SKORPION MINING COMPANY (PROPRIETARY) LIMITED

(Incorporated in the Republic of Namibia)
Company Registration number 98/384
AUDITED ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2019

A member of Vedanta Resources Ltd

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
Company Registration number 98/384

GENERAL INFORMATION

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Exploration, development, production and sale of zinc ore.
Directors	KK Rajagopal* *Indian D Naidoo** **South African I Simataa*** ***Namibian GRA Kumar*
Registered office	24 Orban Street Klein Windhoek Windhoek
Postal address	PO Box 30 Windhoek
Ultimate holding company	Vedanta Resources Ltd
Holding company	100% held subsidiary of Skorpion Zinc (Proprietary) Limited.
Bankers	Standard Bank Namibia Limited First National Bank of Namibia Limited
Auditors	Ernst & Young Namibia
Company registration number	98/384
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Emma Laubscher CA (SA) (Head of Financial Reporting).
Published	30 April 2019

Directors' approval of the annual financial statements

The annual financial statements set out on pages 6 to 37 were approved by the board of directors on 30 April 2019 and are signed on its behalf by

Director

Director

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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Contents

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SKORPION MINING COMPANY (PROPRIETARY) LIMITED

Opinion

We have audited the financial statements of Skorpion Mining Company (Proprietary) Limited set out on pages 6 to 37, which comprise the directors' report, the statement of financial position as at 31 March 2019, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises the general information and the directors' approval on page 2. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

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

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Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent 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.

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

Ernst & Young

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

Windhoek

Date: 02 May 2019

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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REPORT OF THE DIRECTORS

The Directors have pleasure in submitting the annual financial statements of the company for the year ended 31 March 2019.

GENERAL REVIEW

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

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

The authorised share capital of 4 000 (2018: 4 000) and issued share capital of 100 (2018: 100) ordinary shares have remained unchanged during the year.

STATEMENT OF RESPONSIBILITY

The directors are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The auditors are responsible to report on the fair presentation of the financial statements and their report appears on pages 4 to 5. The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Namibia.

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

The directors have reviewed the company's cash flow forecast for the year to 31 March 2020 and, in the light of this review and the current financial position, they are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future. Mining activities relating to pit 112 are expected to cease in December 2019 however further activities, such as exploration to assess if new, viable ore bodies exist on the site and mine closure and rehabilitation activities, are expected in the entity for the foreseeable future.

The company's annual financial statements were approved by the board of directors and signed on its behalf by directors on page 2.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Property, Plant and Equipment	6	913 893	902 460
Other non-financial assets	7	-	32 272
Total non-current assets		**913 893**	934 732
Amounts due by group companies	21	1 973 836	1 592 636
Inventories	8	61 097	55 356
Trade and other receivables	9	196 469	187 076
Cash and cash equivalents	10	20 022	259
Total current assets		**2 251 424**	1 835 327
Total assets		**3 165 317**	2 770 059
Equity			
Share capital	14	1	1
Accumulated loss		(2 333 228)	(1 682 623)
Equity		**(2 333 227)**	(1 682 622)
Environmental restoration provision	12	78 526	69 040
Decommissioning provision	12	124 032	109 049
Total non-current liabilities		**202 558**	178 089
Trade and other payables	11	138 222	166 478
Amounts owed to group companies	21	5 157 764	4 108 114
Total current liabilities		**5 295 986**	4 274 592
Total liabilities		**5 498 544**	4 452 681
Total Equity and Liabilities		**3 165 317**	2 770 059

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Total revenue	16	418 629	568 706
Cost of sales		(967 971)	(487 800)
Gross (loss)/profit		(549 342)	80 906
Other income		3 190	-
Other operating expenses		-	(70 541)
Administrative expenses *		(88 205)	(55 576)
Operating loss	17	(634 357)	(45 211)
Finance income	18.1	133	223
Finance costs	18.2	(16 381)	(17 618)
Net finance costs		(16 248)	(17 395)
Loss before tax		(650 605)	(62 606)
Income tax expense	19	-	-
Loss for the year		(650 605)	(62 606)
Other comprehensive income		-	-
Total comprehensive loss for the year		(650 605)	(62 606)

* During the current year other operating expenses have been reclassified to administrative expenses to align with Vedanta group mapping.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2019

N$ '000		**Total share capital**	**Accumulated loss**	**Total equity**
Opening balance at 1 April 2018		**1**	**(1 682 623)**	**(1 682 622)**
Loss for the year		**-**	**(650 605)**	**(650 605)**
Other comprehensive income		**-**	**-**	**-**
Total comprehensive loss for the year		**-**	**(650 605)**	**(650 605)**
Balance at 31 March 2019		**1**	**(2 333 228)**	**(2 333 227)**
	Note	14		

N$ '000		Total share capital	Accumulated loss	Total equity
Opening balance at 1 April 2017		1	(1 620 017)	(1 620 016)
Loss for the year		-	(62 606)	(62 606)
Other comprehensive income		-	-	-
Total comprehensive loss for the year		-	(62 606)	(62 606)
Balance at 31 March 2018		1	(1 682 623)	(1 682 622)
	Note	14		

SKORPION MINING COMPANY (PROPRIETARY) LIMITED
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STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2019

N$ '000	Notes	31 March 2019	31 March 2018
Cash flows from operations			
Cash inflows from operations	20	(343 030)	170 014
Finance income	18.1	133	223
Net cash (outflows)/inflows from operating activities		(342 897)	170 237
Cash flows from investing activities			
Purchases of property, plant and equipment	6	(305 825)	(632 626)
Proceeds on sale of property, plant and equipment		35	-
Net cash outflows from investing activities		(305 790)	(632 626)
Cash flows from financing activities			
Proceeds from group loans and borrowings		668 450	457 810
Net cash inflows from financing activities		668 450	457 810
Net increase/(decrease) in cash and cash equivalents		19 763	(4 579)
Cash and cash equivalents at the start of the year		259	4 838
Cash and cash equivalents at the end of the year	10	20 022	259

1 Basis of preparation

The financial statements provide information about the financial position, results of operations and changes in financial position of the company. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The financial statements have been prepared on a historical cost basis. The financial statements are presented in Namibian Dollars (N$) and all values are rounded to the nearest thousand (N$ '000), except where otherwise indicated.

1.1 Foreign currency transactions
The company's financial statements are presented in Namibian Dollars (N$), which is also the entity's functional currency. The company does not have any foreign operations.

Transactions in foreign currencies are initially recorded by each entity in the company at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

2. Significant accounting judgements, estimates and assumptions

In the preparation of the financial statements, management is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates, which may be material to the financial statements within the next financial period.

Significant areas of accounting judgements, estimates and assumptions include:
- Going concern;
- Useful economic life of assets;
- Ore resources estimates;
- Impairment of assets (note 6);
- Restoration, rehabilitation and environmental costs provisions (note 12);
- Exploration costs – Gergarub

2.1 Going Concern
The company made a loss of N$ 650 605 000 for the year ended 31 March 2019 (2018: N$ 62 606 000) and, as at that date its total liabilities exceeded its total assets by N$ 2 333 227 000 (2018: N$1 682 622 000). The company continues to incur losses.

Namzinc (Proprietary) Limited has agreed to assist Skorpion Mining Company (Proprietary) Limited by subordinating, subject to certain terms and conditions, the total loan of N$ 4 740 778 000 with Skorpion Mining Company (Proprietary) Limited, in favour of, and for the benefit of other creditors of Skorpion Mining Company (Proprietary) Limited.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that that the company will continue to receive the support of its related company and that the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

2.2 Ore resources estimates
Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the company's reported financial position and results, in the following way:
- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change.
- Capitalised stripping costs recognised in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios.

2. Significant accounting judgements, estimates and assumptions (continued)
2.2 Ore resources estimates (continued)

• Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities.
• The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The company estimates its ore reserves and mineral resources (Life of Mine (LOM) plan) annually based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

2.3 Exploration costs – Gergarub
Skorpion Mining Company (Proprietary) Limited and Rosh Pinah Zinc Corporation Limited concluded a Memorandum of Understanding, signed 20 June 2005 (with subsequent amendments), on various aspects of zinc exploration and development of resources on each party's Exploration Prospecting License areas.

As part of the company's exploration activities the Gergarub deposits were discovered. Based on certain trigger points Rosh Pinah Zinc Corporation Limited is required to contribute to certain past and future expenses. At the reporting date, an amount of N$48 075 289 (2018: N$48 075 289) was included in the capital work-in-progress related to this project.

3. Key sources of information uncertainty

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

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

3.2 Life-of-mine review

The life-of-mine ("LOM") plan is reviewed annually. The LOM plan takes into account an expectation of the changes in commodity prices, foreign exchange rates, fixed and variable mining cost, zinc grade and capital expenditure. In the prior year the LOM was extended by an additional 18 months as a result of the inclusion of high calcium ore to resources and the slowdown of extraction to accommodate the Namzinc (Proprietary) Limited sulphide conversion project to conclude. Mining activities relating to pit 112 are expected to conclude in December 2019 after which exploration activities will continue together with the processing of the stock piles.

3.3 Inventory valuation
The determination of quantities of metal contained in ore stock piles is performed based on estimates as reflected in note 8.

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

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

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

4. Changes in accounting policies and disclosures (continued)
4.1 New and amended standards and interpretations (continued)

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

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

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

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

The effect of adopting IFRS 15 is set out below.

<u>Overall impact</u>

The company's revenue from contracts with customers comprises four main streams being the sale of unprocessed ore. The company undertook a comprehensive analysis of the impact of the new revenue standard based on a review of the contractual terms of its principal revenue streams with the primary focus being to understand whether the timing and amount of revenue recognised could differ under IFRS 15. The amount and timing of revenue recognised under IFRS 15, is the same as that under IAS 18.

<u>Impact on statement of profit or loss and other comprehensive income</u>

Sales of metal
There were no changes identified with respect to the timing of revenue recognition in relation to metal sales, as control transfers to customers at the date of delivery at the customer's premises. All terms are consistent with the point in time when risks and rewards passed under IAS 18.

Provisionally priced commodity sales
The company has products which are provisionally priced at the date revenue is recognised. Revenue in respect of such contracts are recognised when control passes to the customer and is measured at the amount the entity expects to be entitled – being the estimate of the price expected to be received at the end of the measurement period. Post transfer of control of goods, subsequent movements in provisional pricing are accounted for in accordance with IRFS 9 "Financial Instruments" rather than IFRS 15 and therefore the IFRS 15 rules on variable consideration do not apply. These 'provisional pricing' adjustments i.e. the consideration received post transfer of control has been included in total revenue from operations on the face of the Consolidated Statement of Profit and loss. The accounting for revenue under IFRS 15 does not, therefore, represent a substantive change from the company's previous practice for recognising revenue from sales to customers.

Under IFRS 15, the accounting for this revenue will remain unchanged in that revenue will be recognised when control passes according to the trade terms and will be measured at the amount to which the company expects to be entitled. This will be the estimate of the price expected to be received at the end of the QP, i.e. the forward price. It will be the impact of the requirements of IFRS 9 that will lead to a change to the company's accounting (refer to the IFRS 9 discussion further below). The company will now present such movements after the date of sale in profit or loss as 'Fair value gains/losses' and there will be no impact on the disclosures relating to revenue from contracts with customers.

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

4. Changes in accounting policies and disclosures (continued)
4.1 New and amended standards and interpretations (continued)
4.1.1 IFRS 15 Revenue from Contracts with Customers (continued)
Provisionally priced commodity sales (continued)

The company has applied IFRS 9 retrospectively, with the initial application date of 1 April 2018 . There were no material impacts on the comparative balances other the reclassification of the gain/loss on provisionally priced trade receivables. There was no impact on hedging as the company does not apply hedge accounting.

The effects of adopting IFRS 9 are set out below

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

For debt instruments, the classification is based on two criteria: the company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent ‘solely payments of principal and interest’ (SPPI) on the principal amount outstanding. A financial asset can only be measured at amortised cost if both of the following are satisfied:
• Business model: the objective of the business model is to hold the financial asset for the collection of the contractual cash flows
• Contractual cash flows: the contractual cash flows under the instrument relate solely to payments of principal and interest

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

The classification and measurement requirements of IFRS 9 did not have a significant impact on the company other than to change the presentation of balances relating to provisionally priced sales (explained in more detail below).

Financial assets
The company continued measuring at fair value all financial assets previously held at fair value under IAS 39. The following are the changes in the classification of the company’s financial assets:
• Trade receivables (not subject to provisional pricing), Other current financial assets (i.e., Other receivables) previously classified as Loans and receivables: these were assessed as being held to collect contractual cash flows and give rise to cash flows representing SPPI. These are now classified and measured as Debt instruments at amortised cost.

• Trade receivables (subject to provisional pricing) and Quotational period derivatives: prior to the adoption of IFRS 9, the exposure of provisionally priced sales to commodity price movements over the QP, previously led to embedded derivatives (QP derivatives) being which was included in trade receivables and not accounted for separately. Under IFRS 9, embedded derivatives should not be separated from financial assets and therefore the accounting remains unchanged. Instead, the exposure of the trade receivable to future commodity price movements will cause the trade receivable to fail the SPPI test. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of profit or loss and other comprehensive income each period until final settlement. The company previously presented such fair value changes in Revenue but will now present them as ‘fair value gains/losses’. There was no impact on the statement of financial performance and the statement of profit or loss and other comprehensive income arising from this change. In addition the company has assessed the impact of fair value gain and loss relating to provisionally priced invoices for the current and prior financial year and have no impact to be immaterial and thus there was no reclassification made in this regard.

At 31 March 2019 there were no outstanding receivables subject to provisional pricing (2018: N$ nil).

There is no impact on presentation and disclosure as a result of the adoption of IFRS 9. There is no material effect on the statement of profit or loss and other comprehensive income for year ended 31 March 2018 due to the adoption of IFRS 9.

4. Changes in accounting policies and disclosures (continued)
4.1 New and amended standards and interpretations (continued)
4.1.2 IFRS 9 Financial Instruments (continued)

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

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

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

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

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

5. Summary of significant accounting policies

5.1 Financial instruments — initial recognition and subsequent measurement

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

5.1.1 Financial assets
<u>Initial recognition and measurement</u>
Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient, the company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the company has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price determined under IFRS 15. Refer to the revenue recognition accounting policy in Note 16.

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

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

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

5. Summary of significant accounting policies (continued)
5.1 Financial instruments — initial recognition and subsequent measurement (continued)
5.1.1 Financial assets (continued)

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:
• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
• Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
• Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

The company measures financial assets at amortised cost if both of the following conditions are met:
• The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Financial assets at fair value through profit or loss

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

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

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

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

5. Summary of significant accounting policies (continued)
5.1 Financial instruments — initial recognition and subsequent measurement (continued)
5.1.1 Financial assets (continued)

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the company's statement of financial position) when:
• The rights to receive cash flows from the asset have expired; or
• The company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the company has transferred substantially all the risks and rewards of the asset, or (b) the company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

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

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

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

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

5. Summary of significant accounting policies (continued)
5.1 Financial instruments — initial recognition and subsequent measurement (continued)

5.1.2 Financial liabilities

Initial recognition and measurement
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The company's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

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

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

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

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

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

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

Derecognition
A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

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

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

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

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits as defined above, net of outstanding bank overdrafts.

5. Summary of significant accounting policies (continued)

5.2 Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
• Expected to be realised or intended to be sold or consumed in normal operating cycle;
• Held primarily for the purpose of trading;
• Expected to be realised within 12 months after the reporting period; or
• Cash or cash equivalent, unless restricted from being exchanged or used, to settle a liability for at least 12 months after the reporting period.

All other assets are classified as non-current.

A liability is current when either:
• It is expected to be settled in the normal operating cycle;
• It is held primarily for the purpose of trading;
• It is due to be settled within 12 months after the reporting period; or
• There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The company classifies all other liabilities as non-current.

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
For the year ended 31 March 2019

6. Property, plant and equipment

N$ '000	Mining properties and leases	Stripping asset	Land and buildings	Plant and equipment	Work in progress	Decommissioning and restoration asset	Total
Cost							
At 1 April 2018	**61 811**	**772 176**	**83 019**	**695 786**	**61 798**	**9 250**	**1 683 840**
Additions	**-**	**275 927**	**2 076**	**12 892**	**14 930**	**-**	**305 825**
Transfers	**-**	**-**	**345**	**13 344**	**(13 689)**	**-**	**-**
Disposals	**-**	**-**	**-**	**(286)**	**-**	**-**	**(286)**
Re-estimation – non cash flow	**-**	**-**	**-**	**-**	**-**	**8 940**	**8 940**
At 31 March 2019	**61 811**	**1 048 103**	**85 440**	**721 736**	**63 040**	**18 190**	**1 998 319**
Accumulated depreciation							
At 1 April 2018	**59 334**	**16 144**	**68 430**	**600 225**	**-**	**37 247**	**781 380**
Charge for the year	**-**	**250 271**	**6 059**	**46 940**	**-**	**-**	**303 269**
Disposals	**-**	**-**	**-**	**(223)**	**-**	**-**	**(223)**
At 31 March 2019	**59 334**	**266 415**	**74 489**	**646 942**	**-**	**37 247**	**1 084 426**
Net book value At 31 March 2019	**2 477**	**781 688**	**10 951**	**74 794**	**63 040**	**(19 057)**	**913 893**

N$ '000	Mining properties and leases	Stripping asset	Land and buildings	Plant and equipment	Work in progress	Decommissioning and restoration asset	Total
Cost							
At 1 April 2017	61 811	158 858	83 019	675 021	63 255	22 686	1 064 650
Additions	-	613 318	-	18 963	345	-	632 626
Transfers	-	-	-	1 802	(1 802)	-	-
Disposals	-	-	-	-	-	-	-
Re-estimation – non cash flow	-	-	-	-	-	(13 436)	(13 436)
At 31 March 2018	61 811	772 176	83 019	695 786	61 798	9 250	1 683 840
Accumulated depreciation							
At 1 April 2017	59 334	-	65 533	577 750	-	40 049	742 666
Impairments	-	-	-	527	-	-	527
Charge for the year	-	16 144	2 897	21 948	-	(2 802)	38 187
Disposals	-	-	-	-	-	-	-
At 31 March 2018	59 334	16 144	68 430	600 225	-	37 247	781 380
							-
Net book value At 31 March 2018	2 477	756 032	14 589	95 561	61 798	(27 997)	902 460

The company tests the total capital investment made for indicators impairment.

The following cash generating unit ("CGU") has been identified:
• Mining and refining activities
- Skorpion Project

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

6. Property, plant and equipment (continued)

Key assumptions used in impairment calculations, averaged over the life of mine where appropriate, are:

	31 March 2019	31 March 2018
- Foreign Exchange rate (USD)	**14.04**	12.47
- Average Zinc price (USD/t)	**2 611**	3 112

All figures stated above are in nominal terms.

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

6.1 Property, plant and equipment - accounting policy

Assets under construction

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

Other property, plant and equipment

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the income statement for the period during which such expenses are incurred.

Gains and losses on disposal of an item of property, plant and equipment computed as the difference between the net disposal proceeds and the carrying amount of the asset is included in the income statement when the asset is derecognised. Major inspection and overhaul expenditure is capitalised, if the recognition criteria are met.

Depreciation and Amortisation

Mining properties and other assets in the course of development or construction, freehold land and goodwill are not depreciated or amortised.

Mining properties and plant and equipment are depreciated down to their residual values with reference to the expected units of production using the life of mine method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write-down to the recoverable amount is charged to profit or loss.

Buildings, vehicles, furniture and fittings and computer equipment are depreciated down to their estimated residual values at varying rates, on the straight-line basis over their estimated useful lives or the life of mine whichever is shorter. Estimated useful lives are as follows:

	Depreciation rate	Residual Value
Vehicles	4 years	Nil
Computer equipment	3 years	Nil
Furniture and fittings	10 years	Nil

Residual values and useful economic lives are reviewed at least annually, with the effect of any changes in estimate accounted for on a prospective basis.

6. Property, plant and equipment (continued)
6.1 Property, plant and equipment - accounting policy (continued)

Impairment of tangible and in property, plant and equipment excluding goodwill
At each reporting period end, the company reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, 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. An inProperty, plant and equipment with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

The 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 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 or cash-generating unit is reduced to its recoverable amount. An impairment is recognised immediately as an expense.

Where an impairment subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment is recognised as income immediately.

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

6.3 Borrowing costs
Borrowing cost includes interest expense as per effective interest rate (EIR) and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly relating to the acquisition, construction or production of a qualifying capital project under construction are capitalised and added to the project cost during construction until such time that the assets are substantially ready for their intended use which is when they are capable of commercial production. Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available out of money borrowed specifically to finance a project, the income generated from such short-term investments is also capitalised to reduce the total capitalised borrowing cost.

All other borrowing costs are recognised in the income statement in the period in which they are incurred. Capitalisation of interest on borrowings related to construction or development projects is ceased when substantially all the activities that are necessary to make the assets ready for their intended use are complete or when delays occur outside of the normal course of business.

EIR is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial liability or a shorter period, where appropriate, to the amortised cost of a financial liability. 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).

6.4 Stripping costs
Stripping costs to be recognised as part of an asset (either as inventory or as non-current asset), if the following conditions are met:
• It is probable that the future economic benefits (improved access to an ore body) associate with the stripping activity will follow to the entity;
• The entity can identify the component of an ore body for which access has been improved; and
• The costs relating to the improved access to that component can be measured reliably. To the extent that the benefit creates improved access to ore to be mined in future periods, the entity must recognise these production stripping costs as non-current.

6.5 Property, plant and equipment - Significant accounting judgements, estimates and assumptions

Residual Values

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

Life of mine

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the units of production rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions.
- Unforeseen operational issues.

Changes in estimates are accounted for prospectively.

7. Other non-current assets

N$ '000	**31 March 2019**	31 March 2018
Basil Read	-	32 272

This consist of N$28 319 708 receivable from Basil Read in the prior year in relation to the mining assets sold as well as the non-current portion of prepayment to Basil Read for mobilisation of equipment amounting to N$3 951 967.

8. Inventories

N$ '000	**31 March 2019**	31 March 2018
Consumables	**35 565**	34 956
Mining stockpile and copper cake	**-**	4 939
Work in progress	**25 532**	15 461
Total	**61 097**	55 356

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

Stacker/reclaimer:	**31 March 2019**	31 March 2018
- Average grade (%)	**7.10**	4.90
- Zinc content (tons)	**653**	1 871
Mining Stockpile		
- Average grade (%)	**5.45**	5.11
- Zinc content (tons)	**3 373**	6 628

8. Inventories (continued)

Consumable stock is carried after a provision for slow moving has been made as follows:

N$ '000	31 March 2019	31 March 2018
Opening balance	**13 118**	7 864
Increase	**2 693**	5 254
Closing balance	**15 811**	13 118

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

8.1 Inventories - accounting policy

Inventory and work-in-progress are valued at the lower of cost and net realisable value. The production cost of inventory includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:
• raw materials and consumables are valued at cost on a weighted average basis;
• finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses.

Significant estimates and assumptions

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

9. Trade and other receivables

N$ '000	31 March 2019	31 March 2018
Prepayments and accrued income	**5 957**	9 799
Other debtors	**154 466**	141 163
Value Added Tax	**36 046**	36 114
Closing balance	**196 469**	187 076

Other receivables consist or current portion of receivable from Basil Read for mining assets sold, as well as fuel rebate claims.

An amount of N$ nil (2018: N$3 031 445) was provided for as doubtful debt.

The fair value of receivables is not materially different to the carrying values presented.

10. Cash and cash equivalents

N$ '000	31 March 2019	31 March 2018
Cash at bank	**20 021**	249
Petty cash	**1**	10
Closing balance	**20 022**	259

All cash balance are held in Namibian Dollars.

The average interest rates earned on cash balances and short-term deposits during the year were as follows:

	%	%
Local currency	5.35	5.00

10.1 Cash and cash equivalents - accounting policy

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the company, and earn interest at the respective short-term deposit rates.

The company deposits cash surpluses only with major banks of high-quality credit standing.

11. Trade and other payables

N$ '000	**31 March 2019**	31 March 2018
Trade creditors	**78 736**	92 797
Royalty accrual	**733**	1 091
Statutory and salary accruals	**1 050**	1 310
Other creditors	**528**	617
Accruals	**57 175**	70 663
	138 222	166 478

The fair value of trade and other payables is not materially different to the carrying values presented. The average credit period is 30 days.

12. Provisions - restoration and decommissioning

N$ '000	**Environmental restoration**	**Decommissioning**	**Total**
At 1 April 2018	**69 040**	**109 049**	**178 089**
Unwinding of discount	**6 020**	**9 509**	**15 529**
Re-estimation – non-cash flow	**3 466**	**5 474**	**8 940**
At 31 March 2019	**78 526**	**124 032**	**202 558**

N$ '000	**Environmental restoration**	**Decommissioning**	**Total**
At 1 April 2017	67 663	106 873	174 536
Unwinding of discount	6 586	10 403	16 989
Re-estimation – non-cash flow	(5 209)	(8 227)	(13 436)
At 31 March 2018	69 040	109 049	178 089

12.1 Provisions - accounting policy

Provisions are recognised when the company' has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

Environmental restoration
An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine or oil fields. Such costs, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

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

12. Provisions (continued)

12.1 Provisions - accounting policy (continued)

Environmental restoration (continued)

The provisions for restoration, rehabilitation and environmental liabilities represent the management's best estimate of the costs which will be incurred in the future to meet the company's obligations under existing Namibian law and the terms of the company's mining and other licences and contractual arrangements. These amounts are calculated using a discount rate of 8.17%, and become payable on closure of the mine.

The company recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

Decommissioning
Provision is made for the present value of costs relating to the decommissioning of plant or other site preparation work. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was discounted at a real discount rate of 2.87% (2018: 2.42%). These costs are expected to be incurred at the end of the life-of-mine.

13. Capital management

For the purpose of the company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company's capital management is to ensure the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and, with cognisance of forecast future market conditions and structuring, to maintain an optimal capital structure to reduce the cost of capital.

The company manages its capital to ensure it will be able to continue as a going concern within the THL Zinc Namibia Holdings (Proprietary) Limited group. The company's overall strategy remains unchanged from 2018.

The capital structure of the company consists of holding company and fellow subsidiary loans, cash and cash equivalents and equity attributable to the equity holder comprising issued capital and accumulated losses.

The directors also being the directors of the holding company and sister company Namzinc (Proprietary) Limited are confident that the company, by virtue of being part of THL Zinc Namibia Holdings (Proprietary) Limited, has access to sufficient resources to continue trading for the foreseeable future. This assessment was made after due consideration of all the facts and circumstances in evidence at year end and notably includes the consideration that the company's fellow subsidiary, Namzinc (Proprietary) Limited has subordinated its loan to Skorpion Mining Company (Proprietary) Limited until such time as Skorpion Mining Company (Proprietary) Limited is no longer in a net deficit position.

N$ '000	**31 March 2019**	31 March 2018
Accounts payable, contract liabilities and accrued liabilities	**138 222**	166 478
Less cash and short-term deposits	**(20 022)**	(259)
Net debt	**118 200**	166 219
Equity	**(2 333 227)**	(1 682 622)
Capital and net debt	**(2 215 027)**	(1 516 403)
Gearing ratio	**-5%**	-11%

14. Share capital

	Number of shares	31 March 2019 N$ '000	31 March 2018 N$ '000
Authorised:			
Ordinary shares of N$1 each	**4 000**	**4**	4
Issued:			
Ordinary shares of N$1 each	**100**	**1**	1

The remaining unissued shares are under the control of the directors until the Annual General Meeting.

15. Financial Instruments

15.1 Fair Values

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

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Trade receivables subject to provisional pricing are already carried at fair value.

Fair value hierarchy

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

The following methods and assumptions were used to estimate the fair values:
• Fair values of the company's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:
· Level 1 - Unadjusted quoted prices for financial assets and financial liabilities traded in an active market for identical financial assets or financial liabilities.
· Level 2 - Inputs other than quoted prices included in level 1 that are observable for the financial asset or financial liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
· Level 3 - Inputs for the financial asset or financial liability that are not based on observable market data.

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

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

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

As at 31 March 2019		**IFRS 9 measurement category**		
N$ '000 IAS 39 measurement category	**IAS 39 carrying value**	**Fair value through profit or loss**	**Amortised cost**	**Fair Value through OCI**
Loans and receivables				
Amounts due by group companies	**1 973 836**	**-**	**1 973 836**	**-**
		-	**1 973 836**	**-**
Amortised cost				
Trade and other receivables	**154 466**	**-**	**154 466**	**-**
Trade and other payables	**(138 222)**	**-**	**(138 222)**	**-**
Amounts owed to group companies	**(5 157 764)**	**-**	**(5 157 764)**	**-**
		-	**(5 141 519)**	**-**
Other				
Cash and cash equivalents	**20 022**			
Other non financial assets	**1 016 993**			
Property, plant and equipment	**913 893**			
Other non financial assets	**42 002**			
Inventories	**61 097**			
Other non financial liabilities	**(202 558)**			
Environmental restoration provision	**78 526**			
Decommissioning provision	**124 032**			
Total Equity	**2 333 227**			

15. Financial Instruments (continued)
15.1 Fair Values (continued)
Categories of financial instruments (continued)

As at 31 March 2018		IFRS 9 measurement category		
N$ '000 IAS 39 measurement category	IAS 39 carrying value	Fair value through profit or loss	Amortised cost	Fair Value through OCI
Loans and receivables				
Amounts due by group companies	**1 592 636**	**-**	**1 592 636**	**-**
		-	**1 592 636**	**-**
Amortised cost				
Trade and other receivables	**141 163**	**-**	**141 163**	**-**
Trade and other payables	**(166 478)**	**-**	**(166 478)**	**-**
Amounts owed to group companies	**(4 108 114)**	**-**	**(4 108 114)**	**-**
		-	**-4 133 429**	**-**
Other				
Cash and cash equivalents	**259**			
Other non financial assets	**1 036 001**			
Property, plant and equipment	**902 460**			
Other non financial assets	**78 185**			
Inventories	**55 356**			
Other non financial liabilities	**(178 089)**			
Environmental restoration provision	**(69 040)**			
Decommissioning provision	**(109 049)**			
Total Equity	**1 682 622**			

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

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

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

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

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

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

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

15. Financial Instruments (continued)
15.1 Fair Values (continued)

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

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

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

Risk exposures and responses
The company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the company's financial targets while protecting future financial security. The main risks that could adversely affect the company's financial assets, liabilities or future cash flows are market risks comprising: commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

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

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

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

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

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

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

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

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

15. Financial Instruments (continued)
15.2 Market risk (continued)
Interest rate risk (continued)

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

N$ '000	**Effect on profit before tax for the year ended 31 March 2019 increase/(decrease)**	Effect on profit before tax for the year ended 31 March 2018 increase/(decrease)
Increase/(decrease) in interest rate		
+10% interest rate	**1 553**	1 699
-10% interest rate	**(1 553)**	(1 699)

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

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

The company manages its liquidity risk by ensuring that it has adequate banking facilities and borrowing capacity. In addition, the directors also being the directors of the holding company THL Zinc Namibia Holdings (Proprietary) Limited and sister company Namzinc (Proprietary) Limited are of the opinion that the company through its holding company and sister company has access to sufficient liquid capital to remain in operation for the foreseeable future. All of the company's exposure to financial instruments is short-term in nature.

The table below summarises the maturity profile of the company's financial liabilities based on contractual

N$ '000	**On demand**	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**>5 years**	**Total**
At 31 March 2019						
Group company loans	**-**	**5 157 764**	**-**	**-**	**-**	**5 157 764**
Trade and other payables	**-**	**137 488**	**-**	**-**	**-**	**137 488**
	-	**5 295 252**	**-**	**-**	**-**	**5 295 252**

N$ '000	**On demand**	**< 1 year**	**1 - 2 years**	**2 - 5 years**	**>5 years**	**Total**
At 31 March 2018						
Group company loans	-	4 108 114	-	-	-	4 108 114
Trade and other payables	-	92 797	-	-	-	92 797
	-	4 200 911	-	-	-	4 200 911

15.4 Credit risk
The company sells most of it's mined product to its related party Namzinc (Pty) Ltd and thus it's exposure to credit risk is limited.

16. Revenue from contracts with customers

N$ '000	31 March 2019	31 March 2018
Type of goods		
Ore	**388 458**	522 771
Copper cement	**28 614**	44 096
Lime Stone	**1 557**	1 839
Total revenue from contracts with customers	**418 629**	568 706

All revenue is recognised at a point in time when control transfers.

16.1 Revenue from contracts with customers - accounting policy

The company is principally engaged in the business of mining and selling ore and copper cement. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

16.2 Significant judgements, estimates and assumptions

Identification of the enforceable contract

For all ore sales, while there are master services agreements with its customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate. The customer is only obliged to purchase metal when it places a purchase order for each shipment. Also, there are no terms which link separate purchase orders. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a period. Therefore, for these arrangements, the enforceable contract has been determined to be each purchase order.

Application of the variable consideration constraint

For the company's long-term contracts that are subject to market-based prices, i.e., there is variable consideration, the company has assessed that at contract inception, this variable consideration will generally be significantly constrained. This is on the basis that the ultimate price they will receive will depend on a range of factors that are highly susceptible to factors outside the company's influence and include:

• Actions of third parties: the exact date that each shipment occurs (this is relevant because this is the date the market price is determined, or for provisionally priced sales, the date from which the QP commences)

• Volatile commodity market: the price to be received in the future is then based on market-based prices for highly liquid commodities.

The company's estimates of variable consideration and any disclosures provided in relation to the allocation of that variable consideration to unsatisfied performance obligations, are immaterial. In addition, the company applies the variable consideration allocation exception when allocating the future consideration to future performance obligations.

17. Operating loss is calculated after (charging)/crediting:

N$ '000	31 March 2019	31 March 2018
By product sales	**514**	45 936
Sale of scrap	**2 705**	1
Loss on sale of property, plant and equipment	**(28)**	-
Depreciation of property, plant and equipment	**(303 269)**	(38 186)
Employee costs	**(51 484)**	(63 682)
Rentals under operating leases	**(2 054)**	(187)
Auditors' remuneration:	**(729)**	(761)
Increase in obsolescence provision	**(2 693)**	(5 254)
Administration fees	**(68 324)**	(49 386)
Net foreign exchange losses	**(853)**	(628)

18. Net finance costs

N$ '000	31 March 2019	31 March 2018
18.1 Finance income		
Finance income on bank deposits	**133**	223
	133	223
18.2 Finance costs		
Unwinding of discount on provisions	**15 529**	16 990
Bank charges	**-**	-
Foreign exchange losses on balances held in foreign currencies	**853**	628
	16 382	17 618
Net finance expense	**(16 249)**	(17 395)

19. Income tax

19.1 Income tax expense

The major components of income tax expense for the years ended 31 March 2019 and 2018 are:

N$ '000	31 March 2019	31 March 2018
Current income tax		
Payable in respect of the current year	**-**	-
Adjustments in respect of current income tax of previous years	**-**	-
Total current taxation	**-**	-
Deferred taxation		
Relating to origination and reversal of temporary differences	**-**	-
Income tax expense recognised in profit or loss	**-**	-

19.1.1 Factors affecting tax charge for the year

N$ '000	31 March 2019	31 March 2018
Namibian normal taxation		
Current taxation – current year	**-**	-
Deferred taxation – current year	**-**	-
	-	-

19.1.2 Tax rate reconciliation

A reconciliation between tax expense and the accounting profit multiplied by the domestic tax rate for the years ended 31 March 2019 and 2018 is, as follows:

	31 March 2019	31 March 2018
Standard tax rate	**37.50%**	37.50%
Increase in unrecognised deferred tax asset	**-37.50%**	-37.50%
Effective rate	**0.00%**	**0.00%**

19.1.3 Income tax expense - accounting policy

The tax expense represents the sum of the current tax charge and the movement in deferred tax.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date.

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

19.2 Deferred income tax

Deferred income tax at 31 March relates to the following:

N$ '000	**31 March 2019**	31 March 2018
Opening balance	**-**	-
Charged (credited) to profit or loss	**-**	-
Closing balance	**-**	-

The amount of deferred taxation provided in the accounts is as follows:

N$ '000	**31 March 2019**	31 March 2018
Liabilities:		
Deferred stripping asset	**289 795**	283 512
Fixed asset allowances	**46 722**	58 254
Prior year adjustment	**38 678**	22 339
Prepayments	**2 234**	6 639
Other items	**28 146**	19 092
Tax loss utilised	**(405 575)**	(389 836)
Closing balance	**-**	-

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

19.2.1 Deferred tax - accounting policy

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are recognised for all taxable temporary differences, except where the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss).

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

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 profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also taken directly to equity.

The company offsets deferred tax assets and deferred tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

19.2.2 Significant judgements, estimates and assumptions

Judgement is required to determine which arrangements are considered to be a tax on income as opposed to an operating cost. Judgement is also required to determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the company to assess the likelihood that it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets. Judgement is also required in respect of the application of existing tax laws.

19. Income tax (continued)
19.2 Deferred income tax (continued)
19.2.2 Significant judgements, estimates and assumptions (continued)

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the company to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws could limit the ability of the company to obtain tax deductions in future periods.

19.3 VAT

Revenues, expenses, assets and liabilities are recognised net of the amount of VAT except:
• Where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
• When receivables and payables are stated with the amount of VAT included
The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

20. Cash flow analysis
a) Reconciliation of profit before tax to cash inflows from operations

N$ '000	**31 March 2019**	31 March 2018
Loss before tax	**(650 605)**	(62 606)
Depreciation and amortisation	**303 269**	38 187
Impairment loss	**-**	527
Net finance costs/(income)	**16 249**	17 395
Foreign exchange losses on balances held in foreign currencies	**(853)**	(628)
Loss on sale of property, plant and equipment	**28**	-
(Increase)/ decrease in inventories	**(5 741)**	145 346
Decrease/(increase) in operating debtors	**22 879**	(21 040)
(Decrease)/Increase in operating creditors	**(28 256)**	52 833
Cash (outflow)/inflows from operations	**(343 030)**	170 014

b) Income tax paid

N$ '000	**31 March 2019**	31 March 2018
Opening balance	**-**	-
Charge for the year	**-**	-
Refunds from receiver of revenue	**-**	-
Closing balance	**-**	-
Tax paid	-	-

c) Dividend paid

There were no dividends paid (2018: Nil).

21. Related party transactions

The company's holding company is Skorpion Zinc (Proprietary) Limited, a company incorporated in Namibia. THL Zinc Namibia Holdings (Proprietary) Limited is the holding company of Skorpion Zinc (Proprietary) Limited and is also incorporated in Namibia. The ultimate holding company is Vedanta Resources Ltd incorporated in the United Kingdom which in turn is controlled by Mr Anil Agarwal and persons closely related to him.

The company in the ordinary course of business enters into sales and service transactions with fellow subsidiaries and associates and others in the Vedanta Resources Ltd. These transactions are under terms that are no more favourable than those arranged with third parties.

21. Related party transactions (continued)

The following balances were outstanding/receivable from group companies at year end:

N$'000	Nature of transactions	31 March 2019	31 March 2018
Balance payable			
Skorpion Zinc (Proprietary) Limited	a	**400 386**	399 386
THL Zinc Namibia Holdings (Proprietary) Limited	a	**16 600**	16 600
Namzinc (Proprietary) Limited	c	**4 740 778**	3 692 128
		5 157 764	4 108 114
Balance receivable			
Namzinc (Proprietary) Limited	b	**1 973 836**	1 592 636
		1 973 836	1 592 636
Revenue from			
Namzinc (Proprietary) Limited		**390 015**	524 610
Purchases from			
Namzinc (Proprietary) Limited		**68 324**	113 067

(a) Expenses paid on behalf of group companies and or on behalf of the company by group companies and recharged at cost paid.
(b) Sales of Ore to Namzinc (Proprietary) Limited.
(c) Loan to assist with everyday trading activities of the company.

- All loans are unsecured, interest free and no terms of repayment have been set.
- The company is managed as part of the THL Zinc Namibia Holdings (Proprietary) Limited group and as a result has no separate key management costs.
- Namzinc (Proprietary) Limited is a fellow subsidiary of Skorpion Mining Company (Proprietary) Limited. Both entities are wholly owned by Skorpion Zinc (Proprietary) Limited.
- Settlement of the amount due from Namzinc (Proprietary) Limited is not expected until the company is, in turn, able to settle its liability with Namzinc (Proprietary) Limited.

22. Operating leases

At 31 December 2017, the company had outstanding commitments under non-cancellable operating leases.

N$ ‘000	31 March 2019	31 March 2018
Expiry date:		
Within one year	**-**	187
	-	187

23. Capital commitments

N$ ‘000	31 March 2019	31 March 2018
Authorised but not yet contracted	**8 711**	13 136
	8 711	13 136

These commitments will be funded from both internal cash resources and project finance.

24. Guarantees and contingent liabilities

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

N$'000	**31 March 2019**	31 March 2018
Guarantees issued:		
Ministry of Finance	**-**	2470
Namibian Ports Authority	**120**	184
	120	2654
Contingent liabilities:		
Rosh Pinah Zinc Corporation (RPZC)	**6000**	6000

The guarantee to the Ministry of Finance is an open-ended guarantee and relates to penalties and interest. The Namibian Ports Authority guarantee expires on payment or cancellation and relates to shared services costs. First National Bank is the guarantor on all guarantees.

The contingent liability relates to a claim for refund of proportionate costs incurred on the Gergarub Project by Skorpion Mining Company (Proprietary) Limited's joint venture partner, Rosh Pinah Zinc Corporation. Skorpion Mining Company (Proprietary) Limited believes it's not liable for the costs, as RPZC was not authorised to incur the expenses. The likelihood of reimbursement of the N$6 000 000 claimed by RPZC is considered to be remote, and no outflow of economic benefits is expected.

25. Material events after year-end

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

26. Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the company's financial statements that the company reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The company intends to adopt these standards when they become effective. Of the other standards and interpretations that are issued, but not yet effective, as these are not expected to impact the company, they have not been listed.

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

26. Standards issued but not yet effective (continued)

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