SKORPION ZINC (PROPRIETARY) LIMITED
(Registration Number: 97/146)

ANNUAL FINANCIAL STATEMENTS
31 MARCH 2019

GENERAL INFORMATION

Country of incorporation and domicile	NAMIBIA
Nature of business and principal activities	Acquisition of investments in subsidiaries and other companies associated with the exploration, development, treatment, production and sale of zinc and associated minerals concentrates.
Registered office	24 Orban Street Klein Windhoek Windhoek
Postal address	P O Box 30 Windhoek
Ultimate holding company	Vedanta Resources Ltd
Holding company	100% held subsidiary of THL Zinc Namibia Holdings (Proprietary) Limited
Bankers	First National Bank of Namibia Limited
Auditors	Ernst & Young Namibia
Company registration number	97/146
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Emma Laubscher CA (SA) (Head of Financial Reporting & Shared Services).
Published	29 April 2019

SKORPION ZINC (PROPRIETARY) LIMITED

ANNUAL FINANCIAL STATEMENTS
31 March 2019

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DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 26 were approved by the board of directors on 29 April 2019 and are signed on their behalf by:

DIRECTOR DIRECTOR

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Ernst & Young Namibia
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Windhoek, Namibia

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

Opinion

We have audited the financial statements of Skorpion Zinc (Proprietary) Limited set out on pages 4 to 26, 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 Zinc (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 1. 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

REPORT OF THE DIRECTORS
for the year ended 31 March 2019

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

GENERAL REVIEW

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

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

The authorised share capital of 4 000 (2018: 4 000) and issued share capital of 101 (2018: 101) ordinary shares have remained unchanged during the year.

The following companies are wholly owned subsidiaries of Skorpion Zinc (Proprietary) Limited:

Skorpion Mining Company (Proprietary) Limited

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

Namzinc (Proprietary) Limited

This company owns and operates a zinc refinery. The ore bought from Skorpion Mining Company (Proprietary) Limited is processed and refined to produce special high grade zinc. The zinc is exported either by sea via Lüderitz or by road to South Africa. The company has been granted Export Processing Zone status by the Namibian Government and is, therefore, exempt from paying taxes. The company has received dispensation to sell a limited portion of production to the Southern African Customs Union market.

Other subsidiaries, joint ventures and investments are listed in notes 2 and 3 of the annual financial statements.

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

DIVIDENDS

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

STATEMENT OF RESPONSIBILITY

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

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

The directors are satisfied that the company has access to adequate resources to remain a going concern for the foreseeable future. The company's annual financial statements on pages 4 to 26 have therefore been prepared on a going concern basis.

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

DIRECTORS

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

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

*Indian
**South African
***Namibian

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 March 2019

	Notes	2019 N$	2018 N$
ASSETS			
NON-CURRENT ASSETS		5 108 022	15 166 750
Investments in subsidiaries	2	5 108 022	5 108 022
Investments in joint ventures	3	-	10 058 728
CURRENT ASSETS		971 992 577	961 912 095
Related party loans	4	960 663 156	957 813 156
Investments in joint ventures	3	10 644 689	3 665 135
Taxation	12.2	1 743	-
Trade and other receivables	6	6 399	8 050
Cash and cash equivalents	5	676 590	425 754
TOTAL ASSETS		977 100 599	977 078 845
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		(5 197 456)	(5 235 006)
Share capital	8	101	101
Share premium	8	5 107 921	5 107 921
Accumulated deficit		(10 305 478)	(10 343 028)
CURRENT LIABILITIES		982 298 055	982 313 851
Holding company loans	4	982 298 055	982 298 055
Other payables	7	-	15 796
TOTAL EQUITY AND LIABILITIES		977 100 599	977 078 845

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

	Notes	2019 N$	2018 N$
Dividends received		-	-
Administrative expenses		(18 711)	(28 088)
OPERATING LOSS		(18 711)	(28 088)
Finance income	9	25 829	39 996
Impairment loss	11	-	(9 731 361)
PROFIT / (LOSS) BEFORE TAXATION		7 118	(9 719 453)
Taxation	10	30 432	(316 012)
PROFIT / (LOSS) FOR THE YEAR		37 550	(10 035 465)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		37 550	(10 035 465)

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2019

		Share capital	Share premium	Accumulated deficit	Total
		N$	N$	N$	N$
Balance at 1 April 2017		101	5 107 921	(307 563)	4 800 459
Comprehensive loss for the year		-	-	(10 035 465)	(10 035 465)
Balance at 31 March 2018		101	5 107 921	(10 343 028)	(5 235 006)
Comprehensive income for the year		-	-	37 550	37 550
Balance at 31 March 2019		101	5 107 921	(10 305 478)	(5 197 456)
	Note	8	8		

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 March 2019

	Notes	2019 N$	2018 N$
CASH FLOWS FROM OPERATING ACTIVITIES		21 662	(9 882 193)
Dividends received		-	-
Cash utilised by operations	12.1	(32 856)	(9 907 377)
Net finance income	9	25 829	39 996
Taxation received / (paid)	12.2	28 689	(14 812)
CASH FLOWS FROM FINANCING ACTIVITIES		229 174	5 895 085
Increase in Group company loans		(2 850 000)	(3 836 276)
Decrease in loan to RoshSkor Township (Proprietary) Limited		3 079 174	9 731 361
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		250 836	(3 987 108)
Cash and cash equivalents at the beginning of the year		425 754	4 412 862
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		676 590	425 754

1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis except for certain financial instruments where the fair value bases of accounting are adopted. The principle accounting policies of the company, which are set out below, have been consistently applied and comply in all material respects with International Financial Reporting Standards ("IFRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The functional currency of the company is the Namibian Dollar (N$).

The Company has elected not to produce consolidated financial statements as allowed by Par 4(a) of IFRS 10: Consolidated and Separate Financial Statements since the Company's holding company, incorporated in Namibia, is preparing consolidated financial statements.

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

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

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

New/Revised International Financial Reporting Standards		**Effective for annual periods beginning on or after**
IFRS 16	Leases Introduction of a single lease accounting model and enhancements of disclosures	1 January 2019

1. ACCOUNTING POLICIES (continued)

1.1 Taxation

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

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

Deferred taxation is provided on the statement of financial position liability method in respect of net temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of assessable tax profit. In general, deferred taxation liabilities are recognised for all taxable temporary differences and deferred taxation assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised.

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

1.2 Financial instruments

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.

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.

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.

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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.

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 (FVTPL)

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.

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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

As IFRS 9 now has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety.

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.

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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

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. Refer Note 18 for further discussion on impairment assessments of financial assets.

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.

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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.

Offsetting of financial instruments

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

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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.

1.3 Impairments

At each the reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in the prior years.

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

1.4 Revenue recognition

Dividend revenue from investments is recognised when the shareholder's right to receive payment has been established.

1.5 Judgements made by management

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

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

1. ACCOUNTING POLICIES (continued)

1.5 Judgements made by management (continued)

Key sources of estimation uncertainty and judgements

- **Valuation of financial instruments**
  The valuation of financial instruments is based on the market situation and the ability of counter party to repay its loans at the reporting date.

- **Going concern**
  The directors have assessed the ability of the company to continue as a going concern and given the ability of the company to direct the operations and cash flows of its subsidiary Namzinc (Proprietary) Limited consider the going concern basis of accounting appropriate despite the accumulated deficit at year end.

  THL Zinc Namibia Holdings (Proprietary) Limited has agreed to assist Skorpion Zinc (Proprietary) Limited by subordinating, subject to certain terms and conditions, the total loan of N$ 982 298 055 with Skorpion Zinc (Proprietary) Limited, in favour of, and for the benefit of other creditors of Skorpion Zinc (Proprietary) Limited.

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting 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.

Recoverability of receivables: The directors have assessed the recoverability of the receivables, notably loans to related parties. The directors evaluated the ability of subsidiaries to repay the debt and have concluded that no impairment is required given the current and forecast financial position of Namzinc (Proprietary) Limited, and the fact that Namzinc (Proprietary) Limited has subordinated its debt to Skorpion Mining Company (Proprietary) Limited.

The directors do not consider there to be any significant sources of estimation uncertainty, other than regarding the recoverability of its investments in subsidiaries and loans owed by subsidiaries. The company will continue to receive the support of its related company and the realisation of assets and settlement of liabilities will occur in the ordinary course of business.

2. INVESTMENTS IN SUBSIDIARIES

Shares at cost

	Issued capital	Percentage held 2019	Percentage held 2018	2019 N$	2018 N$
Skorpion Mining Company (Proprietary) Limited	100	100%	100%	2 553 961	2 553 961
Namzinc (Proprietary) Limited	100	100%	100%	2 553 961	2 553 961
Amica Guest House (Proprietary) Limited	100	100%	100%	100	100
Total shares at cost				5 108 022	5 108 022
Net investment in subsidiary companies				5 108 022	5 108 022

Additional information on investments:

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

3. INVESTMENTS IN JOINT VENTURES

	2019 N$	2018 N$
UNLISTED		
Shares at cost		
50 Ordinary shares of N$1 each in RoshSkor Township (Proprietary) Limited	50	50
Shares at cost		
69 Ordinary shares of N$1 each in Rosh Pinah Health Care (Proprietary) Limited	-	-
69 Ordinary shares of N$1 each with a share premium of N$138 947.13 per share	-	-
Amounts owing by:		
Rosh Pinah Health Care (Proprietary) Limited	-	-
RoshSkor Township (Proprietary) Limited	10 644 639	13 723 813
Net investment	10 644 689	13 723 863
- Non – current	-	10 058 728
- Current	10 644 689	3 665 135

4. HOLDING COMPANY LOANS

The company's holding company is THL Zinc Namibia Holdings (Proprietary) Limited incorporated in Namibia.

Details of transactions between the Company and other related parties as well as the company and its subsidiaries are disclosed below.

During the period, the company entered into the following trading transactions with its subsidiaries.

	Amounts owed to related parties		Amounts due by related parties*	
	2019	2018	2019	2018
	N$	N$	N$	N$
THL Zinc Namibia Holdings (Proprietary) Limited	982 298 055	982 298 055	-	-
Namzinc (Proprietary) Limited	-	-	560 277 100	558 427 100
Skorpion Mining Company (Proprietary) Limited	-	-	400 386 056	399 386 056
	982 298 055	982 298 055	960 663 156	957 813 156

The loans are interest free and have no fixed terms of repayment.

*Included in subsidiary companies. See Note 2.

5. CASH AND CASH EQUIVALENTS

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

Bank balances and cash are denominated as follows:	2019 N$	2018 N$
- Local currency:	676 590	425 754

6. TRADE AND OTHER RECEIVABLES

Sundry debtors	6 399	8 050

7. TRADE AND OTHER PAYABLES

Other accruals	-	15 796

8. SHARE CAPITAL AND PREMIUM

Authorised		
4 000 ordinary shares of N$1 each	4 000	4 000
Issued		
101 ordinary shares of N$1 each	101	101
Share premium	5 107 921	5 107 921

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

9. FINANCE INCOME

Finance income		
- Bank	25 829	39 996

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	2019 N$	2018 N$

10. TAXATION

	2019	2018
Namibian normal taxation	(30 432)	316 012
Current taxation – current period	(30 432)	316 012
Current taxation – prior period	-	-
Reconciliation of tax rate		
	%	%
- standard statutory tax rate	32.0	32.0
- prior year tax	(460.0)	(35.0)
Effective tax rate	(428.0)	(3.0)

11. IMPAIRMENT

	2019	2018
Impairment loss	-	(9 731 361)

The impairment charge in the prior year relates to the investment (N$9 587 421) in Rosh Pinah Health Care, as well as loan advanced (N$143 940) to the joint venture entity which are considered potentially irrecoverable.

12. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2019	2018
Profit / (loss) before taxation	7 118	(9 719 454)
Net finance income	(25 829)	(39 996)
	(18 711)	(9 759 450)
Working capital changes	(14 145)	(147 927)
Decrease in trade and other receivables	1 651	-
Decrease in trade and other payables	(15 796)	(147 927)
Cash utilised by operations	(32 856)	(9 907 377)

12.2 TAXATION PAID

	2019	2018
Balance at the beginning of the year	-	(301 200)
Charge to profit and loss	(30 432)	316 012
Balance at the end of the year	1 743	-
Taxation (received) / paid	(28 689)	14 812

13. FINANCIAL RISK AND CAPITAL MANAGEMENT

Capital risk management

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

The capital structure of the company consists of a holding company loan, cash and cash equivalents and equity attributable to the equity holder, comprising issued capital and retained earnings.

Foreign currency management

The company has no direct exposure to significant foreign currency fluctuations.

Interest rate management

Borrowings are mostly obtained from the holding company and interest rates are managed in accordance with the policies set down by the Vedanta Resources Ltd. group treasury function. Currently no interest is charged on the holding company loan.

Interest is earned on short-term funds deposited with banks and in terms of the company's risk expectations and increase/decrease of 1% in the rate would result in an increase/decrease in interest earnings of N$6 766 (2018: N$4 258).

Credit risk management

The company deposits cash surpluses with banks of high credit standing. The credit standing of financial institutions is evaluated from time to time.

Liquidity risk

The company manages its liquidity risk by ensuring that it has adequate cash resources, banking facilities and borrowing capacity to meet its obligation. The company has reported positive cash flows for the current period and projections indicated this trend to be sustainable.

Categories of Financial instruments

Commodity prices have IFRS 13 requires additional information regarding the methodologies employed to measure the fair value of financial instruments which are recognised or disclosed in the accounts. These methodologies are categorised per the standard as:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Liquidity risk

	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	N$	N$	N$	N$	N$	N$
Company						
2019						
Holding company loans	-	-	982 298 055	-	-	982 298 055
Company						
2018						
Other payables	-	15 796	-	-	-	15 796
Holding company loans	-	-	982 298 055	-	-	982 298 055

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of Financial Position - categories of financial instruments

2019	Available-for-sale financial assets	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
ASSETS	N$	N$	N$	N$	N$	N$
NON-CURRENT ASSETS	5 108 072	-	-	-	-	5 108 072
Investment in subsidiaries	5 108 022	-	-	-	-	5 108 022
Investments in joint ventures	50	-	-	-	-	50
CURRENT ASSETS	-	676 590	971 307 795	-	8 142	971 992 527
Cash and cash equivalents	-	676 590	-	-	-	676 590
Trade and other receivables	-	-	-	-	6 399	6 399
Investments in joint ventures	-	-	10 644 639	-	-	10 644 639
Related party loans	-	-	960 663 156	-	-	960 663 156
Taxation	-	-	-	-	1 743	1 743
TOTAL ASSETS	5 108 072	676 590	971 307 795	-	8 142	977 100 599
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES	-	-	-	-	(5 197 456)	(5 197 456)
Share capital	-	-	-	-	101	101
Share premium	-	-	-	-	5 107 921	5 107 921
Accumulated deficit	-	-	-	-	(10 305 478)	(10 305 478)
CURRENT LIABILITIES	-	-	-	982 298 055	-	982 298 055
Holding company loans	-	-	-	982 298 055	-	982 298 055
TOTAL EQUITY AND IABILITIES	-	-	-	982 298 055	(5 197 456)	977 100 599

13. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

2018	Available for sale financial assets	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
ASSETS	N$	N$	N$	N$	N$	N$
NON-CURRENT ASSETS	5 108 072	-	10 058 678	-	-	15 166 750
Investment in subsidiaries	5 108 022	-	-	-	-	5 108 022
Investments in joint ventures	50	-	10 058 678	-	-	10 058 728
CURRENT ASSETS	-	425 754	961 478 291	-	8 050	961 912 095
Cash and cash equivalents	-	425 754	-	-	-	425 754
Trade and other receivables	-	-	-	-	8 050	8 050
Investments in joint ventures	-	-	3 665 135	-	-	3 665 135
Related party loans	-	-	957 813 156	-	-	957 813 156
TOTAL ASSETS	5 108 072	425 754	971 536 969	-	8 050	977 078 845
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES	-	-	-	-	(5 235 006)	(5 235 006)
Share capital	-	-	-	-	101	101
Share premium	-	-	-	-	5 107 921	5 107 921
Accumulated deficit	-	-	-	-	(10 343 028)	(10 343 028)
CURRENT LIABILITIES	-	-	-	982 313 851	-	982 313 851
Holding company loans	-	-	-	982 298 055	-	982 298 055
Other payables	-	-	-	15 796	-	15 796
TOTAL EQUITY AND IABILITIES	-	-	-	982 313 851	(5 235 006)	977 078 845

14. COMPENSATION OF DIRECTORS

No directors emoluments were paid by Skorpion Zinc (Proprietary) Limited during the current financial year (2018: Nil).

15. DIVIDENDS

No interim or final dividends were declared or paid during the period under review (2018: N$ Nil).

16. MATERIAL EVENTS AFTER YEAR END

The directors of the company 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 company's state of affairs.

17. AUTHORISATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements were authorised by the directors and approved for issue on 29 April 2019.