

**THL ZINC LTD**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

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**THL ZINC LTD**

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**THL ZINC LTD****CORPORATE INFORMATION**

		<b>Date of appointment</b>	<b>Date of resignation</b>
<b>DIRECTORS:</b>	Gyaneshwarnath Gowrea	13-Aug-10	-
	Doomraj Sooneelall	30-Jun-15	-
	Arvind Giri	14-Feb-18	31-May-18
<b>ADMINISTRATOR &amp; SECRETARY:</b>	IQ EQ Corporate Services (Mauritius) Ltd (formerly known as SGG Corporate Services (Mauritius) Ltd) 33, Edith Cavell Street Port Louis, 11324 Mauritius		
<b>REGISTERED OFFICE:</b>	C/o IQ EQ Corporate Services (Mauritius) Ltd 33, Edith Cavell Street Port Louis, 11324 Mauritius		
<b>BANKERS:</b>	Standard Chartered Bank (Mauritius) Limited Units 6A and 6B  6th Floor, Standard Chartered Tower, 19-21, Bank Street, Cybercity Ebène Mauritius		
<b>AUDITOR:</b>	Ernst & Young 9th Floor NeXTeracom Tower 1 Cybercity Ebène Mauritius		

**THL ZINC LTD****COMMENTARY OF THE DIRECTORS**

The directors present their commentary, together with the audited financial statements of THL Zinc Ltd (the "Company") for the year ended 31 March 2019.

**PRINCIPAL ACTIVITY**

The principal activity of the Company is investment holding.

**RESULTS AND DIVIDEND**

The Company's loss for the year ended 31 March 2019 is **USD 694,369** (2018: USD 75,562,642).

The directors do not recommend any payment of dividend for the year ended 31 March 2019 (2018: NIL).

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance, changes in equity and cash flows of the Company. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- State whether International Financial Reporting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue business in the foreseeable future.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2001.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITOR**

The Auditors, Ernst & Young, have indicated its willingness to continue in office and will be automatically reappointed in the next Annual Meeting.

**THL ZINC LTD**

**CERTIFICATE FROM THE SECRETARY**

**TO THE MEMBER OF THL ZINC LTD**

**(SECTION 166(D) OF THE COMPANIES ACT 2001)**

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We certify, as secretary of the Company, that based on records and information made available to us by the Directors and Sole Shareholder of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2019, all such returns as required of the Company under the Companies Act 2001.

***Authorised signatory***

Date: 19 June 2019

**Independent Auditor's Report**  
**to the members of THL ZINC LTD**

**Report on the Audit of the Financial Statements**

*Opinion*

We have audited the financial statements of THL Zinc Ltd (the "Company") set out on pages 11 to 29 which comprise the statement of financial position as at 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies..

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 March 2019, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

*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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. 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 Commentary of Directors and the Secretary's Certificate as required by the Companies Act 2001, but 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 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 on the other information obtained prior to the date of this auditor's report, 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

*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 2001, 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.

**Independent Auditor's Report**  
**to the members of THL ZINC LTD (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

*Responsibilities of the Directors for the Financial Statements (cont'd)*

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.

*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 director's 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.

**Independent Auditor's Report**  
**to the members of THL ZINC LTD (cont'd)**

**Report on the Audit of the Financial Statements (cont'd)**

*Use of our report*

This report is made solely to the Company's members, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

*Report on Other Legal and Regulatory Requirements  
Companies Act 2001*

We have no relationship with or interests in the Company other than in our capacity as auditor and dealings in the ordinary course of business.

We have obtained all the information and explanations we have required.

In our opinion, proper accounting records have been kept by the Company as far as it appears from our examination of those records.

**ERNST & YOUNG**  
Ebène, Mauritius

Date: 19 June 2019

ANDRE LAI WAN LOONG, A.C.A  
Licensed by FRC



**THL ZINC LTD**  
**STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2019**

	<u>Notes</u>	<u>2019</u> USD	<u>2018</u> USD
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investments in subsidiaries	5	517,893,603	517,893,603
Other investments	6	-	-
Loan receivable	7	19,200,000	15,000,000
<b>Total non-current assets</b>		<u>537,093,603</u>	<u>532,893,603</u>
<b>Current assets</b>			
Other receivables	8	700,750	313,825
Cash and cash equivalents		9,152	59,511
<b>Total current assets</b>		<u>709,902</u>	<u>373,336</u>
<b>TOTAL ASSETS</b>		<u>537,803,505</u>	<u>533,266,939</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Issued capital	9	9,001,000	9,001,000
Other equity reserve		(429,593,904)	(429,593,904)
Retained earnings		12,834,656	13,529,025
<b>Shareholder's deficit</b>		<u>(407,758,248)</u>	<u>(407,063,879)</u>
<b>Non current liabilities</b>			
Borrowings	11	-	42,700,000
<b>Total non current liabilities</b>		<u>-</u>	<u>42,700,000</u>
<b>Current liabilities</b>			
Optionally convertible redeemable preference shares	10	896,000,000	896,000,000
Borrowings	11	48,650,000	-
Other payables	12	911,753	1,630,818
<b>Total current liabilities</b>		<u>945,561,753</u>	<u>897,630,818</u>
<b>Total current &amp; non current liabilities</b>		<u>945,561,753</u>	<u>940,330,818</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>537,803,505</u>	<u>533,266,939</u>

These financial statements have been approved by the Board of Directors and authorised for issue on 19 June 2019

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

The notes on pages 11 to 29 form an integral part of these financial statements  
Independent Auditor's report on pages 4 to 6

**THL ZINC LTD**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Notes</u>	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>
<b>Income</b>	14	<u>387,043</u>	<u>226,457</u>
<b>Expenses</b>			
Filing and registration fees		(2,525)	(2,504)
Audit fees		(28,699)	(15,281)
Professional fees		<u>(10,008)</u>	<u>(7,397)</u>
		<u>(41,232)</u>	<u>(25,182)</u>
<b>Finance costs</b>	15	(1,040,180)	(75,763,917)
Impairment of loan	7(vii)	-	-
<b>Loss before tax</b>		<u>(694,369)</u>	<u>(75,562,642)</u>
Income tax expense	16	-	-
<b>Loss for the year</b>		<u>(694,369)</u>	<u>(75,562,642)</u>
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		<u>(694,369)</u>	<u>(75,562,642)</u>

The notes on pages 11 to 29 form an integral part of these financial statements  
Independent Auditor's report on pages 4 to 6

**THL ZINC LTD**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<b>Issued Capital</b> USD	<b>Other Equity reserve</b> USD	<b>Retained earnings</b> USD	<b>Total Equity</b> USD
At 1 April 2017	9,001,000	(1,779,654,112)	89,091,667	(1,681,561,445)
Loss for the year and total comprehensive income	-	-	(75,562,642)	(75,562,642)
<b>Total</b>	<u>9,001,000</u>	<u>(1,779,654,112)</u>	<u>13,529,025</u>	<u>(1,757,124,087)</u>
Reversal of impairment (refer note 7 (iii))	-	1,350,060,208	-	1,350,060,208
At 31 March 2018	<u>9,001,000</u>	<u>(429,593,904)</u>	<u>13,529,025</u>	<u>(407,063,879)</u>
<b>At 1 April 2018</b>	<b>9,001,000</b>	<b>(429,593,904)</b>	<b>13,529,025</b>	<b>(407,063,879)</b>
<b>Loss for the year and total comprehensive income</b>	-	-	<b>(694,369)</b>	<b>(694,369)</b>
<b>At 31 March 2019</b>	<b><u>9,001,000</u></b>	<b><u>(429,593,904)</u></b>	<b><u>12,834,656</u></b>	<b><u>(407,758,248)</u></b>

The notes on pages 11 to 29 form an integral part of these financial statements  
Independent Auditor's report on pages 4 to 6

**THL ZINC LTD**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

	<u>Notes</u>	<u>2019</u> <u>USD</u>	<u>2018</u> <u>USD</u>
<b>Cash flows from operating activities</b>			
Net cash used in operating activities	13	<u>(50,359)</u>	<u>(32,664)</u>
<b>Investing activities</b>			
Loan to related company	7	<u>(4,200,000)</u>	<u>(7,700,000)</u>
<b>Net cash used in investing activities</b>		<u>(4,200,000)</u>	<u>(7,700,000)</u>
<b>Financing activities</b>			
Loan from related company	18	24,200,000	7,700,000
Loan repaid		(18,250,000)	-
Interest paid		(1,750,000)	-
<b>Net cash from financing activities</b>		<u>4,200,000</u>	<u>7,700,000</u>
<b>Net decrease in cash and cash equivalents</b>		<b>(50,359)</b>	<b>(32,664)</b>
<b>Cash and cash equivalents at beginning of year</b>		<u>59,511</u>	<u>92,175</u>
<b>Cash and cash equivalents at end of year</b>		<u><u>9,152</u></u>	<u><u>59,511</u></u>

The notes on pages 11 to 29 form an integral part of these financial statements  
Independent Auditor's report on pages 4 to 6

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**1 Company Overview**

THL Zinc Ltd (the "Company") was incorporated in Mauritius, under the Mauritius Companies Act 2001, on 15 April 2008 as a private company. The Company was set up as a Category 2 Global Business Licence company and pursuant to a shareholder resolution of 19 August 2010, the Company changed its legal regime to a Category 1 Global Business Licence company. The Company's registered office address is c/o IQ EQ Corporate Services (Mauritius) Ltd (erstwhile SGG Corporate Services (Mauritius) Ltd), 33, Edith Cavell Street, Port Louis, Mauritius. The Company's principal activity is investment holding.

**2 Basis of preparation and basis of measurement of financial statements**

**(a) Basis of preparation**

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by International Accounting Standards Board (IASB).

**(b) Basis of Measurement**

The financial statements have been prepared on a historical-cost basis and are denominated in United States Dollars ("USD")

**3(a) Accounting Policies**

***(i) Investment in subsidiary***

A subsidiary is an entity (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries represent equity holdings in subsidiaries except preference shares, valued at cost less any provision for impairment. Investments are reviewed for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Company has taken advantage of paragraph 4(a) of International Financial Reporting Standard "IFRS 10 - Consolidated Financial Statements", which dispenses it from the need to present consolidated financial statements. The Company is wholly owned by Vedanta Resources Ltd (erstwhile Vedanta Resources Plc.) which prepares company accounts that comply with International Financial Reporting Standards and these are available for public use from the company secretary, Vedanta Resources Ltd (erstwhile Vedanta Resources Plc.), 5th Floor, 6 St Andrew Street, London, EC4A 3AE and at [www.vedantaresources.com](http://www.vedantaresources.com).

***(ii) Financial Instruments***

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

***(a) Financial Assets – Recognition & subsequent measurement***

All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. 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.

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

***Debt instruments at amortised cost***

A 'debt instrument' is measured at amortised cost if both the following conditions are met:

a) The asset is held within a business model whose objective is to hold assets for collecting contractual cash flows, and

b) Contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

After initial measurement, such financial assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. 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 in interest income in statement of profit or loss and other comprehensive income. The losses arising from impairment are recognised in statement of profit or loss and other comprehensive income.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(a) Accounting Policies (continued)**

**(ii) Financial Instruments (continued)**

*(b) Financial Asset - Derecognition*

The Company derecognises a financial asset when the contractual rights to cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

*(c) Impairment of financial assets*

In accordance with IFRS 9, the Company applies expected credit loss ("ECL") model for measurement and recognition of impairment loss on the following financial assets:

- i) Financial assets that are debt instruments, and are measured at amortised cost e.g., loans, debt securities and deposits
- ii) Other receivables or any contractual right to receive cash or another financial asset that result from transactions that are within the scope of IFRS 15.

The Company follows 'simplified approach' for recognition of impairment loss allowance on other receivables. The application of simplified approach does not require the Company to track changes in credit risk. Rather, it recognises impairment loss allowance based on lifetime ECLs at each reporting date, right from its initial recognition.

At each reporting date, for recognition of impairment loss on other financial assets and risk exposure, the Company determines whether there has been a significant increase in the credit risk since initial recognition. If credit risk has not increased significantly, 12-month ECL is used to provide for impairment loss. However, if credit risk has increased significantly, lifetime ECL is used. If, in a subsequent period, credit quality of the instrument improves such that there is no longer a significant increase in credit risk since initial recognition, then the Company reverts to recognising impairment loss allowance based on 12-month ECL.

Lifetime ECL are the expected credit losses resulting from all possible default events over the expected life of a financial instrument. The 12-month ECL is a portion of the lifetime ECL which results from default events that are possible within 12 months after the reporting date.

ECL is the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the entity expects to receive, discounted at the original EIR.

ECL impairment loss allowance (or reversal) during the year is recognised as income/expense in profit or loss. The statement of financial position presentation for various financial instruments is described below:

- Financial assets measured at amortised cost: ECL is presented as an allowance, i.e., as an integral part of the measurement of those assets in the balance sheet. The Company does not reduce impairment allowance from the gross carrying amount.

For assessing increase in credit risk and impairment loss, the Company combines financial instruments on the basis of shared credit risk characteristics with the objective of facilitating an analysis that is designed to enable significant increases in credit risk to be identified on a timely basis.

The Company does not have any purchased or originated credit-impaired (POCI) financial assets, i.e., financial assets which are credit impaired on purchase/origination.

*(d) Financial liabilities – Recognition & Subsequent measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, or as 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 financial liabilities at amortised cost, net of directly attributable transaction costs.

The Company's financial liabilities include other payables, loans and borrowings and Optionally convertible redeemable preference shares ("OCRPS").

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(a) Accounting Policies (continued)**

**(ii) Financial Instruments (continued)**

*Financial liabilities and equity instruments issued by the Company*

**Classification as debt or equity**

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

**Equity instruments**

*Ordinary shares are classified as equity*

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

**Compound instruments**

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to stated capital. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the compound instruments are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest

**Financial liabilities at amortised cost**

After initial recognition, interest-bearing loans and borrowings and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in 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.

**(e) Financial liabilities – Derecognition**

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

**(f) 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 or to realise the asset and settle the liability simultaneously.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(a) Accounting Policies (continued)**

***(iii) Impairment of non-financial assets***

Impairment charges and reversals are assessed at the level of cash-generating units. A cash-generating unit (CGU) is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or group of assets.

The Company assesses at each reporting date, whether there is an indication that an asset may be impaired. The Company conducts an internal review of asset values annually, which is used as a source of information to assess for any indications of impairment or reversal of previously recognised impairment losses. Internal and external factors, such as worse economic performance than expected, changes in expected future prices, costs and other market factors are also monitored to assess for indications of impairment or reversal of previously recognised impairment losses.

If any such indication exists or in case of goodwill where annual testing of impairment is required then an impairment review is undertaken, the recoverable amount is calculated, as the higher of fair value less costs of disposal and the asset's value in use.

Fair value less costs of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. Fair value for mineral and oil and gas assets is generally determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset, including any expansion prospects, and its eventual disposal, using assumptions that an independent market participant may take into account. These cash flows are discounted at an appropriate post-tax discount rate to arrive at the net present value.

Value in use is determined as the present value of the estimated future cash flows expected to arise from the continued use of the asset in its present form and its eventual disposal. The cash flows are discounted 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. Value in use is determined by applying assumptions specific to the Company's continued use and cannot take into account future development. These assumptions are different to those used in calculating fair value and consequently the value in use calculation is likely to give a different result to a fair value calculation.

The carrying amount of the CGU is determined on a basis consistent with the way the recoverable amount of the CGU is determined. The carrying value is net of deferred tax liability recognised in the fair value of assets acquired in the business combination.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit or loss.

Any reversal of the previously recognised impairment loss is limited to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised except if initially attributed to goodwill.

***(iv) Accounting for Foreign currency transactions and translations***

The Directors consider USD to be the currency that most faithfully represent the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the company measures its performance and reports its results, as well as the currency in which it receives capital contribution from its investors. This determination also considers the competitive environment in which the company operates. The Company's financial instruments are prepared in USD.

Transactions in foreign currencies are initially recorded in the entity's functional currency by applying the spot exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in other currencies are translated into functional currencies at exchange rates prevailing on the reporting date.

Non-monetary assets and liabilities denominated in other currencies and measured at historical cost or fair value are translated at the exchange rates prevailing on the dates on which such values were determined.

All differences are taken to the statement of profit or loss except those where the monetary item is designated as an effective hedging instrument of the currency risk of designated forecasted sales or purchases, which are recognised in the other comprehensive income.



**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(a) Accounting Policies (continued)**

**(v) Current and non-current classification**

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification. An asset is classified as current when it satisfies any of the following criteria:

- it is expected to be realized in, or is intended for sale or consumption in, the Company's normal operating cycle.
- it is held primarily for the purpose of being traded;
- it is expected to be realized within 12 months after the reporting date; or
- it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting date.

All other assets are classified as non-current.

A liability is classified as current when it satisfies any of the following criteria:

- it is expected to be settled in the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within 12 months after the reporting date; or
- the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

All other liabilities are classified as non-current.

**(vi) Cash and cash equivalents**

Cash and cash equivalents comprise cash at bank and on hand and short-term money market deposits which have a maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(vii) Related parties**

Related parties are individuals and companies, including the management company, where the individual or the Company has the ability directly or indirectly to control the other party or exercise significant influence over the other party in making financial and operating decisions.

**(viii) Interest income**

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

**(ix) Expense Recognition**

Expenses are accounted for in Profit or loss on an accrual basis.

**(x) Taxation**

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the financial position date in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax is recognised in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets on accumulated tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(b) Application of new and revised standards**

The Company has adopted with effect from 01 April 2018, the following new standards and amendments.

**IFRS 9: Financial Instruments**

IFRS 9 has reduced the complexity of the current rules on financial instruments as mandated in IAS 39. It has fewer classification and measurement categories as compared to IAS 39. It eliminates the rule-based requirement of segregating embedded derivatives from financial assets and tainting rules pertaining to held to maturity investments. For financial assets which are debt instruments, IFRS 9 establishes a principle-based approach for classification based on cash flow characteristics of the asset and the business model in which an asset is held. For an investment in an equity instrument which is not held for trading, IFRS 9 permits an irrevocable election, on initial recognition, on an individual share-by-share basis, to present all fair value changes from the investment in other comprehensive income. No amount recognised in other comprehensive income on such equity investment would ever be reclassified to profit or loss. It requires the entity, which chooses to designate a liability as at fair value through profit or loss, to present the portion of the fair value change attributable to the entity's own credit risk in the other comprehensive income. IFRS 9 replaces the 'incurred loss model' in IAS 39 with an 'expected credit loss' model. The measurement uses a dual measurement approach, under which the loss allowance is measured as either 12 month expected credit losses or lifetime expected credit losses. The standard also introduces new presentation and disclosure requirements.

For transition, the Company has elected to apply the limited exemptions in IFRS 9 relating to the classification, measurement and impairment requirements for financial assets and accordingly has not restated comparative periods.

The Company has adopted IFRS 9 from 01 April 2018. Adoption of this Standard did not have a material impact.

The classification and measurement requirements of IFRS 9 have been adopted retrospectively as of the date of initial application on 1 April 2018, however, the company has chosen to take advantage of the option not to restate comparatives. Therefore, the 31 March ,2018 figures are presented and measured under IAS 39. The following table shows the original measurement categories in accordance with IAS 39 and the new measurement categories under IFRS 9 for the Company's financial assets and financial liabilities as at 01 April, 2018.

Classification of the financial assets and liabilities as per the balance sheet :

**Financial Assets**

Financial assets as on 01 April 2018	Amount (\$)	Measurement under IAS 39	Measurement under IFRS 9	Impact
Loan receivables	15,000,000	Amortised cost	Amortised cost	Nil
Other receivables	313,825			
Cash and cash equivalents	59,511			
<b>Total</b>	<b>15,373,336</b>			

**Financial Liabilities**

Financial liabilities as on 01 April 2018	Amount (\$)	Measurement under IAS 39	Measurement under IFRS 9	Impact
Borrowings	42,700,000	Amortised cost	Amortised cost	Nil
Other payables	1,630,818			
Optionally convertible redeemable preference shares	896,000,000			
<b>Total</b>	<b>940,330,818</b>			

In line with the characteristics of the Company's financial instruments as well as its approach to their management, the Company neither revoked nor made any new designations on the date of initial application. IFRS 9 has not resulted in changes in the carrying amount of the Company's financial instruments due to changes in measurement categories. All financial assets that were classified as receivables and measured at amortised cost continue to be.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(b) Application of new and revised standards (continued)**

***IFRS 9: Financial Instruments (continued)***

In addition, the application of the ECL mode under IFRS 9 has not significantly changed the carrying amounts of the Company's amortised cost financial assets.

***Previous period Accounting Policy***

**Financial Assets**

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instruments.

***Initial Recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. The financial assets of the company comprises of loan to related party, other receivables and cash and cash equivalents.

***Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. 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 in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

***Impairment of financial assets***

The Company assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Company first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income (recorded as finance income in the statement of profit or loss) continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans, together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**3(b) Application of new and revised standards (continued)**

***Previous period Accounting Policy (continued)***

***Derecognition of financial assets***

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

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

When the Company has transferred its rights to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset.

**Financial liabilities**

Financial liabilities are classified as 'other financial liabilities'.

**Other 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 other payables, loans and borrowings and optionally convertible redeemable preference shares.

***Derecognition of financial liabilities***

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

**Other Amendments**

The adoption of IFRS 15 "Revenue from contracts with customers", IAS 23 "Borrowing Cost" and other minor changes to IFRS's applicable for the year ended 31 March 2019 do not have a significant impact on the Company's financial statements.

**Standards issued but not yet effective**

The new standards including IFRS 16 "Leases" and other standards/amendments to standards that have been issued but are not yet effective up to the date of issuance of the Company's financial statements is not expected have any significant impact on the Company's financial statements.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**4 Significant accounting estimates and judgments**

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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 described below.

**Judgements**

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements.

*Functional currency*

The directors consider the USD to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results to the members. This determination also considers the competitive environment in which the Company operates.

*Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future. Refer to note 20 for more details.

**Estimates and assumptions**

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions, that affect the application of accounting policies and the reported amounts of assets, liabilities, income, expenses and disclosures of contingent assets and liabilities at the date of these financial statements and the reported amounts of revenues and expenses for the years presented. These judgments and estimates are based on management's best knowledge of the relevant facts and circumstances, having regard to previous experience, but actual results may differ materially from the amounts included in the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and future periods affected.

The information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are as given below:

**Loans & other receivables**

The Company uses the provision matrix as a practical expedient to measuring ECLs on Loans & other receivables based on days past due for grouping of receivables with similar loss patterns. Receivables are grouped based on their nature. The provision matrix is based on historical observed loss rates over the expected life of the receivables and is adjusted for forward looking estimates. Refer note no. 17(c) for more details.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**5. INVESTMENTS IN SUBSIDIARIES**

<i>At Carrying Value</i>	<u>2019</u>	<u>2018</u>
	<u>USD</u>	<u>USD</u>
At 1 April and 31 March	<u>517,893,603</u>	<u>517,893,603</u>

- (a) During the year 2013-14, the Company has provided for an impairment of USD 221,789,180 on its investment held in THL Zinc Namibia Holdings Proprietary Ltd. During the current year, the directors have re-assessed the investment in the subsidiary for indicators of impairment and are of opinion that the no further impairment has to be provided for the investment.
- (b) During the current year, the directors have assessed the investment in Black Mountain Mining Proprietary Ltd (BMM) for indicators of impairment and are of opinion that the no impairment has to be provided on this investment.
- (c) During the previous year, pursuant to launch of cash-based employee stock option scheme by BMM, new shares were issued by BMM to a trust managing the stock option scheme, as a result of which shareholding of the Company got changed to 69.5%.
- (d) Details of the investments held during the year are provided below:

Company	Principal Activity	Place of operation	No of Ordinary Shares Held		Proportion of ownership interests		Value of Investments at cost less impairment	
			2019	2018	2019	2018	2019	2018
							<u>USD</u>	<u>USD</u>
THL Zinc Namibia Holdings (Proprietary) Ltd	Mining	Namibia	820	820	100%	100%	488,289,180	488,289,180
Black Mountain Mining (Proprietary) Ltd	Mining	South Africa	740	740	69.5%	69.5%	251,393,603	251,393,603
Less: Impairment provision (Refer note 5(a))							(221,789,180)	(221,789,180)
Total							<u>517,893,603</u>	<u>517,893,603</u>

**6. OTHER INVESTMENTS**

<i>At Carrying Value</i>	<u>2019</u>	<u>2018</u>
	<u>USD</u>	<u>USD</u>
Investment in Twin Star Mauritius Holding Ltd (TSMHL) (refer note (a))	-	429,593,904
Less: Loss on investment (refer note (a) below)	-	(429,593,904)
At 31 March	<u>-</u>	<u>-</u>

- (a) As explained in note 7(ii), during the previous year 2017-18 part amount of the loan receivable from TSMHL amounting to USD 429,593,904 was converted into equity. Since, TSMHL has filed for liquidation the entire investments stands irrecoverable and hence the investments have been written off during the previous year.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**7 LOAN RECEIVABLE**

		<u>2019</u> USD	<u>2018</u> USD
<b>Non current</b>			
Loan to related parties			
Copper Mines of Tasmania Pty Ltd	note (i)	19,200,000	15,000,000
Twin Star Mauritius Holdings Ltd.	note (ii)	-	1,249,910,000
Less : Impairment of loan		-	(1,249,910,000)
		<u>19,200,000</u>	<u>15,000,000</u>
<b>Current</b>			
Loan to related parties			
Bloom Fountain Limited (BFL)	note (iii)	3,536,419	3,536,419
Copper Mines of Tasmania Pty Ltd	note (i)	-	7,300,000
Less : Loan reclassified to non-current		-	(7,300,000)
Provision for impairment-BFL	note (iii)	(3,536,419)	(3,536,419)
At 31 March		<u>-</u>	<u>-</u>

- (i) Pursuant to the board meeting of 6 July 2016, Copper Mines of Tasmania Pty ("CMT"), a company incorporated under the laws of Australia has sought funds up to the tune of USD 10,000,000 from the Company. The Company agreed to grant the loan up to the amount of USD 10,000,000 to CMT at an interest rate of 2.3% per annum and repayable in one year. During the previous year 2017-18, the facility amount under the said facility has been extended upto USD 20,000,000 repayable in July 2019. During the current year, the facility amount under the said facility has been extended upto USD 25,000,000 repayable in July 2020. The total amount outstanding under this facility as at 31 March 2019 is USD 19,200,000 (2018: USD 15,000,000) and accrued interest of USD 686,112 (2018: USD 299,187). The loan is unsecured in nature. The directors of the Company have assessed the business plans and future expected cash flows of CMT and basis the same are confident of being able to recover the balances.
- (ii) The Company had advanced loans of USD 1,745,772,494 to Twin Star Mauritius Holdings Limited (TSMHL), a fellow subsidiary of the Company. TSMHL was holding shares of Cairn India Limited ("Cairn India"), another fellow subsidiary of the Company. Post merger of Cairn India into Vedanta Limited, since TSMHL did not receive any consideration in lieu of its holding in Cairn India the Company made an impairment provision of USD 1,779,654,112 against the loan (including accrued interest) it had extended to TSMHL. During the previous year 2017-18, subsequent to the liquidation of TSMHL, the Company recognised an additional impairment for the balance USD 716,331 through the statement of changes in equity. The loan payable to Cairn India Holdings Limited of USD 1,250,000,000 along with accrued interest of USD 100,776,539 was assigned to TSMHL which had the effect of recovery of the loan already impaired and an impairment reversal of an equivalent amount. Hence, net impairment reversal of USD 1,350,060,208 had been recognised in other equity. The balance loan of USD 429,593,904 had been converted into equity.
- (iii) During the year 2015, the Company has entered into an agreement to provide a loan facility of USD 3,000,000 to Bloom Fountain Limited ("Bloom"), a fellow subsidiary of the Company, for a period of 12 months at an interest rate of 2.6% per annum. The loan is unsecured in nature. On 1 February 2016, the amount under the facility was increased to USD 3,600,000 and repayment date was extended to 28 February 2019. The total amount outstanding under this facility as at 31 March 2017 was USD 3,536,419 and accrued interest of USD 173,400. The said outstanding balance along with the accrued interest thereon has been impaired during the year 2016-17 and charged to profit or loss. As at 31 March 2019, the amount outstanding under the said facility along with the accrued interest is Nil (2018: Nil). During the year, the repayment date has been further extended to February 2020.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**8 OTHER RECEIVABLES**

	<u>2019</u>	<u>2018</u>
	USD	USD
Adv Others- Receivable from Bloom Fountain Limited (refer note 8 (i))	14,638	14,638
Accrued interest - Copper Mines of Tasmania Pty (Refer to Note 7(i))	686,112	299,187
Accrued interest - Bloom Fountain Limited	173,400	173,400
Less :Impairment of accrued interest- Bloom Fountain Limited (Refer Note 7 (iii))	<u>(173,400)</u>	<u>(173,400)</u>
	<u><u>700,750</u></u>	<u><u>313,825</u></u>

- (i) During the previous year 2017-18, since SSMHL entered into liquidation, it assigned its net assets to Bloom Fountain Limited (BFL), its parent company and hence the Company transferred its receivable from SSMHL to BFL amounting to USD 14,638.

**9 ISSUED CAPITAL**

	<u>2019</u>	<u>2018</u>
	USD	USD
<b>Ordinary shares</b>		
<u>Issued and Fully Paid</u>		
At 1 April and 31 March	<u><u>9,001,000</u></u>	<u><u>9,001,000</u></u>

The shares in the capital of the Company comprise of 1,000 ordinary shares of USD 1 per share and 90,000 ordinary shares of par value USD 100, issued to THL Zinc Ventures Ltd. The ordinary share carries voting rights and right to dividend.

**10 OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS")**

- (i) The Company has issued 7 Million, 0.25% Optionally Convertible Redeemable Preference Shares ("OCRPS") of USD 1 each with a premium of USD 99 each to THL Zinc Ventures Ltd. Each OCRPS can be converted at the option of the investor into a variable number of equity shares, hence classified as current or can be redeemed anytime at the option of the Company.
- (ii) The Company has issued 2.4 Million, 0.25% Optionally Convertible Redeemable Preference Shares (OCRPS) of USD 1 each with a premium of USD 99 each to THL Zinc Holding BV. Each OCRPS can be converted at the option of the investor into a variable number of equity shares, hence classified as current or can be redeemed anytime at the option of the Company. In 2011-12, 440,000 shares were redeemed by the Company.

In accordance with paragraph 16 of IAS 32 Financial Instruments Presentation, OCRPS have been classified as a liability.

The directors confirm that the OCRPS will not be redeemed within the next twelve months.

**11 BORROWINGS**

	<u>2019</u>	<u>2018</u>
	USD	USD
<b>Non-Current</b>		
At 1 April	42,700,000	1,250,000,000
Reclassified from current borrowings	-	35,000,000
Loan from Namzinc (Pty) Ltd	-	7,700,000
Reclassified to current borrowings	<u>(42,700,000)</u>	<u>(1,250,000,000)</u>
At 31 March	<u><u>-</u></u>	<u><u>42,700,000</u></u>
<b>Current</b>		
At 1 April	-	35,000,000
Reclassified from non-current borrowings (Refer note 11 (i))	42,700,000	1,250,000,000
Additional loan from Namzinc (Pty) Ltd	14,200,000	-
Loan repaid to Namzinc (Pty) Ltd	(8,290,000)	-
Reclassified to non-current borrowings	-	(35,000,000)
Loan assigned to Twin Star Mauritius Holdings Limited (refer note 7 (ii))	-	(1,250,000,000)
Loan from Twin Star Holdings Limited (Refer note 11 (ii))	<u>40,000</u>	<u>-</u>
At 31 March	<u><u>48,650,000</u></u>	<u><u>-</u></u>



**THL ZINC LTD****NOTES TO THE FINANCIAL STATEMENTS (CONT'D)  
FOR THE YEAR ENDED 31 MARCH 2019****11 BORROWINGS (continued)**

- (i) Pursuant to a board meeting of 29 November 2016, the Company entered into a loan agreement with Namzinc (Pty) Ltd ("NPL"), a group company for an amount of USD 50,000,000 at an interest rate of 2.25% per annum and repayable within one year. During the previous year 2017-18, this facility has been further extended upto July 2019. As at 31 March 2019, the amount outstanding under this facility was USD 48,610,000 (2018: USD 42,700,000) and accrued interest of USD 341,376 (2018: USD 1,078,641).
- (ii) During the year, the Company received a fresh loan from Twinstar Holdings Limited, a group company for a facility amount of USD 20,000,000 at an interest rate of 2.25% p.a. repayable in February 2019. An amount of USD 10,000,000 has been drawn under this facility during the year and an amount of USD 9,960,000 has been repaid. Further, the maturity of this loan has been further extended to February 2020. As at 31 March 2019, the amount outstanding under this facility was USD 40,000 (2018: USD Nil) and accrued interest of USD 5,033 (2018: USD Nil).

**12 OTHER PAYABLES**

	<u>2019</u> USD	<u>2018</u> USD
Audit fees	29,200	12,025
Interest on Optionally Convertible Redeemable Preference Shares	185,433	163,037
Amount due to THL Zinc Ventures Ltd (refer note 18)	332,999	372,999
Interest payable to Namzinc (Pty) Ltd (refer note 18)	341,376	1,078,641
Interest payable to Twinstar Holdings (refer note 18)	5,033	-
Other payables	17,712	4,116
Interest payable to Cairn India Holdings Limited (refer note 7(ii))	-	100,776,539
Less :Offset against receivable from related party (Refer Note 7 (ii))	-	(100,776,539)
At 31 March	<u>911,753</u>	<u>1,630,818</u>

Other payables are unsecured, interest free and repayable on demand.

**13 NET CASH USED IN OPERATING ACTIVITIES**

	<u>2019</u> USD	<u>2018</u> USD
Loss before taxation	(694,369)	(75,562,642)
<i>Adjusted for:</i>		
- Interest income	(386,925)	(226,201)
- Interest expense	1,040,164	75,762,958
	<u>(41,130)</u>	<u>(25,885)</u>
Working capital changes:		
- Change in other payables	(9,229)	1,589
Cash used in operations	(50,359)	(24,296)
Tax paid	-	(8,368)
Net cash used in operating activities	<u>(50,359)</u>	<u>(32,664)</u>

**14 INCOME**

	<u>2019</u> USD	<u>2018</u> USD
Bank interest	118	256
Other group companies interest income (refer note 18)	386,925	226,201
	<u>387,043</u>	<u>226,457</u>

**15 FINANCE COSTS**

	<u>2019</u> USD	<u>2018</u> USD
Interest on preference shares (refer note 18)	(22,396)	(22,396)
Interest expense to Cairn India Holdings Limited (refer note 18)	-	(74,894,921)
Interest expense to Namzinc Pty Ltd.(refer note 18)	(972,735)	(845,641)
Interest expense to Twinstar Holdings (refer note 18)	(45,033)	-
Bank charges	(16)	(959)
	<u>(1,040,180)</u>	<u>(75,763,917)</u>

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**16 INCOME TAX**

The Company is subject to tax at the rate of 15% (2018: 15%). Pursuant to the enactment of the Finance Act 2018, with effect as from 1 January 2019, the deemed tax credit has been phased out, through the implementation of a new tax regime. Companies which had obtained their Category 1 Global Business Licence on or before 16 October 2017, including the Company, have been grandfathered and would benefit from the deemed tax credit regime up to 30 June 2021.

Accordingly, the Company is entitled to a foreign tax credit equivalent to the higher of the actual foreign tax suffered or 80% of the Mauritian tax ("Deemed tax credit") on its foreign source income, up to 30 June 2021. Mauritius does not impose tax on capital gains and as such will not be exposed to any capital gains tax in Mauritius upon disposal of investments, and any dividend paid by the Company to its shareholder is not subject to any withholding or other tax in Mauritius.

The Financial Services Commission ("FSC") issued a Category 1 Global Business Licence ("GBL1") to the company on 19 August 2010. Hence these regulations are applicable to the Company post 30 June 2021.

Post 30 June 2021 and under the new tax regime and subject to meeting the necessary substance requirements as required under the Financial Services Act 2007 (as amended by the Finance Act 2018) and such guidelines issued by the Financial Services Commission, the Company is entitled to either (a) a foreign tax credit equivalent to the actual foreign tax suffered on its foreign income against the Company's tax liability computed at 15% on such income, or (b) a partial exemption of 80% of some of the income derived, including but not limited to foreign source dividends or interest income.

The directors have in accordance with the Company's accounting policy not recognised any deferred tax asset on the losses as the probability of taxable profit arising in future is remote.

(i) Tax reconciliation

	<u>2019</u> USD	<u>2018</u> USD
Loss before taxation	<u>(694,369)</u>	<u>(75,562,642)</u>
Tax at statutory rate of 15%	<u>(104,155)</u>	<u>(11,334,396)</u>
Less: Tax effect on exempt income	<u>(18)</u>	<u>(38)</u>
Effect of unused tax losses not recognised as deferred tax assets	<u>104,173</u>	<u>11,334,434</u>
Income tax expense	<u>-</u>	<u>-</u>

(ii) Tax Losses carried forward

<b>Loss relating to financial year ending</b>	<b>Carry forward up to financial year</b>	<b>USD</b>
31 March 2018	31 March 2023	75,562,898
31 March 2019	31 March 2024	694,369
<b>Total</b>		<b>76,257,267</b>

The directors have in accordance with the Company's accounting policy not recognised a deferred tax asset as the probability of taxable profit arising in future is remote.

(iii) Income tax liability

	<u>2019</u> USD	<u>2018</u> USD
At 1 April	-	8,368
Tax paid for the year	-	<u>(8,368)</u>
At 31 March	<u>-</u>	<u>-</u>

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**17 FINANCIAL INSTRUMENTS**

Fair values

The carrying amounts of other receivables, cash at bank, borrowings and other payables approximate their fair values.

	2019 USD	2018 USD
<b>Financial assets*</b>	<b>Amortised cost</b>	<b>Loans and receivables</b>
Cash and cash equivalents	9,152	59,511
Loan and receivables	19,900,750	15,313,825
	<u>19,909,902</u>	<u>15,373,336</u>
<b>Financial liabilities</b>	<b>Amortised cost</b>	<b>Loans and receivables</b>
OCRPS (Refer note 10)	896,000,000	896,000,000
Loans and payables	49,561,753	44,330,818
	<u>945,561,753</u>	<u>940,330,818</u>

\* Does not include investment in subsidiaries.

(a) 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. The Company does not have any exposure to market risk.

(b) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates. Any excess cash and cash equivalents of the Company are invested in short-term time deposits and liquid funds. The following table details the Company's exposure to interest rate risk. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

<u>31 March 2019</u>	Non-interest		Total USD
	Interest bearing USD	bearing USD	
<b>Financial Assets -At Amortised cost</b>			
Other receivables	-	700,750	700,750
Cash and cash equivalents	-	9,152	9,152
Loan receivable	19,200,000	-	19,200,000
<b>Total assets</b>	<u>19,200,000</u>	<u>709,902</u>	<u>19,909,902</u>
<b>Financial Liabilities-At amortised cost</b>			
Other payables	-	911,753	911,753
OCRPS	896,000,000	-	896,000,000
Borrowings	48,650,000	-	48,650,000
<b>Total liabilities</b>	<u>944,650,000</u>	<u>911,753</u>	<u>945,561,753</u>
 <u>31 March 2018</u>		Non-interest	
	Interest bearing USD	bearing USD	Total USD
<b>Financial Assets -Loans and receivables</b>			
Other receivables	-	313,825	313,825
Cash and cash equivalents	-	59,511	59,511
Loan receivable	15,000,000	-	15,000,000
<b>Total assets</b>	<u>15,000,000</u>	<u>373,336</u>	<u>15,373,336</u>
<b>Financial Liabilities -At amortised cost</b>			
Other payables	-	1,630,818	1,630,818
OCRPS	896,000,000	-	896,000,000
Borrowings	42,700,000	-	42,700,000
<b>Total liabilities</b>	<u>938,700,000</u>	<u>1,630,818</u>	<u>940,330,818</u>

All interest bearing assets and liabilities are at fixed interest rate and not sensitive to movement in interest rates.

**Interest Rate Sensitivity**

A 100 basis point is the sensitivity rate used internally by key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the net loss for the year ended 31 March 2019 would increase/ decrease by USD Nil (2018: USD NIL) on account of net financial liabilities.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**17 FINANCIAL INSTRUMENTS (CONT'D)**

(c) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from The Company is exposed to credit risk from its loans and other receivables and cash and cash equivalents.

The Company has clearly defined policies to mitigate counterparty risks. For cash and cash equivalents, the Company attempts to limit the credit risk by only dealing with reputable banks and financial institutions.

Credit risk on loans and other receivables is limited as the counterparties, which are all related parties, have obtained financial support from the intermediate holding company to enable them to meet their obligations as and when they fall due and to carry on with their current business for the next 18 months. As such, management considers the probability of default to be close to zero and hence no allowance has been recognised based on 12-months ECL.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	<u>2019</u>	<u>2018</u>
	USD	USD
Loans, interest and other receivables from related parties	19,900,750	15,313,825
Cash at bank	9,152	59,511
	<u>19,909,902</u>	<u>15,373,336</u>

(d) Currency Risk Management

The Company is not exposed to the risk that may change in a manner which has material effect on the reported values of the Company's assets which are denominated in other foreign currencies at reporting period end.

*Currency profile*

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	<b>Financial assets</b>	<b>Financial liabilities</b>	Financial assets	Financial liabilities
	<u>2019</u>	<u>2019</u>	<u>2018</u>	<u>2018</u>
	USD	USD	USD	USD
United States Dollar	<u>19,909,902</u>	<u>945,561,753</u>	<u>15,373,336</u>	<u>940,330,818</u>

For the year ended 31 March 2019 and 31 March 2018, the Company does not have any exposure to foreign currencies. Therefore, sensitivity relative to foreign currencies has not been disclosed.

(e) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. The maturity profile of the Company's financial liabilities based on the remaining period from the date of balance sheet to the contractual maturity date is given in the table below:

31 March 2019

	<u>Up to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
	USD	USD	USD
<b>Financial liabilities</b>			
Other payables	911,753	-	911,753
OCRPS	896,000,000	-	896,000,000
Borrowings	48,650,000	-	48,650,000
<b>Total</b>	<u>945,561,753</u>	<u>-</u>	<u>945,561,753</u>

31 March 2018

	<u>Up to 1 year</u>	<u>More than 1 year</u>	<u>Total</u>
	USD	USD	USD
<b>Financial liabilities</b>			
Other payables	1,630,818	-	1,630,818
OCRPS	896,000,000	-	896,000,000
Borrowings	-	42,700,000	42,700,000
<b>Total</b>	<u>897,630,818</u>	<u>42,700,000</u>	<u>940,330,818</u>

The directors confirm that the OCRPS will not be redeemed within the next twelve months.

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**17 FINANCIAL INSTRUMENTS (CONT'D)**

(f) Capital risk management

For the purpose of the Group'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 Group's capital management is to maximise the shareholder value.

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings, less cash and cash equivalents, excluding discontinued operations.

The capital structure of the Company consists of stated capital, retained earnings and net debt.

*Gearing ratio*

The gearing ratio at the year end was as follows:

	<u>2019</u> USD	<u>2018</u> USD
Debt (i)	944,650,000	938,700,000
Cash and cash equivalents	<u>(9,152)</u>	<u>(59,511)</u>
Net debt	<u>944,640,848</u>	<u>938,640,489</u>
Equity (ii)	<u>(407,758,248)</u>	<u>(407,063,879)</u>
Net debt to equity ratio (times)	N/A	N/A

(i) Debt includes Optionally Convertible Redeemable Preference Shares of USD 896,000,000 (2018: USD 896,000,000), loan from Twinstar Holdings to USD 40,000 Nil (2018: USD NIL) and loan from Namzinc (Pty) Ltd amounting to USD 48,610,000 (2018: USD 42,700,000).

(ii) Equity includes all capital, other equity and reserves of the Company.

**18 RELATED PARTY TRANSACTIONS AND BALANCES**

During the year ended 31 March 2019, the Company traded with related parties. The nature and volume of transactions with the entities are as follows:

Name of Company	Relationship	Nature of transaction	2019 USD	2018 USD
THL Zinc Ventures Ltd	Holding company	Interest expense on OCRPS	17,496	17,496
THL Zinc Holding BV	Group company	Interest expense on OCRPS	4,900	4,900
Copper Mines of Tasmania Pty Ltd	Group company	Interest Income Loan advanced	386,925 4,200,000	226,201 7,700,000

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**18 RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

<b>Name of Company</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>2019 USD</b>	<b>2018 USD</b>
Cairn India Holdings Limited	Group company	Interest expense	-	74,894,921
Twin Star Holdings Ltd	Group company	Loan received	10,000,000	-
		Interest expense	45,033	-
		Loan repaid	9,960,000	-
Namzinc (Pty) Ltd	Subsidiary	Interest Expense	972,735	845,641
		Loan received	14,200,000	7,700,000
		Loan repaid	8,290,000	-
Vedanta Resources Limited (erstwhile Vedanta Resources plc)		Expenses reimbursement	13,846	-
<b><u>Outstanding balances</u></b>				
Vedanta Resources Limited (erstwhile Vedanta Resources plc)	Intermediate holding company	Payable	13,846	-
Amount due to THL Zinc Ventures Ltd	Holding company	Payable	332,999	372,999
		Interest payable	145,719	128,223
		OCRPS	700,000,000	700,000,000
Amount due to THL Zinc Holding BV	Related party	Interest payable	39,714	34,814
		OCRPS	196,000,000	196,000,000
Amount due to Cairn India Holdings Limited	Related party	Interest payable	-	100,776,539
Bloom Fountain Limited	Group company	Other Receivable (refer note 8)	14,638	14,638
Copper Mines of Tasmania Pty	Group company	Loan Receivable	19,200,000	15,000,000
		Interest receivable	686,112	299,187
Namzinc (Pty) Ltd	Subsidiary	Loan payable	48,610,000	42,700,000
		Interest payable	341,376	1,078,641
Twinstar Holdings	Group company	Loan payable	40,000	-
		Interest payable	5,033	-

**THL ZINC LTD**  
**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**  
**FOR THE YEAR ENDED 31 MARCH 2019**

**18 RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)**

**Other related party transactions**

IQ EQ Corporate Services (Mauritius) Ltd and its associates perform certain administration and tax related services for the Company. A sum amounting to USD 12,533 (2018: USD 9,898) which includes professional fees for the provision of directorship services of USD 2,000 (2018: USD 2,000) was expensed during the year in respect of the aforesaid services. No compensation to key management personnel was paid during the year (2018 : Nil)

**19 IMMEDIATE, INTERMEDIATE AND ULTIMATE HOLDING COMPANY**

The Company's immediate holding company is THL Zinc Ventures Ltd, a Category 1 Global Business Company, established in Mauritius. The Company's intermediate holding company are Vedanta Limited ,a company incorporated in India, Vedanta Resources Limited (erstwhile Vedanta Resources plc), a company incorporated in the United Kingdom. During the year, the parent company Vedanta Resources Limited (erstwhile Vedanta resources plc) has been delisted from London stock exchange and thereafter changed its name from Vedanta Resources plc to Vedanta Resources Limited.

The Ultimate holding company is Volcan Investments Limited, a company incorporated in the Bahamas and its subsidiary Volcan Investments Cyprus Limited, a company incorporated in Cyprus.

**20 GOING CONCERN**

The Company incurred a net loss of USD 694,369 (2018: USD 75,562,642) for the year ended 31 March 2019 and as at that date, its total liabilities exceeded its total assets by USD 407,758,248 (2018: USD 407,063,879).

The directors have received a letter of support from Vedanta Limited, the intermediate holding company, who will provide financial support to the Company to enable the latter to meet its obligations as and when they fall due and to carry on its current business for the next 18 months. The Company owns investments which have positive net asset values and which are profitable which provides the directors with comfort that support will continue to be provided by the group or could be obtained from the subsidiaries.

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

**21 EVENTS AFTER THE REPORTING PERIOD**

There have been no material events after reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2019.

**22 COMPARITIVES**

The previous year figures have been regrouped / rearranged, wherever necessary, to conform to current year presentation.