

**NAMZINC (PROPRIETARY) LIMITED**  
(Registration Number: 98/226)

**ANNUAL FINANCIAL STATEMENTS**  
**31 March 2016**

**NAMZINC (PROPRIETARY) LIMITED**  
(Registration Number: 98/226)

**ANNUAL FINANCIAL STATEMENTS**  
**31 March 2016**

**NAMZINC (PROPRIETARY) LIMITED**

**ANNUAL FINANCIAL STATEMENTS**  
31 March 2016

<b>CONTENTS</b>	<b>PAGE</b>
Directors' responsibility for financial reporting	2
Directors' approval of the annual financial statements	2
Report of the independent auditors	3 – 4
Statement of financial position	5
Statement of profit or loss and other comprehensive income	6
Statement of changes in equity	7
Statement of cash flows	8
Notes to the annual financial statements	9 – 41

## NAMZINC (PROPRIETARY) LIMITED

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The directors of the company are responsible for the maintenance of adequate accounting records and the preparation and integrity of the financial statements and related information. The financial statements have been prepared in accordance with International Financial Reporting Standards. The company's independent external auditors, Deloitte & Touche, have audited the financial statements and their report appears on pages 3 to 4.

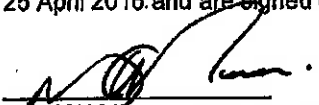
The directors are also responsible for the systems of internal control. These are designed to provide reasonable but not absolute assurance as to the reliability of the financial statements, and to adequately safeguard, verify and maintain accountability of assets, and to prevent and detect material misstatement and loss. The systems are implemented and monitored by suitably trained personnel with an appropriate segregation of authority and duties. 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.

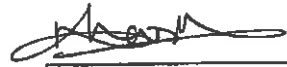
The directors are satisfied that the company has adequate resources and financial support to remain a going concern. The annual financial statements on pages 5 to 41 have therefore been prepared on a going concern basis.

A directors' report has not been prepared as the company is a wholly owned subsidiary of Skorpion Zinc (Proprietary) Limited, a company incorporated in Namibia.

### DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 5 to 41 were approved by the board of directors on 25 April 2016 and are signed on its behalf by:

  
DIRECTOR M.L. MURCE

  
DIRECTOR D. Naidoo

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF NAMZINC (PROPRIETARY) LIMITED**

We have audited the annual financial statements of Namzinc (Proprietary) Limited set out on pages 5 to 41, which comprise the statement of financial position as at 31 March 2016, 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 the notes, comprising a summary of significant accounting policies and other explanatory information.

### *Directors' Responsibility for the Financial Statements*

The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Namibian Companies Act, 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.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

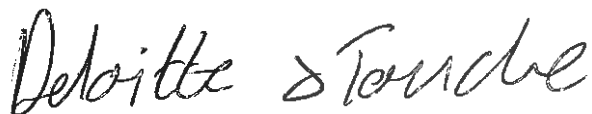
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

**INDEPENDENT AUDITOR'S REPORT**  
**TO THE MEMBERS OF NAMZINC (PROPRIETARY) LIMITED (CONTINUED)**

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Namzinc (Proprietary) Limited as at 31 March 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Namibian Companies Act.



**Deloitte & Touche**  
Registered Accountants and Auditors  
Chartered Accountants (Namibia)  
Per: J Cronjé  
Partner  
Windhoek

25 April 2016

NAMZINC (PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION  
as at 31 March 2016

	<u>Notes</u>	<u>2016</u> N\$	<u>Restated</u> <u>2015</u> N\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	1 354 892 140	763 143 312
Intangible Asset	3	665 956 488	446 797 466
Group companies	11	9 266 055	11 087 140
		679 669 597	305 258 706
<b>CURRENT ASSETS</b>			
Inventory	4	588 485 990	598 276 722
Trade and other receivables	5	336 741 428	371 952 404
Bank balances and cash	6	84 411 983	66 627 237
		167 332 579	159 697 081
<b>TOTAL ASSETS</b>		<u>1 943 378 130</u>	<u>1 361 420 034</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	7	375 716 202	152 902 532
Retained Income		100	100
		375 716 102	152 902 432
<b>NON-CURRENT LIABILITIES</b>			
Decommissioning provision	8	189 301 034	111 571 074
Restoration provision	9	172 600 172	99 456 130
		16 700 862	12 114 944
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	1 378 360 894	1 096 946 428
Group companies	11	821 933 794	540 519 328
		556 427 100	556 427 100
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>1 943 378 130</u>	<u>1 361 420 034</u>

NAMZINC (PROPRIETARY) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
for the year ended 31 March 2016

	<u>Notes</u>	<u>2016</u> N\$	<u>Restated</u> <u>2015</u> N\$
Revenue	1.11	2 405 782 055	2 563 422 980
Cost of sales		<u>(1 450 180 636)</u>	<u>(1 466 923 043)</u>
Gross profit		955 601 419	1 096 499 937
Other income		-	38 785 147
Distribution costs		(82 676 356)	(94 443 012)
Administrative expenses		(674 810 344)	(1 155 751 898)
Other operating expenses		<u>(2 856)</u>	<u>(833 702)</u>
<b>OPERATING PROFIT BEFORE NET FINANCE INCOME</b>		198 111 863	(115 743 528)
Net finance income	12	24 701 807	26 685 428
- Finance income		42 280 776	68 565 293
- Finance costs		<u>(17 578 969)</u>	<u>(41 879 865)</u>
<b>PROFIT/ (LOSS) BEFORE TAXATION</b>	13	222 813 670	(89 058 100)
Taxation	14	-	-
<b>PROFIT/ (LOSS) FOR THE YEAR</b>		222 813 670	(89 058 100)
Other comprehensive income		-	-
<b>TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR</b>		<u>222 813 670</u>	<u>(89 058 100)</u>



NAMZINC (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 March 2016

	<u>Share capital</u>	<u>Restated</u> <u>Retained</u> <u>Income</u>	<u>Restated</u> <u>Total</u>
	N\$	N\$	N\$
Balance at 1 April 2014	100	859 460 532	859 460 632
Total comprehensive income for the year	-	79 379 166	79 379 166
Dividends declared and paid	-	(617 500 000)	(617 500 000)
Balance at 31 March 2015 as previously reported	100	321 339 698	321 339 798
Restatement	23	(168 437 266)	(168 437 266)
Restated Balance at 31 March 2015	100	152 902 432	152 902 532
Total comprehensive income for the year	-	222 813 670	222 813 670
Balance at 31 March 2016	100	375 716 102	375 716 202

|

NAMZINC (PROPRIETARY) LIMITED

STATEMENT OF CASH FLOWS  
for the year ended 31 March 2016

	<u>Notes</u>	<u>2016</u> N\$	<u>2015</u> N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		999 787 107	730 411 804
Cash received from customers		2 387 997 309	2 597 124 613
Cash paid to suppliers and employees		1 426 228 133	(1 317 778 102)
Cash generated by operations	16.1	961 769 175	1 279 346 511
Net finance income	12	38 017 931	68 565 293
Dividends paid		-	(617 500 000)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(177 672 968)	(39 925 425)
Fixed asset additions - replacement capital		(177 672 968)	(39 925 425)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		(814 478 640)	(779 743 112)
Decrease in loan from Skorpion Zinc (Proprietary) Limited		-	(5 000 940)
Increase in loan to THL Zinc Namibia Holdings (Proprietary) Limited		(11 117 657)	-
Increase in loan to Skorpion Mining Company (Proprietary) Limited		(803 300 983)	(774 742 172)
<b>NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>		7 635 499	(89 256 733)
Cash and cash equivalents at the beginning of the year		159 697 080	248 953 814
<b>CASH AND CASH EQUIVALENTS at the end of year</b>	6	167 332 579	159 697 081

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2016

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") and Companies Act.

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 Namibia Dollar (N\$)

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

At the date of authorisation of these financial statements the following Standards and Interpretations are not yet effective and will be adopted, where applicable, in future years:

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after
<u>IFRS 16</u>	Leases Introduction of a single lease accounting model and enhancements of disclosures.	1 January 2019
<u>IFRS 15</u>	Revenue from Contracts from Customers Changes to revenue recognition criteria and additional disclosure requirements	1 January 2018
<u>IFRS 9</u>	Financial Instruments Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing recognition requirements	1 January 2018
<u>IFRS 5</u>	Non-current assets Held for Sale and Discontinued Operations Clarity that a change in the manner of disposal of a non-current asset or disposal group held for sale does not result in a change of classification as held for sale does not change.	1 January 2016
<u>IFRS 7</u>	Financial Instruments: Disclosures	1 January 2016
<u>IFRS 10</u>	Consolidated Financial Statements Amendments for investment entities	1 January 2016
<u>IFRS 11</u>	Joint Arrangements Guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business	1 January 2016
<u>IAS 1</u>	Presentation of Financial Statements Encouragement to entities to apply professional judgement in determining what information to disclose in their financial statements	1 January 2016
<u>IAS 16</u>	Financial Instruments: Presentation Amendments relating to the offsetting of financial assets and financial liabilities	1 January 2016
<u>IAS 19</u>	Defined Benefit Plans: Employee Contributions — Clarity of the requirements of to determine the discount rate in a regional market sharing the same currency.	1 January 2016

# NAMZINC (PROPRIETARY) LIMITED

## 1. ACCOUNTING POLICIES (continued)

<u>IAS 27</u>	Consolidated and Separate Financial Statements — Amendments to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements	1 January 2016
<u>IAS 28</u>	Investments in Associates and Joint Ventures	1 January 2016
<u>IAS 34</u>	Interim Financial Reporting	1 January 2016
<u>IAS 38</u>	Intangible Assets Clarity on the principles and the basis for the calculation of depreciation and amortisation	1 January 2016
<u>IFRS 12</u>	Disclosure of Interests in Other Entities Amendments for investment entities	1 January 2016

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, except for disclosure to the annual financial statements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**1. ACCOUNTING POLICIES (continued)**

**1.1 Research, exploration and preproduction expenditure**

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

**1.2 Taxation**

Taxation (normal and deferred) is not applicable as the company has been granted Export Processing Zone status and is therefore exempt from paying taxes.

**1.3 Foreign currency transactions**

Transactions in foreign currency, other than Namibian Dollar are accounted for at the rate of exchange ruling on the date of the transaction.

At each statement of financial position date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary items are measured in terms of historical cost in a foreign currency and are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

**1.4 Intangible assets**

The development costs related to an internally generated intangible asset are recognised as an asset only if all of the following can be demonstrate:

- It is technically feasible that the intangible asset will be completed so that it will be available for use.
- It is the intention of the company to complete the project related to the intangible asset and that once the project is completed that the company will use the intangible asset.
- The company has the ability to use the intangible asset.
- It is probable that the company will generate future economic benefits resulting from the intangible asset.
- There are adequate technical and financial resources to complete the development and use the intangible asset.
- The development costs related to the project can be measured reliably

No costs related to the research stage of an internally generated intangible asset are capitalised.

All the research costs are recognised as an expense when they were incurred.

The Company's only internally generated is the SAP system which is amortized over the life of the mine.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.5 Financial Instruments

*Initial recognition and measurement*

All financial instruments, including derivative instruments, are recognised on the statement of financial position. Financial instruments are initially recognised when the company becomes party to the contractual terms of the instruments and are measured at cost, which is the fair value of the consideration given (financial asset) or received (financial liability or equity instrument) for it. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangement on initial recognition. Subsequent to initial recognition these instruments are measured as set out below.

*Fair value methods and assumptions*

The fair value of financial instruments traded in an organised financial market are measured at the applicable quoted prices, adjusted for any transaction costs necessary to realise the assets or settle the liabilities.

The fair value of financial instruments not traded in an organised financial market, is determined using a variety of methods and assumptions that are based on market conditions and risk existing at statement of financial position date, including independent appraisals and discounted cash flow methods. The fair value determined is adjusted for any transaction costs necessary to realise the asset or settle the liabilities.

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values due to the short-term trading cycle of these items.

The fair value methods used are consistent with the requirements of IFRS 13.

*Derecognition*

Financial assets (or a portion thereof) are derecognised when the company realises the rights to the benefits specified in the contract, the rights expire or the company surrenders or otherwise loses control of the contractual rights that comprise the financial asset. On derecognition, the difference between the carrying amount of the financial asset and proceeds receivable and any prior adjustment to reflect fair value that had been reported in equity are included in profit and loss.

Financial liabilities (or a portion thereof) are derecognised when the obligation specified in the contract is discharged, cancelled or expires. On derecognition, the difference between the carrying amount of the financial liability, including related unamortised costs, and amount paid for it are included in profit and loss.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**1. ACCOUNTING POLICIES (continued)**

**1.5 Financial Instruments (continued)**

***Financial assets***

The company's principal financial assets are group company loans and receivables, trade and other receivables and bank and cash balances:

**Financial assets at Fair Value Through Profit and Loss ("FVTPL")**

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired for the purpose of selling in the near future; or
- it is part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

**Held-to-maturity investments**

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.5 Financial Instruments (continued)

**Available For Sale (“AFS”) financial assets**

Unlisted shares and listed redeemable notes held by the Company that are traded in an active market are classified as AFS and are stated at fair value. Gains and losses arising from changes in fair value are recognised through other comprehensive income to the investments revaluation reserve, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on AFS equity instruments are recognised in profit or loss when the Company's right to receive the dividend is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the statement of financial position date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

**Loans and receivables**

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

**Group Company and related party loans and receivables**

Group company loans and receivables originated by the company are stated at amortised cost less provision for impairment, if any.

**Trade and other receivables**

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. An estimate of doubtful debts is made based on a review of all outstanding amounts at statement of financial position date and is recognised in profit or loss when there is evidence that the asset is impaired. Bad debts are written off during the period in which they are identified.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at fair value.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.5 Financial Instruments (continued)

*Financial assets (continued)*

**Investment in securities**

Investments in securities are recognised on a trade-date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the company has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The interim amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

*Financial liabilities*

The company's principal financial liabilities are group company loans and payables and trade and other payables:

**Financial liabilities at FVTPL**

Financial liabilities are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing in the near future; or
- it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial liability.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.5 Financial Instruments (continued)

**Group company loans and payables**

Group company loans and payables are recognised at amortised cost, which is the original debt less principal repayments and amortisations.

**Trade and other payables**

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Equity instruments**

Equity instruments issued by the company are recorded at the value of proceeds received less directly attributable costs.

**Effective interest rate method**

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future payments through the expected life of the financial liability or asset, or, where appropriate, a shorter period.

1.6 Restoration, rehabilitation and environmental costs

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

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

1.7 Inventory

Inventory is valued at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution. The production cost of stocks includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- raw materials on the average cost basis;
- consumables on the weighted average cost basis; and
- finished products are valued at raw material cost, labour cost and a proportion of manufacturing overhead expenses.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.8 Property, plant and equipment

Buildings, plant and equipment are depreciated at varying rates, on the straight-line basis over their estimated useful lives taking into account their residual values:

	<u>Depreciation rate</u>	<u>Residual value</u>
Computer equipment	33%	Nil
Furniture and fittings	10%	Nil
Vehicles	25%	25%

Land and properties in the course of construction are not depreciated.

The other mining assets are depreciated based on the following policy:

Mining and refinery properties are depreciated using the unit-of-production method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date when the mining property is capable of commercial production.

Capitalised development expenditure, including the acquisition cost of freehold land and leasehold interests containing mineral resources as well as heavy equipment, is depreciated using the unit-of-production method once commercial production commences.

The per unit depreciation rate is determined annually by dividing the total of the undepreciated development expenditure and future development expenditure for the mine by the remaining proven and probable reserves based on the most current reserve study available. Where mining freehold and leasehold properties have significant value after reserves are depleted, the estimated residual value may be deducted from the amount of mining development expenditure which is subject to depreciation.

Where the economic viability of reserves has been established, but future operations are dependent upon receiving future planning permission or lease extension, management assesses, on at least an annual basis, the probability of the planning permission or lease extension being received. If it is no longer considered probable, the estimate of reserves and the unit-of-production depreciation calculation is revised accordingly.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. Management consider the remaining useful life of Refinery's plant and equipment to approximate the remaining life of mine and assets were componentised accordingly.

1.9 Impairments

At each 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 estimate of weighted average cost of capital, with appropriate adjustment made for local conditions.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**1. ACCOUNTING POLICIES (continued)**

**1.9 Impairments (continued)**

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.

**1.10 Retirement benefits**

Contributions to the company's retirement fund are charged as an expense as they fall due.

**1.11 Revenue recognition**

Revenue amounts are measured at the fair value of consideration received or receivable, after deducting trade discounts and volume rebates. Revenue from production activities is based on the final metal product sold. Revenue is recognised when the significant risks and rewards of ownership pass to the buyer.

Sales of finished product is being conducted on a Cost Insurance and Freight (CIF) basis where the risks and rewards of ownership pass to the buyer once the product crosses the ship's rail in the port of shipment, with the exception that the seller pay the cost of freight and insurance. Revenue derived through sea freight is therefore recognised on the bill of lading issue date.

Sales of finished products to SACU is made on a Delivered at Place (DAP) basis, where risks and rewards of ownership pass to the buyer once the product are delivered at the agreed place. Revenue delivered through road freight is therefore recognised on confirmation of delivery.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable. By-product sales are deducted from cost of sales.

**1.12 Accounting for leases**

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

The company as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**1. ACCOUNTING POLICIES (continued)**

**1.12 Accounting for leases (continued)**

Rental income from operating leases is charged to profit or loss on a straight-line basis over the term of the relevant lease.

The company as lessee

Assets held under finance leases are recognised as assets of the company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

**1.13 Borrowing costs**

Interest on borrowings relating to the financing of major capital projects under construction is capitalised during the construction phase as part of the cost of the project. Where funds have been borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings during the period.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**1.14 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:

- **Decommissioning and rehabilitation provision**  
Estimating the future costs of environment and rehabilitation obligations is complex and requires management to make estimates and judgements as most of the obligations will be fulfilled in future and contracts and laws are often not clear regarding what is required. The resulting provision is further influenced by changing technologies and environmental, safety, business and statutory considerations.
- **Asset lives and residual values**  
Property, plant and equipment are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residuals are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, life-of-mine plan and maintenance programmes are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values.



NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

1. ACCOUNTING POLICIES (continued)

1.14 Judgements made by management (continued)

• **Impairment of assets**

Property, plant and equipment are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself or if it is a component of a larger economic unit, the viability of that unit. Equally previously impaired assets are assessed for evidence of changes in economic circumstance that would require a reversal of impairment.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value, and if lower, the assets are impaired to the present value, or if an impairment is released, such release is limited to the carrying value of the assets had no such impairment occurred.

• **Valuation of financial instruments**

The valuation of derivative financial instruments is based on the market situation at the reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at the statement of financial position date.

• **Sulphide Conversion**

Namzinc (Pty) Ltd has one significant capital project currently ongoing, namely the Sulphide Conversion project. The sulphide conversion project is a project which allows for the conversion to the current refinery to treat sulphide with the current oxide ore in order to extract the final zinc metal.

During the prior year management made an assessment as to whether the sulphide conversion project is economically viable and based on this assessment commenced capitalisation and revised the estimated useful lives of the assets and the timing of the decommissioning and rehabilitation expense accordingly.

The capital expenditure currently estimated at N\$2 289 000 000 was approved by the Vedanta plc board in the prior year. At the reporting date an amount of N\$127 850 821 (2015: N\$34 352 389) was included in the capital work in progress related to this project.

1.15 Key sources of estimation uncertainty

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

**Impairment of property, plant and equipment**

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

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**1.15 Key sources of estimation uncertainty (continued)**

**Life-of-Mine review & estimated life of refinery**

The Life-of-Mine ("LOM") plan is reviewed annually. The LOM plan takes into account an expectation of the changes in commodity prices, foreign exchange rates, fixed and variable mining cost, Zinc grade and capital expenditure. Mine's LOM was extended by an additional 18 months as a result of the inclusion of high calcium ore to resources and the slowdown of extraction to accommodate the Namzinc sulphide conversion project to conclude, resulting in the Mine's LOM now estimated to be 4 years.

Life of refining is set using the expected available ore for refining from the Gamsberg development, currently being undertaken by the company's sister Black Mountain Mining (Pty) Ltd.

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

2. PROPERTY, PLANT AND EQUIPMENT

2016

Cost	Mining properties and leases N\$	Land and buildings N\$	Plant and equipment N\$	Work-in-progress N\$	De-commissioning and restoration costs N\$	Total N\$
At 1 April 2015	204 747 120	791 992 216	3 051 018 846	43 057 933	105 768 838	4 196 584 953
Transfers	-	2 296 283	50 465 499	(52 761 782)	-	-
Change in estimates of decommissioning and rehabilitation provision	-	-	-	-	-	-
Additions -- Stay in business capital	-	-	-	177 672 968	64 413 836	64 413 836
Disposals	-	-	(131 033)	-	-	(131 033)
At 31 March 2016	204 747 120	794 288 499	3 101 353 312	167 969 119	170 182 674	4 438 540 724
Depreciation, amortisation and impairment						
At 1 April 2015	187 884 372	669 503 619	2 786 630 658	-	105 768 838	3 749 787 487
Depreciation charge for the year	677 530	4 906 999	17 340 352	-	-	22 924 881
Transfers	-	-	-	-	-	-
Disposals	-	-	(128 132)	-	-	(128 132)
At 31 March 2016	188 561 902	674 410 618	2 803 842 878	-	105 768 838	3 772 584 236
Net book value 31 March 2015	16 862 748	122 488 597	264 388 188	43 057 933	-	446 797 466
Net book value 31 March 2016	16 185 218	119 977 881	297 510 434	167 969 119	64 413 836	665 956 488



NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

2. PROPERTY, PLANT AND EQUIPMENT

2015

**Cost**

	<u>Mining properties and leases</u> N\$	<u>Land and buildings</u> N\$	<u>Plant and equipment</u> N\$	<u>Work-in-progress</u> N\$	<u>Restated* De-commissioning and restoration costs</u> N\$	<u>Total</u> N\$
At 1 April 2014	204 747 120	791 033 989	3 219 574 802	12 853 222	140 488 155	4 368 697 288
Transfers to intangible asset	-	-	(7 777 423)	-	-	(7 777 423)
Change in estimates of decommissioning and rehabilitation provision-re-stated	-	-	(168 437 266)	-	(34 719 317)	(203 156 583)
Additions – Stay in business capital	-	958 227	8 044 271	30 922 927	-	39 925 425
Disposals	-	-	(385 538)	(718 216)	-	(1 103 754)
<b>At 31 March 2015-restated</b>	<b>204 747 120</b>	<b>791 992 216</b>	<b>3 051 018 846</b>	<b>43 057 933</b>	<b>105 768 838</b>	<b>4 196 584 953</b>

**Depreciation, amortisation and impairment**

At 1 April 2014	164 769 950	612 787 231	2 570 725 652	-	95 769 495	3 444 052 328
Depreciation charge for the year	23 114 422	56 716 388	224 611 884	-	9 999 343	314 442 037
Transfers to / (from) category	-	-	(8 471 052)	-	-	(8 471 052)
Disposals	-	-	(235 826)	-	-	(235 826)
<b>At 31 March 2015</b>	<b>187 884 372</b>	<b>669 503 619</b>	<b>2 786 630 658</b>	<b>-</b>	<b>105 768 838</b>	<b>3 749 787 487</b>
<b>Net book value 31 March 2014</b>	<b>39 977 170</b>	<b>178 246 758</b>	<b>648 849 150</b>	<b>12 853 222</b>	<b>44 718 660</b>	<b>924 644 960</b>
<b>Net book value 31 March 2015-restated</b>	<b>16 862 748</b>	<b>122 488 597</b>	<b>264 388 188</b>	<b>43 057 933</b>	<b>-</b>	<b>446 797 466</b>

\* Refer to note 23 for details on restatement

## NAMZINC (PROPRIETARY) LIMITED

### NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2016

#### 2. PROPERTY, PLANT AND EQUIPMENT (continued)

Details of the company's freehold and leasehold land and buildings is maintained at the registered office of the company and are available for inspection by members or their duly authorised representatives.

Mining properties and Leases (Nampower assets) with a net book value of N\$ 12 479 323 (2015: N\$ 12 999 295), were capitalised in accordance with IAS17 and IFRIC 4. The finance lease was settled in the 2006 financial year.

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

The following cash generating unit ("CGU") has been identified:

- Mining activities
- Skorpion Project

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

Key assumptions used in impairment calculations are:

	<u>2016</u>	<u>2015</u>
- Foreign exchange rate (USD)	15.15	11.31
- Average Zinc price (USD/t)	2 047	2 438
- Resource available calculated in terms of JORC code (Zn/kt)	372.67	438.2
- Inflation rate	5%	3.03%
- Discount rate	10.31%	9.97%

Successful conversion of the refinery to a dual stream sulphide /oxide refinery of the cost approved (see note 21).

All figures stated above are in real terms.

At 31 March 2016, no impairment was necessary related to the Skorpion Project (2015: Nil).

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

3. INTANGIBLE ASSET

2016

	<u>SAP</u> N\$	<u>Total</u> N\$
<b>Cost</b>		
At 1 April 2015	20 642 733	20 642 733
Transfers from property, plant and equipment	-	-
Additions - non-cash	-	-
Additions – Stay in business capital	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31 March 2016	<u>20 642 733</u>	<u>20 642 733</u>
<b>Amortisation and impairment</b>		
At 1 April 2015	9 555 593	9 555 593
Amortisation charge for the year	1 821 085	1 821 085
Transfers from plant and equipment	-	-
Disposals	-	-
	<hr/>	<hr/>
At 31 March 2016	<u>11 376 678</u>	<u>11 376 678</u>
<b>Net book value 31 March 2015</b>	<u>11 087 140</u>	<u>11 087 140</u>
<b>Net book value 31 March 2016</b>	<u>9 266 055</u>	<u>9 266 055</u>

	<u>2016</u> N\$	<u>2015</u> N\$
<b>4. INVENTORY</b>		
Work-in-progress	42 131 306	96 149 986
Consumable stock	277 735 422	179 182 872
Finished products	16 874 700	96 619 546
	<hr/>	<hr/>
	<u>336 741 428</u>	<u>371 952 404</u>

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

Balance at the beginning of the year	73 524 040	70 296 790
Added/(Deducted) to operating profit	(13 056 270)	3 227 250
	<hr/>	<hr/>
Balance at the end of the year	<u>60 467 770</u>	<u>73 524 040</u>

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

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>5. TRADE AND OTHER RECEIVABLES</b>		
Trade receivables	26 488 999	38 268 170
Prepayments	12 719 761	19 861 675
Other receivables	41 640 288	3 012 400
Value Added Tax	3 562 935	5 484 992
	<u>84 411 983</u>	<u>66 627 237</u>

No allowance has been made for irrecoverable amounts as the amounts past due date are not material.

All receivables except for those set out below are current.

Trade receivables with the following values are past their due date:

Within one month	14 753 669	7 535 708
Between 1 to 2 months	1 450 701	1 840
Between 2 to 3 months	139 097	7 052
Greater than 3 months	18 777	-
	<u>16 362 244</u>	<u>7 544 600</u>

The directors consider that the carrying amount of accounts receivable approximate to their fair value.

Included in trade receivables is an amount of N\$ 334 759 (2015 N\$1 914 951) owed by Skorpion Mining Company (Proprietary) Limited.

**6. BANK BALANCES AND CASH**

Bank balances and cash comprise cash and short-term deposits held by the treasury function. The carrying amounts of these assets approximate their fair value.

Bank balances and cash are denominated as follows:

- Local currency:	19 338 578	38 340 389
- Foreign currency (held in US\$):	147 994 001	121 356 692
	<u>167 332 579</u>	<u>159 697 081</u>

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

	%	%
- Local currency:	4.65	1.49
- Foreign currency (held in US\$):	<u>0.0</u>	<u>0.0</u>

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>7. SHARE CAPITAL</b>		
<u>Authorised</u>		
4 000 ordinary shares of N\$1 each	4 000	4 000
<u>Issued</u>		
100 ordinary shares of N\$1 each	100	100
The unissued shares are under the control of the directors until the next annual general meeting.		
<b>8. DECOMMISSIONING PROVISION</b>		<u>Restated</u>
Balance at beginning of year	99 456 130	258 170 480
Movements added/(deducted) from decommissioning assets- <i>restated</i>	61 273 850	(200 594 215)
Movements expensed to statement of comprehensive income as finance cost- <i>restated</i>	11 870 192	41 879 865
Balance at end of year	172 600 172	99 456 130
The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was discounted at a rate of 10.66% (2015: 11.42%). These costs are expected to be incurred over the remaining Life-of-refinery currently being 13.5 (2015: 14.5) years.		
<b>9. RESTORATION PROVISION</b>		
Balance at beginning of year	12 114 944	31 448 247
Movements deducted from restoration asset	3 139 986	(2 562 568)
Movements in statement of comprehensive income as finance costs	1 445 932	(16 770 735)
Balance at end of year	16 700 862	12 114 944

Provision is made for environmental rehabilitation costs where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was discounted at a rate of 10.66% (2015: 11.42%). These costs are expected to be incurred over the remaining Life-of-refinery currently being 13.5 (2015: 14.5) years.

# NAMZINC (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>10. TRADE AND OTHER PAYABLES</b>		
Trade payables	654 031 152	400 641 502
Salary accruals	80 453 822	20 816 513
Other accruals	87 448 820	119 061 312
	<u>821 933 794</u>	<u>540 519 327</u>

The directors consider that the carrying amounts of accounts payable approximate their fair value.

The average credit period for trade creditors is 30 days after statement. No interest is charged during this period. Thereafter certain suppliers charge interest at various rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Provision of N\$5 240 111 (2015: N\$ 13 688 612) was made for the expected liability arising from a cash settled share based payment scheme.

Included in trade payables is an amount of N\$ 578 311 994 (2015: N\$329 030 431) owed to Skorpion Mining Company (Proprietary) Limited.

**NAMZINC (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2016

**11. RELATED PARTIES**

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

During the year, the company entered into the following trading transactions with related parties.

	2016 N\$	2015 N\$	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Purchase of goods and services	291 300 559	404 857 785	(216 558 349)	(176 360 074)	-	-
Recoveries	55 392 815	27 880 894	(253 799)	(2 174 195)	-	-
	856	95 925	-	-	-	-
	1 071 341	6 092 088	-	-	-	-
	315 518	219 505	-	-	-	-
	<u>348 081 089</u>	<u>439 146 197</u>	<u>(216 812 148)</u>	<u>(178 534 269)</u>	<u>-</u>	<u>-</u>
Transfer of assets					-	-

Skorpion Mining Company (Proprietary) Limited

Subsidiaries of Vedanta Resources plc

- Black Mountain Mining (Pty) Ltd

- Sterlite Industries Ltd

- Vedanta Resources plc

- Other

**NAMZINC (PROPRIETARY) LIMITED**

**NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)**  
for the year ended 31 March 2016

**11. RELATED PARTIES (continued)**

	Amounts due to related parties		Amounts due from related parties	
	2016 N\$	2015 N\$	2016 N\$	2015 N\$
Skorpion Zinc (Proprietary) Limited	556 427 100	556 427 100	-	-
THL Zinc Namibia Holdings (Proprietary) Limited			11 177 657	
Skorpion Mining Company (Proprietary) Limited				
Provision for doubtful debt			2 028 491 940 (1 360 000 000)	1 225 258 706 (920 000 000)
	<u>556 427 100</u>	<u>556 427 100</u>	<u>679 669 597</u>	<u>305 258 706</u>

The loans are unsecured; interest free and no terms of repayment have been set.

During the current year, management has reassessed the recoverability of the loan to Skorpion Mining Company. As a result of Skorpion Mining Company's financial performance and current results management took the decision to impair the loan to Skorpion Mining by a further N\$440 000 000 to N\$ 1 360 000 000 (2015: N\$ 920 000 000), this being the Directors' estimate of the amount that may not be repaid given the facts in evidence at the reporting date. The Directors of both companies are aware of this situation and are currently reviewing alternatives to ensure that Skorpion Mining Company returns to profitability. Once that has been resolved the impairment will be reassessed.

**Compensation of key management**

Details of compensation to key management are disclosed in note 13.



NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>12. NET FINANCE INCOME</b>		<u>Restated</u>
Finance Income	42 280 776	68 565 293
Bank	1 703 648	3 044 364
Net foreign exchange gain	40 577 128	65 520 929
Finance Costs	(17 578 969)	(41 879 865)
Decommissioning and restoration provision	(13 316 124)	(41 879 865)
Interest paid	(4 262 845)	-
Net finance income	<u>24 701 807</u>	<u>26 685 428</u>
<b>13. PROFIT BEFORE TAXATION</b>		
Profit before taxation is arrived at after taking into account the following items:		
<b>Income</b>		
Movement in Restoration provision	-	(16 770 735)
Related party recoveries from Skorpion Mining Company		
- administration fees	(85 070 256)	(62 543 695)
- recovery: staff costs	(131 488 093)	(113 816 379)
<b>Expenditure</b>		
Auditors' remuneration		
- Audit fees	2 775 954	2 943 536
- Dividend certificates		6 200
Depreciation of property plant and equipment	22 924 881	305 970 985
Amortisation of intangible asset	1 821 084	8 471 052
Loss on disposal of assets	2 856	833 702
Operating leases	11 031 391	5 215 210
Movement in Decommissioning provision	11 870 192	41 879 865
Movement in Restoration provision	1 443 932	-
Receipt from insurers		(46 604 473)
Staff costs	251 250 006	247 885 825
Number of employees at end of the year	<u>805</u>	<u>766</u>

# NAMZINC (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>13. PROFIT BEFORE TAXATION (continued)</b>		
<b>Compensation of key management personnel</b>		
The remuneration of directors and key management personnel during the year was as follows:		
Directors		
- managerial services	1 732 542	3 642 169
- medical and pension	56 920	57 355
- share based payments	-	-
Other key management		
- short-term benefits	14 475 297	12 820 328
- medical and pension	752 932	771 032
- share based payments	134 609	-
	<u>17 152 300</u>	<u>17 290 884</u>

## 14. TAXATION

The company has been granted Export Processing Zone status and is, therefore, exempt from paying taxes.

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**15. RETIREMENT BENEFITS**

The company provides retirement benefits to its employees through an independent retirement fund plan, The Skorpion Zinc Provident Fund. At 31 March 2016, 805 (2015: 766) employees were members of the fund. The fund is a defined contribution fund and has been registered in Namibia in terms of the Pension Funds Act. The fund is governed by this act, which requires an actuarial valuation of the fund every three years. The previous actuarial valuation was performed as at 31 December 2013 and the fund was assessed as financially sound.

	<u>2016</u>	<u>2015</u>
	N\$	N\$
The following contributions were expensed:		
Employer contributions	14 494 307	14 786 659
Employee contributions	<u>13 441 652</u>	<u>13 435 840</u>
	<u>27 935 959</u>	<u>28 222 499</u>

**16. NOTES TO THE STATEMENT OF CASH FLOWS**

**16.1 RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED BY OPERATIONS**

Profit/(loss) before taxation	222 813 670	(89 058 100)
Adjust for non-cash items		
- Depreciation and Amortisation	24 745 965	314 442 037
- Loss on disposal of property, plant and equipment	2 900	833 702
- Provision for bad debts-Loan impairment	440 000 000	920 000 000
- Restoration costs	1 445 932	(16 770 735)
- Decommissioning costs	<u>11 870 192</u>	<u>41 879 865</u>
	700 878 659	1 171 326 769
Foreign exchange gains	(40 577 128)	(65 520 929)
Net finance income/ (costs)	<u>2 559 197</u>	<u>(3 044 364)</u>
	662 860 728	1 102 761 476
Working capital changes	298 908 447	176 585 035
Inventory	35 210 976	(135 757 708)
Trade and other receivables	(17 716 996)	28 338 528
Trade and other payables	<u>281 414 467</u>	<u>284 004 215</u>
	961 769 176	<u>1 279 346 511</u>
Cash generated by operations	<u>961 769 176</u>	<u>1 279 346 511</u>

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**17. FINANCIAL AND CAPITAL RISK 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 2015.

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.

Return to the shareholder is maximised, through structured dividend declarations and loan repayments, while keeping sufficient cash funds to meet normal working capital and capital expenditure requirements.

**Foreign currency management**

The company's policy is not to take cover on foreign currency transactions. The company's major exposure to foreign currency fluctuations at period end was to the United States Dollar ("USD"), in relation to its trade debtors and CFC bank account, both denominated in USD. In terms of the Group risk expectations a 5% increase/decrease on USD will result in an increase/decrease of N\$ 7 580 773 (2015: N\$6 067 835) to the period's profit and loss.

The company also had exposure to foreign creditors at period end in USD (2016 in USD and Euro). In terms of the Group risk expectations a 5% increase/decrease on USD (2016 in USD and EUR) will result in a decrease/increase of N\$ 1 014 000 (2015: N\$100 589) to the to the period's profit and loss.

**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 plc. 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 Group risk expectations an increase/decrease of 1% in the local prime rate would result in an increase/decrease in interest earnings of N\$ 193 386 (2015:N\$383 404).

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

**Credit risk management**

The company's exposure to credit risk includes exposure to a limited number of customers purchasing its product. Payments are collected within five days from date of sale and the exposure at any one time is therefore limited to a five day period. No default experience has been experienced. As such the directors do not deem any provision for irrecoverable amounts to be necessary.

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

As at 31 March 2016, all the company's cash resources were on call with the company's main bankers, First National Bank of Namibia Limited ("FNB"). FNB is a subsidiary of Rand Merchant Bank Holdings Limited and has an investment grade credit rating.

**Liquidity risk**

The company manages its liquidity risk by ensuring that it has adequate banking facilities. The company has reported positive cash flows for the current year and projections indicated this trend to be sustainable. All of the company's exposure to financial instruments is short-term in nature.

The directors note that the N\$ 578 million owed to Skorpion Mining Company (Pty) Ltd included in trade and other payables is not expected to be repaid until such time as Skorpion Mining Company (Pty) Ltd is able to settle its full debt with the company

The following tables detail the company's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the company can be required to pay. The table includes both interest and principal cash flows.

	<u>Less than 1</u> <u>month</u> N\$	<u>1-3 months</u> N\$	<u>3 months to 1</u> <u>year</u> N\$	<u>1-5 years</u> N\$	<u>5+ years</u> N\$	<u>Total</u> N\$
<b>2016</b>						
Non-interest bearing financial liabilities:						
Loans from related parties	-	-	545 249 443	-	-	545 249 443
Trade and other payables	-	821 933 794	-	-	-	821 933 794
	-	821 933 794	545 249 443	-	-	1 367 183 237

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	<u>Less than</u> <u>1 month</u> N\$	<u>1-3 months</u> N\$	<u>3 months to 1</u> <u>year</u> N\$	<u>1-5 years</u> N\$	<u>5+ years</u> N\$	<u>Total</u> N\$
<b>2015</b>						
Non-interest bearing financial liabilities:						
Loans to related parties	-	-	556 427 100	-	-	556 427 100
Trade and other payables	-	790 718 437	-	-	-	790 718 436
	<u>-</u>	<u>790 718 437</u>	<u>556 427 100</u>	<u>-</u>	<u>-</u>	<u>1 347 145 536</u>

Market risk

Commodity prices have decreased in the current year, compared to the previous year average market price obtained, which had a positive effect on the Group's results. The company however is not exposed at the period end to movements in the commodity price as the company does not have any instruments at the period end that vary with commodity prices.

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).

The below table summarises the categories of financial assets and liabilities measured at fair value: increased in the current year, compared to the previous year average market price obtained.

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of financial position - categories of  
financial instruments

2016

	<u>Cash and cash equivalents</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Non-financial assets and liabilities</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	-	679 669 597	-	675 222 543	1 354 892 140
Intangible assets	-	-	-	9 266 055	9 266 055
Group companies	-	679 669 597	-	-	679 669 597
<b>CURRENT ASSETS</b>					
Inventory	167 332 579	68 129 287	-	353 024 124	588 485 990
Trade and other receivables	-	-	-	336 741 428	336 741 428
Bank balances and cash	-	68 129 287	-	16 282 696	84 411 983
	167 332 579	-	-	-	167 332 579
<b>TOTAL ASSETS</b>	<b>167 332 579</b>	<b>747 798 884</b>	<b>-</b>	<b>1 028 246 669</b>	<b>1 943 378 130</b>
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL AND RESERVES</b>					
Share capital	-	-	-	375 716 202	375 716 202
Retained income	-	-	-	100	100
	-	-	-	375 716 102	375 716 102
<b>NON-CURRENT LIABILITIES</b>					
Decommissioning provision	-	-	-	189 301 034	189 301 034
Restoration provision	-	-	-	172 600 172	172 600 172
	-	-	-	16 700 862	16 700 862
<b>CURRENT LIABILITIES</b>					
Trade and other payables	-	-	1 210 458 252	167 902 642	1 378 360 894
Group companies	-	-	654 031 152	167 902 642	821 933 794
	-	-	556 427 100	-	556 427 100
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>1 215 415 801</b>	<b>732 919 878</b>	<b>1 943 378 130</b>

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

17. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of financial position - categories of  
financial instruments  
2015

	<u>Cash and cash equivalents</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Restated Non-financial assets and liabilities</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	-	305 258 706	-	626 321 871	931 580 577
Intangible assets	-	-	-	615 234 732	615 234 732
Group companies	-	305 258 706	-	11 087 139	11 087 139
	-	-	-	-	305 258 706
<b>CURRENT ASSETS</b>					
Inventory	159 697 081	41 280 570	-	397 299 071	598 276 722
Trade and other receivables	-	-	-	371 952 404	371 952 404
Bank balances and cash	-	41 280 570	-	25 346 667	66 627 237
	159 697 081	-	-	-	159 697 081
<b>TOTAL ASSETS</b>	<b>159 697 081</b>	<b>346 539 276</b>	<b>-</b>	<b>1 023 620 942</b>	<b>1 529 857 299</b>
<b>EQUITY AND LIABILITIES</b>					
<b>CAPITAL AND RESERVES</b>					
Share capital	-	-	-	321 339 798	321 339 798
Retained income	-	-	-	100	100
	-	-	-	321 339 698	321 339 698
<b>NON-CURRENT LIABILITIES</b>					
Decommissioning provision	-	-	-	111 571 074	111 571 074
Restoration provision	-	-	-	99 456 130	99 456 130
	-	-	-	12 114 944	12 114 944
<b>CURRENT LIABILITIES</b>					
Trade and other payables	-	-	1 088 882 135	8 064 292	1 096 946 427
Group companies	-	-	532 455 035	8 064 292	540 519 327
	-	-	556 427 100	-	556 427 100
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-</b>	<b>1 088 882 135</b>	<b>1 088 882 135</b>	<b>440 975 164</b>	<b>1 529 857 299</b>



NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

	<u>2016</u> N\$	<u>2015</u> N\$
<b>18. GUARANTEES AND CONTINGENT LIABILITIES</b>		
<u>Guarantees issued:</u>		
Customs and Excise Bond	3 200 000	3 200 000
Namibian Ports Authority	1 000 000	1 063 564
FNB Rosh Pinah	1 159 480	-
NamPower (Pty) Ltd	17 740	17 740
Nampower - Roshkor	91 000	91 000
RoshSkor Township (Pty) Ltd	-	1 159 480
Dragon Industries Asia	-	39 953 671
OutetecGMBH & Co	5 698 838	-
Oxbow Energy Solution B.V	32 551 018	-
	<u>43 718 076</u>	<u>45 485 455</u>
<b>19. UNCOVERED FOREIGN CURRENCY MONETARY ITEMS</b>		
<u>United States Dollar</u>		
Year-end exchange rate	15.06	12.10
	US\$	US\$
Current assets		
- Bank balances and cash	<u>9 826 026</u>	<u>10 031 037</u>
Current liabilities		
- Payables	<u>1 367 499</u>	<u>848 805</u>

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

	2016 N\$	2015 N\$
<b>20. OPERATING LEASE COMMITMENTS</b>		
At the statement of financial position date the company had outstanding commitments under non-cancellable operating leases, which fall due as follows:		
Within 1 year	3,585,455	5 552 373
Between 1 to 2 years	7 495 779	12 166 643
Between 2 to 5 years	4 362 058	13 944 024
Total	<u>15 443 292</u>	<u>31 663 040</u>

The above relate to various operating leases over property and asset rentals. The leases have various escalation clauses, none of these have more than 10% annual escalation.

**21. CAPITAL COMMITMENTS**

Capital expenditure to be financed from own resources to be incurred during the next financial year:

Contracted	2 832 804	19 819 455
Authorised but not contracted	2 289 000 000	1 660 462 172
	<u>2 291 832 804</u>	<u>1 680 281 627</u>

Included in the capital commitments is an amount of N\$2 289 000 000 related to the sulphide conversion project. The project has been approved by the directors as well as the directors of Vedanta plc.

**22. DIVIDENDS**

No dividends have been declared during the year under review (2015: N\$617 500 000).

**23. PRIOR PERIOD ERROR**

At 31 March 2015, the company re-measured the liability relating to the rehabilitation of the plant. The decrease in the provision of the restoration, rehabilitation and environmental costs was in excess of the carrying amount of the decommissioning asset. The company recognised the excess amount in profit/loss. On subsequent reviews, the directors identified that this adjustment was more appropriately accounted for as a decrease to plant and equipment. This was corrected by restating 2015 financial statements, the impact reflected on the current financial statements is as follows:

	<u>Reported</u> N\$	<u>Restated</u> N\$	<u>Adjustment</u> N\$
<u>Statement of financial position</u>			
Property Plant & Equipment	615 234 732	446 797 466	(168 437 266)
Retained earnings	321 339 698	152 902 432	(168 437 266)
<u>Statement of Comprehensive Income</u>			
Finance costs	126 557 401	(41 879 865)	(168 437 266)

No Statement of Financial Position is presented for 2014 as the restatement does not affect any amounts from that year.

NAMZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2016

**24. 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.

**25. AUTHORIZATION OF ANNUAL FINANCIAL STATEMENTS**

The financial statements were authorized by the Directors and approved for issue on 25 April 2016