

**SKORPION MINING COMPANY (PROPRIETARY) LIMITED**  
(Registration Number: 98/384)

**ANNUAL FINANCIAL STATEMENTS**  
**31 March 2015**

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<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 flow	8
Notes to the annual financial statements	9 – 35

# SKORPION MINING COMPANY (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 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.


As described in note 16 the directors are satisfied that the company has access to adequate resources and financial support to remain a going concern. The annual financial statements on pages 5 to 35 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 35 were approved by the board of directors on 24 April 2015 and are signed on its behalf by:

  
\_\_\_\_\_  
DIRECTOR

  
\_\_\_\_\_  
DIRECTOR

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SKORPION MINING COMPANY (PROPRIETARY) LIMITED**

We have audited the annual financial statements of Skorpion Mining Company (Proprietary) Limited set out on pages 5 to 35, which comprise the statement of financial position as at 31 March 2015, and the statement of 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.

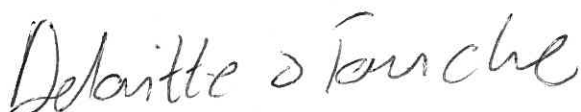
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT**

TO THE MEMBERS OF SKORPION MINING COMPANY (PROPRIETARY) LIMITED (CONTINUED)

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Skorpion Mining Company (Proprietary) Limited as at 31 March 2015, 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

24 April 2015

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION  
as at 31 March 2015

	<u>Notes</u>	<u>2015</u> N\$	<u>2014</u> N\$
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property plant and equipment	2	461 403 663	366 303 342
<b>CURRENT ASSETS</b>			
Inventory	3	110 099 603	109 318 746
Trade and other receivables	4	422 019 096	154 586 084
Bank balances and cash	6	1 487 156	3 806 843
<b>TOTAL ASSETS</b>		<u>995 009 518</u>	<u>634 015 015</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	7	100	100
Accumulated losses		(915 213 546)	(478 914 769)
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation	8	-	-
Decommissioning provision	9	64 363 221	71 317 724
Restoration provision	10	101 738 939	113 238 805
<b>CURRENT LIABILITIES</b>			
Group companies	5	1 623 232 803	848 490 631
Trade and other payables	11	120 888 001	79 882 524
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>995 009 518</u>	<u>634 015 015</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
for the year ended 31 March 2015

	<u>Notes</u>	<u>2015</u>	<u>2014</u>
		N\$	N\$
Revenue	1.8	404 857 785	380 721 327
Cost of sales		<u>(722 217 967)</u>	<u>(495 531 703)</u>
Gross loss		(317 360 182)	(114 810 376)
Administrative expenses		(80 947 285)	(80 585 254)
Exploration expenses		(33 572 549)	(17 053 870)
Other operating expenses		<u>(729 828)</u>	<u>(505 331)</u>
LOSS BEFORE NET FINANCE COSTS		(432 609 844)	(212 954 831)
Net finance costs		(3 688 933)	(5 143 110)
- Finance income	12	2 494 065	79 136
- Finance costs	12	<u>(6 182 998)</u>	<u>(5 222 246)</u>
LOSS BEFORE TAXATION	13	(436 298 777)	(218 097 941)
Taxation	14	<u>-</u>	<u>-</u>
NET LOSS FOR THE YEAR		(436 298 777)	(218 097 941)
Other comprehensive income		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		<u>(436 298 777)</u>	<u>(218 097 941)</u>



SKORPION MINING COMPANY (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY  
for the year ended 31 March 2015

	<u>Share capital</u> N\$	Accumulated losses N\$	<u>Total</u> N\$
Balance at 1 April 2013	100	(260 816 828)	(260 816 728)
Loss for the year	-	<u>(218 097 941)</u>	<u>(218 097 941)</u>
Balance at 31 March 2014	100	(478 914 769)	(478 914 669)
Loss for the year	-	<u>(436 298 777)</u>	<u>(436 298 777)</u>
Balance at 31 March 2015	<u>100</u>	<u>(915 213 546)</u>	<u>(915 213 446)</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

STATEMENT OF CASH FLOWS  
for the year ended 31 March 2015

	<u>Notes</u>	<u>2015</u> N\$	<u>2014</u> N\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		(508 441 904)	(250 711 799)
Cash received from customers		140 003 825	248 348 031
Cash paid to suppliers and employees		(650 939 794)	(499 138 966)
Cash utilised from operations	15.1	(510 935 969)	(250 790 935)
Interest received	12	2 494 065	79 136
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		(268 619 954)	(69 427 533)
Property plant and equipment additions		-	(46 108 506)
- replacement capital		(268 619 954)	(23 319 027)
- expansionary capital			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		774 742 172	320 913 196
Receipt from fellow subsidiary		774 742 172	320 913 196
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		(2 319 686)	773 864
Cash and cash equivalents at the beginning of the year		3 806 843	3 032 979
<b>CASH AND CASH EQUIVALENTS at the end of the year</b>	6	<u>1 487 157</u>	<u>3 806 843</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS  
for the year ended 31 March 2015

**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").

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 were issued but not yet effective:

<b>New/Revised International Financial Reporting Standards</b>		<b>Effective for annual periods beginning on or after</b>
<u>IFRS 7</u>	Financial Instruments: Disclosures — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosure	1 January 2018
<u>IFRS 9</u>	Financial Instruments— Classification and Measurement of financial assets	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>IAS 36</u>	Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)	1 January 2015
<u>IAS 39</u>	Novation of Derivatives and Continuation of Hedge Accounting	1 January 2015
<u>IFRS 10</u>	Consolidated Financial Statements — Amendments for investment entities	1 January 2015
<u>IAS 19</u>	Defined Benefit Plans: Employee Contributions	1 July 2015
<u>IFRS 12</u>	Disclosure of Interests in Other Entities — Amendments for investment entities	1 January 2015
<u>IAS 27</u>	Consolidated and Separate Financial Statements — Amendments for investment entities	1 January 2015
<u>IAS 32</u>	Financial Instruments: Presentation — Amendments relating to the offsetting of financial assets and financial liabilities	1 January 2015
	<b>New/Revised International Financial Reporting Interpretations Committee</b>	<b>Effective for annual periods beginning on or after</b>
<u>IFRIC 21</u>	<u>Levies</u>	1 January 2015

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.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 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

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

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

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

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



# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.3 Foreign currency transactions

Transactions in foreign currency other than Namibia 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 that are measured in terms of historical cost in a foreign currency 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 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 the reporting 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.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Financial Instruments (continued)

##### ***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 other comprehensive income 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.

##### ***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.



# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Financial Instruments (continued)

##### **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.

##### **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 reporting 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 other comprehensive income.

##### **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 loans and receivables**

Group company loans and receivables originated by the company are stated at amortised cost.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Financial Instruments (continued)

##### *Financial assets (continued)*

##### **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 reporting 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 and 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.

##### **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 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.



# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.4 Financial Instruments (continued)

##### *Financial liabilities (continued)*

##### **Financial liabilities at FVTPL (continued)**

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.

##### **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.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.5 Inventory

Inventory is valued at the lower of cost and net realisable value with due regard to condition and utility. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing selling and distribution. The cost of trading stock being metal ore is determined on the average cost basis. The value of trading stock includes direct costs and a proportion of overhead expenditure.

#### 1.6 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 and Heavy Equipment in the course of construction are not depreciated.

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

Mining 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 mine development expenditure including the acquisition cost of freehold land and leasehold interests containing mineral resources 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 mining 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 recognised in profit or loss.



# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.7 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.

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.

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.

#### 1.8 Revenue recognition

Revenue amounts are measured at the fair value of consideration received or receivable after deducting value added tax. Revenue from metal mining activities is based on the contained metal sold. Revenue is recognised when the significant risks and rewards of ownership pass to the buyer. Risks and rewards of ownership pass to the customer when the product leaves the stacker/reclaimer.

Income from by product sales is included as a reduction of cost of sales.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.9 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 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.

#### 1.10 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.

#### 1.11 Stripping costs

Stripping costs to be recognised as part of an asset (either as inventory or as non-current asset), if the following conditions are met:

- It is probable that the future economic benefits (improved access to an ore body) associated with the stripping activity will follow to the entity;
- The entity can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

To the extent that the benefit creates improved access to ore to be mined in future periods, the entity must recognise these production stripping costs as non-current.



# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

#### 1.12 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:

- **Going concern**

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

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

- **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.

# SKORPION MINING COMPANY (PROPRIETARY) LIMITED

## NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued) for the year ended 31 March 2015

### 1. ACCOUNTING POLICIES (continued)

- **Exploration costs-Gergurab**

Skorpion Mining Company (Pty) Ltd and Rosh Pinah Zinc Corporation Ltd concluded a Memorandum of Understanding, signed 20 June 2005 (with subsequent amendments), on various aspects of Zinc exploration and development of Resource on each party's Exploration Prospecting License areas.

As part of the company's exploration activities the Gergurab deposits were discovered. Based on certain trigger points Rosh Pinah Zinc Corporation Ltd is required to contribute to certain past and future expenses. At the reporting date, an amount of N\$46 994 947 (2014: N\$23 285 218) was included in the capital work in progress related to this project.

#### 1.13 Key sources of information uncertainty

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

##### **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.

##### **Life-of-Mine review**

The Life-of-Mine ("LOM") plan is reviewed annually. The LOM plan takes into account an expectation of the changes in commodity prices foreign exchange rates fixed and variable mining cost Zinc grade and capital expenditure.

##### **Inventory valuation**

The determination of quantities of metal contained in ore stock piles is performed based on estimates as reflected in Note 3.

##### **Deferred tax assets**

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

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

2. PROPERTY PLANT AND EQUIPMENT

2015

Cost	Mining	Land and	Plant and	Work-in-	De-	Total
	properties and leases	buildings	equipment	progress	commissioning and restoration costs	
	N\$	N\$	N\$	N\$	N\$	N\$
At 31 March 2014	61 811 310	69 458 588	842 603 284	23 319 027	82 491 502 (33 997 322)	1 079 683 711 (33 997 322)
Change in estimates of decommissioning and restoration provision	-	-	-	-	-	-
Additions- non-cash	-	-	-	-	-	-
Additions – stay in business capital	-	-	216 129 999	52 489 955	-	268 619 954
Disposals	-	-	(1 016 109)	-	-	(1 016 109)
At 31 March 2015	61 811 310	69 458 588	1 057 717 174	75 808 982	48 494 180	1 313 290 234
<b>Depreciation amortisation and amounts written off</b>						
At 31 March 2014	48 979 468	55 226 654	579 917 493	-	29 256 754	713 380 369
Depreciation charge for the year	5 879 756	5 555 576	110 717 891	-	17 246 017	139 399 240
Disposals	-	-	(893 038)	-	-	(893 038)
At 31 March 2015	54 859 224	60 782 230	689 742 346	-	46 502 771	851 886 571
<b>Net book value 31 March 2014</b>	12 831 842	14 231 934	262 685 791	23 319 027	53 234 748	366 303 342
<b>Net book value 31 March 2015</b>	6 952 086	8 676 358	367 974 829	75 808 982	1 991 409	461 403 663

Details of land and buildings are maintained at the company's registered office and are available for inspection by the member or authorised representative.







SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

**2. PROPERTY PLANT AND EQUIPMENT (continued)**

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

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, averaged over life of mine where appropriate, are:

	<u>2015</u>	<u>2014</u>
- Foreign exchange rate (USD)	11.31	10.02
- Average Zinc price (USD/t)	2 438	2 242
- Resource available (Zn/kt) in total	438.2	353.6
- Inflation rate	3.03%	6.1%
- Discount rate	9.97%	7.0%

All figures stated above are in real terms.

At 31 March 2015 no impairment was necessary related to the Skorpion Project (2014: N\$ Nil).

**3. INVENTORY**

	<u>2015</u> N\$	<u>2014</u> N\$
Consumables	45 888 905	40 193 777
Inventory adjustment	22 605 379	
Mining stockpile and copper cake	39 082 191	67 014 361
Work in progress	2 523 128	2 110 608
	<u>110 099 603</u>	<u>109 318 746</u>

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

	<u>2015</u>	<u>2014</u>
Stacker/reclaimer		
- Average grade (%)	7.57	9.36
- Zinc content (tons)	2 170	1 465
Mining Stockpile		
- Average grade (%)	5.68	10.13
- Zinc content (tons)	<u>7 030</u>	<u>15 705</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

	<u>2015</u>	<u>2014</u>
	N\$	N\$
Consumable stock is carried after a provision for obsolescence has been made as follows:		
Balance at the beginning of the year	3 465 555	1 306 468
Charged to operating profit	3 810 286	2 159 087
Balance at the end of the year	<u>7 274 841</u>	<u>3 465 555</u>

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

**4. TRADE AND OTHER RECEIVABLES**

Trade receivables	325 355 358	103 841 397
Prepayments	260 550	20 711 853
Value Added Tax	83 261 009	25 557 692
Other receivables	13 142 179	4 475 142
	<u>422 019 096</u>	<u>154 586 084</u>

An amount of N\$3 031 445 (2014: N\$1 965 792) was provided for as doubtful debt.

Included in trade receivables is an amount of N\$ 329 030 430 (2014: N\$ 106 412 360) owed by Namzinc (Proprietary) Limited.

All receivables except for those set out below are current.

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

Within one month	-	-
Between 1 to 2 months	2 552 519	-
Between 2 to 3 months	919	-
Greater than 3 months	-	-
	<u>2 553 438</u>	<u>-</u>

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

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

**5. RELATED PARTIES**

The company's holding company is Skorpion Zinc (Proprietary) Limited a company incorporated in Namibia. THL Zinc Namibia Holdings (Proprietary) Limited is the holding company of Skorpion Zinc (Proprietary) Limited and is 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. These transactions occurred under terms negotiated between the parties.

	Revenue		Transfer of assets		Amounts due to related parties	
	2015 N\$	2014 N\$	2015 N\$	2014 N\$	2015 N\$	2014 N\$
Skorpion Zinc (Proprietary) Limited	-	-	-	-	398 041 846	398 041 846
Namzinc (Proprietary) Limited	404 857 785	380 721 327	-	-	1 225 190 957	450 448 785
	<u>404 857 785</u>	<u>380 721 327</u>	<u>-</u>	<u>-</u>	<u>1 623 232 803</u>	<u>848 490 631</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

5. RELATED PARTIES (continued)

	Purchase of services		Purchase of goods		Amounts due from related parties	
	2015 N\$	2014 N\$	2015 N\$	2014 N\$	2015 N\$	2014 N\$
Namzinc (Proprietary) Limited	176 360 074	151 612 864	-	-	-	-
	<u>176 360 074</u>	<u>151 612 864</u>	-	-	-	-

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

The company is managed as part of the THL Zinc Namibia Holdings (Proprietary) Limited group and as a result has no separate key management costs.

Namzinc (Proprietary) Limited is a fellow subsidiary of Skorpion Mining Company. Both entities are wholly owned by Skorpion Zinc (Proprietary) Limited.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

	<u>2015</u> N\$	<u>2014</u> N\$
<b>6. BANK BALANCES AND CASH</b>		
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:	<u>1 487 156</u>	<u>3 806 843</u>
The average interest rates earned on cash balances and short-term deposits during the year were as follows:		
- Local currency	<u>4.31</u>	<u>1.16</u>
<b>7. SHARE CAPITAL</b>	N\$	N\$
<u>Authorised</u>		
4 000 Ordinary shares of N\$1 each	<u>4 000</u>	<u>4 000</u>
<u>Issued</u>		
100 Ordinary shares of N\$1 each	<u>100</u>	<u>100</u>
The unissued shares are under the control of the directors until the next annual general meeting.		
<b>8. DEFERRED TAXATION</b>		
Liability at the beginning of the year	-	-
Movement in current year	-	-
Liability at the end of the year	<u>-</u>	<u>-</u>
Deferred tax liability arises from:		
Fixed asset allowances	(72 821 400)	(84 273 254)
Prepayments	(97 706)	(7 766 945)
Restoration provision	31 638 565	27 957 036
Interest on Decommissioning provision	15 156 517	12 368 246
Other items	-	-
Tax loss available for offset against future taxable profit	<u>26 124 025</u>	<u>51 714 917</u>
	<u>-</u>	<u>-</u>

At 31 March 2015, a deferred tax asset of N\$ 278 938 412 (2014: N\$113 726 776) was not recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

	<u>2015</u> N\$	<u>2014</u> N\$
<b>9. DECOMMISSIONING PROVISION</b>		
Balance at beginning of year	71 317 724	70 675 493
Changes in estimates (deducted from)/capitalised to property, plant and equipment	(13 137 501)	(4 288 409)
Movements expensed to statement of comprehensive income as finance cost	<u>6 182 998</u>	<u>4 930 640</u>
Balance at end of year	<u>64 363 221</u>	<u>71 317 724</u>

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 10.09% (2014: 7%). These costs are expected to be incurred over the remaining Life-of-mine currently being 4.5 years.

**10. RESTORATION PROVISION**

Balance at beginning of year	113 238 805	65 985 779
Movements expensed to statement of comprehensive income as cost of sales	9 817 409	3 586 305
Changes in estimates (deducted from)/ capitalised to property, plant and equipment	(20 859 820)	44 051 261
Restoration cost paid	<u>(457 455)</u>	<u>(384 540)</u>
Balance at end of year	<u>101 738 939</u>	<u>113 238 805</u>

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. These costs are expected to be incurred over the remaining Life-of-mine currently being 4.5 years.

**11. TRADE AND OTHER PAYABLES**

Trade payables	74 435 998	38 407 484
Royalty accrual	3 928 365	3 180 554
Other accruals	<u>42 523 638</u>	<u>38 294 486</u>
	<u>120 888 001</u>	<u>79 882 524</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.

Included in trade payables is an amount of N\$ 1 907 068 (2014: N\$ 181 022) owed to Namzinc (Proprietary) Limited.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

	<u>2015</u> N\$	<u>2014</u> N\$
<b>12. NET FINANCE (COSTS) / INCOME</b>		
Finance income		
- Net foreign exchange gain	2 380 028	-
- Bank	114 037	79 136
Less: Interest paid		
- Net foreign exchange loss	-	(291 606)
- Decommissioning provision	<u>(6 182 998)</u>	<u>(4 930 640)</u>
	<u>(3 688 933)</u>	<u>(5 143 110)</u>

**13. LOSS BEFORE TAXATION**

Loss before taxation is arrived at after taking into account the following items:

**Expenditure**

Auditors' remuneration:

Audit fees	1 179 837	599 000
Depreciation	139 399 241	66 463 724
By-product sales	(13 887 521)	(13 135 394)
Loss on disposal of property plant and equipment	123 070	295 439
Operating leases	3 235 871	3 108 482
Restoration costs	457 455	3 890 907
Related party charges		
- administration fees	62 543 695	59 464 527
- staff costs	<u>113 816 379</u>	<u>92 148 337</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

	<u>2015</u> N\$	<u>2014</u> N\$
<b>14. TAXATION</b>		
Namibian Normal Taxation		
Current taxation – current year / period	-	-
Deferred taxation – current year / period	-	-
	<u>-</u>	<u>-</u>
Reconciliation of tax rate		
- Standard tax rate	37.5	37.5
- Increase in unrecognised deferred tax asset	(37.5)	(37.5)
- Effective tax rate	<u>-</u>	<u>-</u>
<b>15. NOTES TO THE STATEMENT OF CASH FLOWS</b>		
	<u>N\$</u>	<u>N\$</u>
<b>15.1 RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED BY OPERATIONS</b>		
Loss before taxation	(436 298 777)	(218 097 942)
Non-cash flow items		
- Depreciation	139 399 241	66 159 155
- Loss on disposal of property plant and equipment	123 070	295 439
- Restoration cost provision	9 359 954	3 201 765
	<u>(287 416 512)</u>	<u>(148 441 583)</u>
Net finance costs	3 688 933	5 143 110
	<u>(283 727 579)</u>	<u>(143 298 473)</u>
Working capital changes	(227 208 390)	(107 492 462)
Inventory	(780 857)	(13 118 974)
Trade and other receivables	(264 853 960)	(132 373 296)
Trade and other payables	38 426 426	37 999 808
	<u>(510 935 969)</u>	<u>(250 790 935)</u>
Cash generated by operations	<u>(510 935 969)</u>	<u>(250 790 935)</u>



## SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

### 16. 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 within the THL Zinc Namibia Holdings (Proprietary) Limited group while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2014.

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

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

#### Foreign currency management

The company's policy is not to take cover on foreign currency transactions. The company has very limited direct exposure to foreign currency fluctuations.

#### Interest rate management

Borrowings are mostly obtained from the holding company and interest rates are managed in accordance with the policies set down by the Vedanta Resources 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 rate would result in an increase/decrease in interest earnings of N\$ 26 519 (2014: N\$38 068).

#### Credit risk management

The company's main exposure to credit risk is to a fellow wholly owned subsidiary which purchases all of its zinc ore.

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

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

**16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)**

**Liquidity risk**

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

The 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>3months to 1</u> <u>year</u> N\$	<u>1-5 years</u> N\$	<u>5+ years</u> N\$	<u>Total</u> N\$
2015						
Non-interest bearing	-	-	1 623 232 803	-	-	1 623 232 803
Trade and other payables	-	71 856 946	-	-	-	71 856 946
	-	71 856 946	1 623 232 803	-	-	1 695 089 749

	<u>Less than 1</u> <u>month</u> N\$	<u>1-3 months</u> N\$	<u>3months to 1</u> <u>year</u> N\$	<u>1-5 years</u> N\$	<u>5+ years</u> N\$	<u>Total</u> N\$
2014						
Non-interest bearing	-	-	848 490 631	-	-	848 490 631
Trade and other payables	-	38 407 484	-	-	-	38 407 484
	-	38 407 484	527 577 436	-	-	886 898 115

**Market risk**

At period end there was no exposure to market risk over any of the company's financial assets or liabilities.

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the period ended 31 March 2015

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of financial position- categories of financial instruments

2015

	<u>At fair value through profit and loss – held for trading</u> N\$	<u>Loans and receivables</u> N\$	<u>Financial liabilities at amortised cost</u> N\$	<u>Non-financial assets and liabilities</u> N\$	<u>Total</u> N\$
<b>ASSETS</b>					
NON-CURRENT ASSETS	-	-	-	461 403 663	461 403 663
Property plant and equipment	-	-	-	461 403 663	461 403 663
CURRENT ASSETS	1 487 156	338 847 537	-	193 271 162	533 605 855
Inventory	-	-	-	110 099 603	110 099 603
Trade and other receivables	-	338 847 537	-	83 171 559	422 019 096
Bank balances and cash	1 487 156	-	-	-	1 487 156
TOTAL ASSETS	<u>1 487 156</u>	<u>338 847 537</u>	<u>-</u>	<u>654 674 825</u>	<u>995 009 518</u>
<b>EQUITY AND LIABILITIES</b>					
CAPITAL AND RESERVES	-	-	-	(915 213 446)	(915 213 446)
Share capital	-	-	-	100	100
Retained income	-	-	-	(915 213 546)	(915 213 546)
NON-CURRENT LIABILITIES	-	-	-	166 102 160	166 102 160
Deferred taxation	-	-	-	-	-
Decommissioning provision	-	-	-	64 363 221	64 363 221
Restoration provision	-	-	-	101 738 939	101 738 939
CURRENT LIABILITIES	-	-	1 697 668 801	46 452 003	1 744 120 804
Group companies	-	-	1 623 232 803	-	1 623 232 803
Trade and other payables	-	-	74 435 998	46 452 003	120 888 001
TOTAL EQUITY AND LIABILITIES	<u>-</u>	<u>-</u>	<u>1 697 668 801</u>	<u>(702 659 283)</u>	<u>995 009 518</u>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

16. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of financial position- categories of financial instruments

2014

	<u>At fair value through profit and loss – held for trading</u> N\$	<u>Loans and receivables</u> N\$	<u>Financial liabilities at amortised cost</u> N\$	<u>Non-financial assets and liabilities</u> N\$	<u>Total</u> N\$
<b>ASSETS</b>					
NON-CURRENT ASSETS	-	-	-	366 303 342	366 303 342
Property plant and equipment	-	-	-	366 303 342	366 303 342
CURRENT ASSETS	3 806 843	103 841 397	-	160 063 433	267 711 673
Inventory	-	-	-	109 318 746	109 318 746
Trade and other receivables	-	103 841 397	-	50 744 687	154 586 084
Bank balances and cash	3 806 843	-	-	-	3 806 843
<b>TOTAL ASSETS</b>	<b>3 806 843</b>	<b>103 841 397</b>	<b>-</b>	<b>526 366 775</b>	<b>634 015 015</b>
<b>EQUITY AND LIABILITIES</b>					
CAPITAL AND RESERVES	-	-	-	(478 914 669)	(478 914 669)
Share capital	-	-	-	100	100
Retained income	-	-	-	(478 914 769)	(478 914 769)
NON-CURRENT LIABILITIES	-	-	-	184 556 529	184 556 529
Deferred taxation	-	-	-	-	-
Decommissioning provision	-	-	-	71 317 724	71 317 724
Restoration provision	-	-	-	113 238 805	113 238 805
CURRENT LIABILITIES	-	-	886 898 116	41 475 039	928 373 155
Group companies	-	-	848 490 631	-	848 490 631
Trade and other payables	-	-	38 407 485	41 475 039	79 882 524
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-</b>	<b>-</b>	<b>886 898 116</b>	<b>(252 883 101)</b>	<b>634 015 015</b>

SKORPION MINING COMPANY (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)  
for the year ended 31 March 2015

**17. DIVIDENDS**

No interim or final dividends were declared or paid during the period under review (2014: N\$ Nil).

	<u>2015</u> N\$	<u>2014</u> N\$
<b>18. GUARANTEES AND CONTINGENT LIABILITIES</b>		
Guarantees issued:		
Ministry of finance	2 469 606	
Outotec GMBM	-	17 273 894
Namibian Ports Authority	183 564	120 000
	<u>2 653 170</u>	<u>17 393 894</u>

**19. OPERATING LEASE COMMITMENTS**

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

Within 1 year	3 248 610	3 213 762
Between 1 to 2 years	323 695	6 484 481
Between 2 to 5 years	186 510	6 540 660
Total	<u>3 758 815</u>	<u>16 238 903</u>

The operating lease is in terms of the usage of the farm Spitskop Wes to mine the limestone outcrop and is subject to a 10% annual escalation. The lease can be terminated subject to a six months' notice period.

**20. CAPITAL COMMITMENTS**

Capital expenditure to be financed from borrowings and own resources to be incurred during the next financial year.

Contracted	38 251 200	12 147 426
Authorised but not contracted	-	13 587 356
	<u>38 251 200</u>	<u>25 734 782</u>

**21. 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.