant and equipment)	66
<b>Total Assets</b>	<b>66</b>
<b>Liabilities</b>	
Lease Liability	66
<b>Total Liabilities</b>	<b>66</b>

The lease liabilities as at 1 April 2019 can be reconciled to the operating lease commitments as of 31 March 2019, as follows:

Operating lease commitments as at 31 March 2019	71
Weighted average incremental borrowing rate as at 1 April 2019	6.57%
Discounted operating lease commitments as at 1 April 2019	66
Lease liabilities as at 1 April 2019	66

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 2 CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

#### (a) Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below or elsewhere in the financial statements:

##### *Recoverability of inventory and property, plant and equipment*

On 17 January 2014, a mud rush event occurred underground at 1315 level, resulting in suspension of mining operations and impacting the viability of mine operations. On 27 June 2014 a rock fall occurred in in the Prince Lyell mine affecting an access drive which connects the lower levels of the mine to surface. As a consequence of the mud rush and rock fall, mining operations were put into Care and Maintenance. During the year, the directors have considered the recoverability of the Company's inventory and property, plant and equipment which are included in the statement of financial position at 31 March 2020 with a carrying amount of \$9,666k ( FY19: \$9,079k ).

The Company is investigating various mining prospects on the Mt Lyell mining lease and has completed a Feasibility Study and technical peer reviews on the Northern Flank of the Prince Lyell Deposit (D Panel) and established 17Mt of Indicated Resource. The Company has also completed a Scoping Study of the Copper Chert prospect. The Company is committed to develop the D Panel prospects. A proposed restart process has been tabled to the Vedanta Group for approval. The Company has prepared a discounted cash flow on the mine restart project which indicates that the carrying amount of inventories and property, plant and equipment will be recovered in full, if the projects proceed. The Company is confident of a restart process, but this is subject to regulatory approvals and the requirements and approvals of both the Company and the ultimate parent Company Boards. The Company and ultimate parent Company Boards does not anticipate the impact of COVID-19 to affect the decision taken on the proposed mine restart. If the Company does not receive approvals to enable the projects to proceed, or if there are financing and investment decisions impacted by COVID-19 that prevent the projects from proceeding, the Company will consider other options in respect of the mine lease area.

This position will be closely monitored, and adjustments made in future periods if events indicate that such adjustments are appropriate.

##### *Decommissioning liabilities*

Decommissioning liabilities represents the present value of decommissioning costs relating to the Company's mining and production activities. These provisions have been created based on the independent external assessment which may change in the future in response to changes in relevant legal requirements, changes in restoration techniques or experience at the production sites. Assumptions have been made based on the current economic environment which management believe are a reasonable basis upon which to estimate the future liability. However actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect the market conditions at the relevant time. Furthermore the timing of decommissioning is likely to depend on when the Company's operation ceases. The liability has been discounted to its present value using a risk free discount rates. Inflation rates have been used in determining decommissioning liabilities.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 2 SUMMARY OF SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### (a) Key sources of estimation uncertainty (continued)

##### *Useful lives of property, plant and equipment*

All mining assets have been fully depreciated. As a consequence of entering into Care and Maintenance, plant and equipment assets are being depreciated to cover the extent of normal wear & tear.

##### *Contingencies*

Due to the size, complexity and nature of the Company's operations, various legal matters are outstanding from time to time. Contingencies can be possible assets or liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies involves the use of significant judgment and estimates. In the event that management's estimate of the future resolution of these matters changes, the Company will recognise the effects of the changes in its financial statements on the date such changes occur.

Actual results could differ from estimates and those differences could be material.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law. For the purposes of preparing the financial statements, the Company is a for-profit entity.

The financial statements were authorised for issue by the directors on 18 May 2020.

#### (b) Basis of Preparation

The financial report has been prepared on the basis of historical cost. 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 amounts contained in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) where noted (\$000) under the option available to the Company under ASIC corporations (Rounding in financial / Director's reports) Instruments 2016/191. The Company is an entity to which this legislative instrument applies.

##### COVID-19 pandemic

On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The directors have reviewed the business plan for the next 12 months and estimates there will be no financial impact as a result of the pandemic.

#### (c) Going concern

The financial report has been prepared on the going concern basis, which assumes that the Company will be able to realise its assets and discharge its liabilities in the normal course of business.

Though there are uncertainties as the mine restart plans are still ongoing, at the date of this report the directors are confident that the Company will be able to continue as a going concern for the reasons outlined below:

- The Company holds a Letter of support issued by Vedanta Limited, the intermediate parent Company, that states that Vedanta Limited agrees to provide necessary financial support to the Company, in order to enable it to meet cash interest payments on its loans payable and to meet its liabilities as and when they fall due, at least for a period of not less than one year from the date of signing of these financial reports of the Company.
- At the date of this report and having considered the above factors, the directors are confident of the Company's ability to continue as a going concern and the commitment of the parent entity to provide ongoing financial support.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Income tax

##### *Current tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the 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 or that have a different tax consequence for the tax-consolidated group.

##### *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 or that have a different tax consequence for the tax-consolidated 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.

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.

##### *Current and deferred tax recognised in equity*

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.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Income tax (continued)

##### *Tax consolidation: Relevance of tax consolidation to the Company*

The Company and its associate Australian resident entity have formed a Multiple Entity Consolidated Group with effect from 1 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.

#### (e) 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. 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.

#### (f) Revenue recognition

##### *Sale of Commodities*

Revenues are measured at the fair value of the consideration received or receivable, net of discounts, volume rebates, outgoing sales taxes, goods and service tax, excise duty and other indirect taxes. Revenues from contracts with customers is recognised when:

- control of the commodity sold is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the commodity; and
- the commodity has been delivered to the shipping agent. Revenues from sale of by-products are included in revenue.

##### *Interest Income*

Interest income from debt instruments is recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of a financial asset. When calculating the effective interest rate, the Company estimates the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses.

##### *Government grant income*

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

See note 4(a) and note 7 for more information.

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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### (g) Inventories

#### *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.

### (h) 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 disposal (FVLCD) and value in use. In assessing FVLCD, the estimated future cash flows are based on market based commodity prices and exchange assumptions, estimated quantities of recoverable minerals, productive levels, opportunity costs and capital requirements, including any expansion projects, and its eventual disposal, based on latest life of mine plans. The 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.

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.

### (i) 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:

- The rights to tenure of the area of interest are current; and
- 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.

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.



# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (i) Project exploration, evaluation and development expenditure (continued)

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.

#### (j) Property, plant and equipment

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.

#### (k) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

##### *Company as lessee*

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

##### *(i) Right-of-use*

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets of 3 years.

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to note 3(h) for more information.

##### *(ii) Lease liabilities*

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

##### *(iii) Short-term leases and leases of low-value assets*

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (l) 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.

#### *Superannuation plans*

Contributions to superannuation plans are expensed when incurred.

#### (m) 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.

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.

#### (n) 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.

#### (o) 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.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Financial instruments – initial recognition and subsequent measurement

##### i. Financial Assets

###### Initial recognition and measurement

Financial assets at initial recognition are measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. 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.

###### *Financial assets at amortised cost (debt instruments)*

This category is the most relevant to the Company. 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 (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes cash & cash equivalents and trade receivables.

###### *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

As for the exposure at default, for financial assets, this is represented by the asset's gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

If the Company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Company measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Financial assets (continued)

##### *Derecognition of financial assets*

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.

##### *ii. Financial liabilities*

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 and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables and related party borrowings.

##### *Borrowings*

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss 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 profit or loss. This category generally applies to interest-bearing borrowings. For more information, refer to Note 17.

##### *Derecognition*

A financial liability is derecognised when the obligation under the liability 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 the profit or loss.

#### (q) Goods and services tax

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

- 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
- for receivables and payables which are recognised inclusive of GST; or
- 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 Statement of Cash Flows 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.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 \$'000	2019 \$'000
<b>4 INCOME AND EXPENSES</b>		
<b>(a) Other income</b>		
Interest income	6	12
Government grant income	453	677
Other income	139	120
<b>Total other income</b>	<b>598</b>	<b>809</b>
<b>(b) Employee benefits expense</b>		
Employee benefit expenses	3,606	3,418
Contributions to superannuation defined contribution plan	376	354
<b>Total employee benefits</b>	<b>3,982</b>	<b>3,772</b>
<b>(c) Finance costs</b>		
Interest and finance charges paid / payable	1,639	1,365
Interest on lease liability	3	-
Foreign exchange loss/(gain)	11,338	4,700
Unwinding of discount on rehabilitation provision	272	408
<b>Total finance costs</b>	<b>13,252</b>	<b>6,473</b>
<b>5 INCOME TAX</b>		
<b>(a) Income tax expense recognised in profit or loss</b>		
<b>Current income tax</b>		
In respect of the current year	-	-
<i>The prima facie income tax expense on pre-tax accounting profit from operations reconciles to income tax expense in the financial statements as follows:</i>		
<b>Loss before income tax expense</b>	<b>(23,221)</b>	<b>(17,206)</b>
Income tax calculated at 30%	(6,966)	(5,162)
Utilisation of current year losses*	-	(564)
Non-deductible expenses for tax purposes	1	-
Current year tax losses not recognised	6,965	5,162
<b>Income tax expense/(benefit)</b>	<b>-</b>	<b>(564)</b>
* Thalanga Copper Mines Pty Ltd. (a member of the Copper Mines of Tasmania Pty Ltd tax-consolidated group) utilised a portion of the tax-consolidated Group current year losses in FY19.		
<b>(b) Unrecognised deferred tax assets</b>		
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets have been recognised are attributable to the following:		
• tax losses (revenue in nature)	<b>44,176</b>	<b>37,589</b>
<b>(c) Research &amp; Development tax incentive</b>		
The Company has non-refundable R&D tax offsets available which have been carried forward from prior financials years valued at \$1,745k (FY19: \$1,745k)		

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 \$'000	2019 \$'000
<b>6 CASH AND CASH EQUIVALENTS</b>		
For the purposes of the statement of cash flows, cash and cash equivalents include petty cash on hand and in banks, net of outstanding bank overdrafts and bank deposits. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:		
Bank balance	1,153	2,130
	<u>1,153</u>	<u>2,130</u>
<b>7 TRADE AND OTHER RECEIVABLES</b>		
Other receivables	213	88
Government grant receivable	922	1,034
	<u>1,135</u>	<u>1,122</u>
<b><i>Government grant receivable</i></b>		
Government grant expenses incurred are entitled to immediate financial support from the Tasmanian Government in accordance with their 30 October 2017 Grant Deed and 22 November 2019 deed of variation . Expenses are recognised for compensation in the profit of loss and are concurrently recognised as revenue in the period in which it is incurred.		
<b>8 INVENTORIES</b>		
Stores and consumables at cost	6,680	6,631
Provision on stores to net realisable value	(2,573)	(2,573)
	<u>4,107</u>	<u>4,058</u>
<b>9 OTHER ASSETS</b>		
Prepayments	<u>162</u>	<u>168</u>

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 10 PROPERTY, PLANT AND EQUIPMENT

	Freehold land & Buildings \$'000	Mine reserve and development \$'000	Plant and equipment \$'000	Right-of-use assets \$'000	Rehabilitation assets \$'000	Total \$'000
<b>Gross Carrying Amount</b>						
Balance as at 1 April 2018	469	69,014	79,793	-	11,555	160,831
Additions	-	-	-	-	805	805
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>469</b>	<b>69,014</b>	<b>79,793</b>	<b>-</b>	<b>12,360</b>	<b>161,636</b>
Effect of adopting AASB 16	-	-	-	66	-	66
<b>Balance as at 1 April 2019 (adjusted)</b>	<b>469</b>	<b>69,014</b>	<b>79,793</b>	<b>66</b>	<b>12,360</b>	<b>161,702</b>
Additions	-	-	91	-	835	926
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>469</b>	<b>69,014</b>	<b>79,884</b>	<b>66</b>	<b>13,195</b>	<b>162,628</b>
<b>Accumulated Depreciation</b>						
Balance as at 1 April 2018	469	69,014	76,840	-	9,977	156,300
Depreciation expense	-	-	-	-	315	315
Impairment expense	-	-	-	-	-	-
<b>Balance as at 31 March 2019</b>	<b>469</b>	<b>69,014</b>	<b>76,840</b>	<b>-</b>	<b>10,292</b>	<b>156,615</b>
Depreciation expense	-	-	7	33	414	454
Disposals	-	-	-	-	-	-
<b>Balance as at 31 March 2020</b>	<b>469</b>	<b>69,014</b>	<b>76,847</b>	<b>33</b>	<b>10,706</b>	<b>157,069</b>
<b>Net Book Value</b>						
As on 31 March 2019	-	-	2,953	-	2,068	5,021
As on 31 March 2020	-	-	3,037	33	2,489	5,559

The following useful lives are used in the calculation of depreciation.

- Buildings 5 - 8 years
- Plant and equipment 2- 10 years
- Mine reserve and development 1 - 4 years
- Rehabilitation assets 5 - 8 years

The Company has fully depreciated mine reserve and development. The Company is under care & maintenance, so depreciation on Plant and Equipment has been changed to cover only the extent of normal wear and tear.

#### **Assets pledged as security**

At balance date, the Company had no assets pledged as security.

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020 \$'000	2019 \$'000
<b>11 TRADE AND OTHER PAYABLES</b>		
Trade payables	605	1,325
Accrued expenses	196	211
Payroll accruals	125	197
	<b>926</b>	<b>1,733</b>

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

<b>Current</b>			
(i)	Employee entitlements - current	<b>618</b>	<b>1,011</b>
<b>Non-current</b>			
(i)	Employee entitlements - non-current	510	6
(ii)	Provision for rehabilitation	19,997	18,891
<b>Total non-current provisions</b>		<b>20,507</b>	<b>18,897</b>

(i) The provision for employee benefits represents annual leave and vested long service leave entitlements accrued and compensation claims made by employees

(ii) The provision for mine site restoration represents the present value of the best estimate of the future sacrifice of economic benefits that will be required for rehabilitating and restoring the property at the end of the mine life.

### *Provision for rehabilitation*

<b>Balance at 1 April 2018</b>	<b>17,677</b>
Adjustment due to revised conditions	806
Rehabilitation expenditure incurred during the period	-
Unwind of discount	408
<b>Balance at 31 March 2019</b>	<b>18,891</b>
Adjustment due to revised conditions	835
Rehabilitation expenditure incurred during the period	-
Unwind of discount	272
<b>Balance at 31 March 2020</b>	<b>19,997</b>



# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

### 13 Leases

The Company has lease contracts for motor vehicles used in its care and maintenance activities. The motor vehicles have leases between 3 and 5 years. The Company's obligations under its leases are secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets. Right-of-use assets are included in Property, Plant and Equipment under the underlying asset category. Refer to Note 10 for more information.

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	<u>\$'000</u>
<b>Balance as at 1 April 2019</b>	<b>66</b>
Additions	-
Accretion of interest	3
Payments	(35)
<b>Balance as at 31 March 2020</b>	<b>34</b>
Current	27
Non current	7

### 14 ISSUED CAPITAL

2 fully paid ordinary shares (2019: 2 fully paid ordinary shares)

	<u>2020</u>	<u>2019</u>
	<u>2</u>	<u>2</u>

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.

### 15 DIVIDENDS

During the financial year, no dividend was declared & paid (2019: No dividend declared and paid).

### 16 FINANCIAL INSTRUMENTS

#### *Categories of financial instruments*

#### *Financial assets*

Cash and cash equivalents  
Loans and receivables

	<u>2020</u>	<u>2019</u>
	<u>\$'000</u>	<u>\$'000</u>
Cash and cash equivalents	1,153	2,130
Loans and receivables	1,135	1,122
	<u>2,288</u>	<u>3,252</u>

#### *Financial liabilities*

Amortised cost  
Lease liability

Amortised cost	90,289	68,702
Lease liability	34	-
	<u>90,323</u>	<u>68,702</u>

### 17 KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation to directors of the Company are as follows:

Short-term employee benefits  
Contributions to superannuation defined contribution plan

	<u>\$</u>	<u>\$</u>
Short-term employee benefits	309,755	224,576
Contributions to superannuation defined contribution plan	25,100	23,574
	<u>334,855</u>	<u>248,150</u>

The amounts disclosed in this table are the amounts recognised as an expense during the reporting period related to key management personnel.

## COPPER MINES OF TASMANIA PTY LTD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

#### 18 RELATED PARTY

The immediate parent and controlling party respectively of the Company is Monte Cello Corporation BV (incorporated in the Netherlands), who have a 100% interest in Copper Mines of Tasmania Pty Ltd. The ultimate parent of the Company is Vedanta Resources Plc (incorporated in the United Kingdom). Vedanta Resources Plc indirectly own 62.85% of the issued ordinary shares of Monte Cello Corporation BV.

Details of transactions between the Company and other related parties are disclosed below.

		Borrowings from related parties \$'000	Interest payable \$'000	Total Borrowings \$'000
<b>Vedanta Group</b>				
Monte Cello BV	2020	39,081	4,467	43,548
	2019	33,865	3,092	36,957
THL Zinc Ltd	2020	42,663	1,965	44,628
	2019	27,092	968	28,060
TCM Pty Ltd	2020	1,128	59	1,187
	2019	1,936	16	1,952
Total	2020	82,872	6,491	89,363
	2019	62,893	4,076	66,969

The Company has been provided borrowings at rates comparable to the average commercial rate of interest. The loans from the ultimate controlling party are unsecured.

Refer note 3(c) for going concern assessment

# COPPER MINES OF TASMANIA PTY LTD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

	2020	2019
	\$'000	\$'000

### 19 COMMITMENTS AND CONTINGENCIES

#### *Capital commitments*

At balance date the Company had \$ nil capital expenditure commitments (2019: \$nil)

#### *Contingent liabilities*

Bank Guarantee (i)	6,100	6,100
Other Claims (ii)	850	-
	<u>6,950</u>	<u>6,100</u>

- (i) The Company has issued Bank Guarantee of \$6,100k (2019: \$6,100k) in favour of Minister for Economic Development, Energy and Resources.
- (ii) A former employee has initiated a court application for general protections dispute involving dismissal under the Fair Work Act 2009. Legal proceedings have not commenced. The Company expects to have a reasonable basis in defending the claim.

### 20 SUBSEQUENT EVENTS

At the date of this report, there were no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may affect the operations of the Company, the result of those operations or the state of affairs of the Company, in future financial years.

### 21 CORPORATE INFORMATION

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 Norton Rose Fulbright Australia  
Level 18, Grosvenor Place  
225 George Street  
Sydney, New South Wales

#### **Principal place of business:**

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

#### **Immediate Holding Company:**

Monte Cello BV  
WTC Schiphol Airport, Tower B,  
5th Floor, Schiphol Boulevard 231,  
1118 BH Amsterdam Schiphol,  
The Netherlands

#### **Ultimate holding Company:**

Vedanta Resources Plc  
16 Berkeley Street  
London W1J8DZ  
United Kingdom

# COPPER MINES OF TASMANIA PTY LTD


## DIRECTORS' DECLARATION

The directors of the Company declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards Reduced Disclosure Requirements and giving a true and fair view of the financial position and performance of the

Signed in accordance with a resolution of directors made pursuant to s295 (5) of the *Corporations Act 2001*.

On behalf of the Directors



15-6-20

Mr Clint Mayes

Queenstown, 15 June 2020



**Building a better  
working world**

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

### Opinion

We have audited the financial report of Copper Mines of Tasmania Pty Ltd (the Company), which comprises the statement of financial position as at 31 March 2020, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company 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 2020 and of its financial performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, and the Corporations Regulations 2001.

### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

### Emphasis of Matter - Basis of Accounting and Restriction on Use

We draw attention to Note 3 to the financial statements, 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 and to meet Section 3CA of the Taxation Administration Act 1953. Our report is intended solely for the Company and its members and should not be used by parties other than the Company and its members. Our opinion is not modified in respect of this matter.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001 and for 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.

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

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, 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 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 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 the financial report 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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.

A handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'R Bembridge' in a cursive style.

Richard Bembridge  
Partner

Melbourne  
15 June 2020