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

ANNUAL FINANCIAL STATEMENTS
31 March 2018

GENERAL INFORMATION

Country of incorporation and domicile	NAMIBIA
Nature of business and principal activities	Exploration, development, production and sale of zinc ore.
Registered office	24 Orban Street Klein Windhoek Windhoek
Postal address	PO Box 30 Windhoek
Ultimate holding company	Vedanta Resources Plc
Holding company	100% held subsidiary of Skorpion Zinc (Proprietary) Limited.
Bankers	First National Bank
Auditors	Ernst & Young Namibia
Company registration number	98/384
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Sharon Mthetho CA (SA) (Financial Reporting Manager).
Published	24 April 2018

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31 March 2018

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DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 36 were approved by the board of directors on 24 April 2018 and are signed on its behalf by:

DIRECTOR DIRECTOR

Ernst & Young Namibia
Cnr Otto Nitzsche and Maritz Streets
Box 1857
Windhoek, Namibia

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Registration No.: 9410
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SKORPION MINING COMPANY (PROPRIETARY) LIMITED

Opinion

We have audited the financial statements of Skorpion Mining Company (Proprietary) Limited set out on pages 4 to 36, which comprise the directors' report, the statement of financial position as at 31 March 2018, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Skorpion Mining Company (Proprietary) Limited as at 31 March 2018, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

Basis for opinion

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

Other information

The directors are responsible for the other information. The other information comprises the general information and the directors' approval on page 1. The other information does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Ernst & Young

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

Windhoek

Date: 26 April 2018

REPORT OF THE DIRECTORS
for the year ended 31 March 2018

The directors have pleasure in presenting their report on the activities of the company for the year ended 31 March 2018.

GENERAL REVIEW

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

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

The authorised share capital of 4 000 (2017: 4 000) and issued share capital of 100 (2017: 100) ordinary shares have remained unchanged during the year.

STATEMENT OF RESPONSIBILITY

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

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

The directors are satisfied that the company has access to adequate resources to remain a going concern for the foreseeable future. The company's annual financial statements on pages 4 to 36 have therefore been prepared on a going concern basis.

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

DIRECTORS AND SECRETARY

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

KK Rajagopal*
D Naidoo**
I Simataa***
GRA Kumar*

*Indian
**South African
***Namibian

Secretary – SGA Windhoek

STATEMENT OF FINANCIAL POSITION
as at 31 March 2018

	Notes	2018	2017
		N$'000	N$'000
ASSETS			
NON-CURRENT ASSETS		934 732	321 984
Property, plant and equipment	2	902 460	321 984
Other non-current assets	5	32 272	-
CURRENT ASSETS		1 835 327	1 332 122
Loans to related parties	8	1 592 636	1 078 274
Inventory	6	55 356	200 702
Trade and other receivables	7	187 076	48 308
Cash and cash equivalents	9	259	4 838
Non-current assets held for sale	4	-	150 000
TOTAL ASSETS		2 770 059	1 804 106
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		(1 682 622)	(1 620 016)
Share capital	10	1	1
Accumulated deficit		(1 682 623)	(1 620 017)
NON-CURRENT LIABILITIES		178 089	174 535
Decommissioning provision	12	109 049	106 873
Restoration provision	13	69 040	67 662
CURRENT LIABILITIES		4 274 592	3 249 587
Loans from related parties	8	4 108 114	3 135 942
Trade and other payables	14	166 478	113 645
TOTAL EQUITY AND LIABILITIES		2 770 059	1 804 106

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2018

	Notes	2018	2017
		N$'000	N$'000
Revenue	3	568 706	512 921
Cost of sales		(487 800)	(591 821)
Gross profit / (loss)		80 906	(78 900)
Administrative expenses		(70 541)	(93 270)
Other operating expenses		(55 576)	(81 177)
LOSS BEFORE NET FINANCE COSTS		(45 211)	(253 347)
Net finance costs		(17 395)	(17 109)
- Finance income	15	223	99
- Finance costs	15	(17 618)	(17 208)
LOSS BEFORE TAXATION	16	(62 606)	(270 456)
Taxation	17	-	-
NET LOSS FOR THE YEAR		(62 606)	(270 456)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		(62 606)	(270 456)

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2018

	Share capital	Accumulated deficit	Total
	N$'000	N$'000	N$'000
Balance at 1 April 2016	1	(1 349 561)	(1 349 560)
Loss for the year	-	(270 456)	(270 456)
Balance at 31 March 2017	1	(1 620 017)	(1 620 016)
Loss for the year	-	(62 606)	(62 606)
Balance at 31 March 2018	1	(1 682 623)	(1 682 622)
Note	10		

STATEMENT OF CASH FLOWS
for the year ended 31 March 2018

	Notes	2018 N$'000	2017 N$'000
CASH FLOWS FROM OPERATING ACTIVITIES		170 237	(168 113)
Cash generated / (utilised) by operations	18.1	170 642	(167 653)
Finance costs	15	(628)	(559)
Finance income	15	223	99
CASH FLOWS FROM INVESTING ACTIVITIES		(632 626)	(20 740)
Property plant and equipment additions	2	(632 626)	(20 740)
Proceeds on disposal of property, plant and equipment		-	-
CASH FLOWS FROM FINANCING ACTIVITIES		457 810	192 002
Receipt from fellow subsidiary	8	457 810	192 002
NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(4 579)	3 149
Cash and cash equivalents at the beginning of the year		4 838	1 689
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9	259	4 838

1. ACCOUNTING POLICIES

The annual financial statements are prepared on the historical cost basis except for certain financial instruments where the fair value bases of accounting are adopted. The principle accounting policies of the company which are set out below have been consistently applied and comply in all material respects with International Financial Reporting Standards ("IFRS"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The functional currency of the company is the Namibian Dollar (N$).

The company has 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.

New/Revised International Financial Reporting Standards		**Effective for annual periods beginning on or after**	**Impact on financial statements**
IAS 7	Financial Instruments: Disclosures	1 January 2017	None
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017	None

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

New/Revised International Financial Reporting Standards		**Effective for annual periods beginning on or after**
IFRS 16	Leases Introduction of a single lease accounting model and enhancements of disclosures	1 January 2019
IFRS 2	Classification and Measurement of Share based Payment Transactions	1 January 2018
IAS 40	Transfers of Investment Property	1 January 2018
IFRS 15	Revenue from Contracts from Customers Changes to revenue recognition criteria and additional disclosure requirements	1 January 2018
IFRS 9	Financial Instruments Reissue to include requirements for the classification and measurement of financial liabilities and incorporate existing recognition requirements	1 January 2018

1.1 Research exploration and pre-production expenditure

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

1. ACCOUNTING POLICIES (continued)

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 profit or loss and other 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.

1.3 Foreign currency transactions

Transactions in foreign currency other than the 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 re-translated 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 re-translated.

Exchange differences arising on the settlement of monetary items and on the re-translation 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

1. ACCOUNTING POLICIES (continued)

1.4 Financial Instruments (continued)

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.

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.

1. ACCOUNTING POLICIES (continued)

1.4 Financial Instruments (continued)

Financial assets (continued)

Held-to-maturity investments

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.

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.

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.

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.

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 weighted 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:

	Depreciation rate	Residual value
Computer equipment	33%	Nil
Furniture and fittings	10%	Nil
Vehicles	25%	Nil

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. Management consider the remaining useful life of Refinery’s plant and equipment to approximate the remaining life of mine.

Property, plant and equipment held for sale or which is part of a disposal group held for sale is not depreciated. Property, plant and equipment held for sale is carried at the lower of its carrying value and fair value less disposal cost and is presented separately on the face of the statement of financial position.

1. ACCOUNTING POLICIES (continued)

1.7 Impairment

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 of an asset is the higher of the 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 (VAT). 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.

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 a 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) associate with the stripping activity will follow to the entity;
- The entity can identify the component of an ore body for which access has been improved; and
- The costs relating to the improved access to that component can be measured reliably.

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

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 the company's fellow subsidiary, Namzinc (Proprietary) Limited has subordinated its loan to Skorpion Mining Company (Proprietary) Limited until such time as Skorpion Mining Company (Proprietary) Limited is no longer in a net deficit position.

- **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. Significant assumptions include cost per cubic meter of rehabilitated land and the volume of waste rock to be rehabilitated.

- **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.

1. ACCOUNTING POLICIES (continued)

1.12 Judgements made by management (continued)

- **Stripping costs**

A separate ore body was identified in the previous year and work commenced to access the ore body in the previous year. Costs related to the removal of overburden to allow access to this new ore body is estimated and allocated based on the total waste rock divided by mineral content.

- **Exploration costs – Gergarub**

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

As part of the Company's exploration activities the Gergarub deposits were discovered. Based on certain trigger points Rosh Pinah Zinc Corporation Limited is required to contribute to certain past and future expenses. At the reporting date, an amount of N$48 075 289 (2017: N$48 075 289) 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. The LOM was extended by an additional 18 months as a result of the inclusion of high calcium ore to resources and the slowdown of extraction to accommodate the Namzinc (Proprietary) Limited sulphide conversion project to conclude, resulting in the LOM now estimated to be 2.2 years.

- **Inventory valuation**

The determination of quantities of metal contained in ore stock piles is performed based on estimates as reflected in note 6.

- **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.

2. PROPERTY, PLANT AND EQUIPMENT

2018	Mining properties and leases	Stripping asset	Land and buildings	Plant and equipment	Work-in-progress	De-commissioning and restoration costs	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Cost							
At 1 April 2017	61 811	158 858	83 019	675 021	63 255	22 686	1 064 650
Change in estimates of decommissioning and restoration provision	-	-	-	-	-	(13 436)	(13 436)
Transfers to/(from)	-	-	-	1 802	(1 802)	-	-
Additions – stay in business capital		613 318	-	18 963	345	-	632 626
At 31 March 2018	61 811	772 176	83 019	695 786	61 798	9 250	1 683 840
Depreciation amortisation and amounts written off							
At 1 April 2017	59 334	-	65 533	577 750	-	40 049	742 666
Transfers to other categories	-	-	-	-	-	-	-
Depreciation charge for the year	-	16 144	2 897	21 948	-	(2 802)	38 187
Impairment loss	-	-	-	527	-	-	527
At 31 March 2018	59 334	16 144	68 430	600 225	-	37 247	781 380
Net book value 31 March 2018	2 477	756 032	14 589	95 561	61 798	(27 997)	902 460

2. PROPERTY, PLANT AND EQUIPMENT (continued)

2017	**Mining properties and leases**	**Stripping asset**	**Land and buildings**	**Plant and equipment**	**Work-in-progress**	**De-commissioning and restoration costs**	**Total**
	N$'000	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Cost							
At 1 April 2016	61 811	158 858	69 459	1 125 395	71 767	49 290	1 536 580
Change in estimates of decommissioning and restoration provision	-	-	-	-	-	(26 604)	(26 604)
Transfers to other categories	-	-	-	(457 554)	(8 512)	-	(466 066)
Additions – stay in business capital		-	13 560	7 180	-	-	20 740
At 31 March 2017	61 811	158 858	83 019	675 021	63 255	22 686	1 064 650
Depreciation amortisation and amounts written off							
At 1 April 2016	59 334	-	63 001	766 037	-	48 494	936 866
Transfers to other categories	-	-	-	(316 066)	-	-	(316 066)
Depreciation charge for the year	-	-	2 532	71 229	-	(8 445)	65 316
Impairment loss	-	-	-	56 550	-	-	56 550
At 31 March 2017	59 334	-	65 533	577 750	-	40 049	742 666
Net book value 31 March 2017	2 477	158 858	17 486	97 271	63 255	(17 363)	321 984

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 and refining activities
  - Skorpion Project

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

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

	2018	2017
- Foreign exchange rate (USD)	12.47	14.10
- Average Zinc price (USD/t)	3 112	2 550

All figures stated above are in real terms.

At 31 March 2018, no impairment was necessary related to the Skorpion Project (2017: N$ Nil).

3. REVENUE

	N$'000	N$'000
Ore sales	522 771	493 614
Limestone sales	1 839	1 970
Copper cement sales	44 096	17 337
	568 706	512 921

The revenue from ore sales in current year was earned from sales to Namzinc (Proprietary) Limited, and sales were made in Namibian dollars. Copper cement sales were mainly to MCC Non Ferrous Metals and invoiced in USD.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS for the year ended 31 March 2018	2018 N$'000	2017 N$'000

4. NON-CURRENT ASSETS HELD FOR SALE

Assets held for sale	-	150 000

The sale to Basil Read of Skorpion Mining Company assets was concluded in June 2017, these assets were taken over at their fair value of N$150 000 000. This amount was recognised as non-current assets held for sale at 31 March 2017.

5. OTHER NON-CURRENT ASSETS

Basil Read	32 272	-

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

6. INVENTORY

Consumables	34 956	45 261
Mining stockpile and copper cake	4 939	73 626
Work in progress	15 461	81 815
	55 356	200 702

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

Stacker/reclaimer		
- Average grade (%)	4.90	9.54
- Zinc content (tons)	1 871	2 071
Mining Stockpile		
- Average grade (%)	5.11	7.55
- Zinc content (tons)	6 628	25 286

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

Balance at the beginning of the year	7 864	7 936
Added to/ (deducted from) operating costs	5 254	(72)
Balance at the end of the year	13 118	7 864

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

7. TRADE AND OTHER RECEIVABLES

	2018	2017
	N$'000	N$'000
Prepayments	9 799	2 004
Value-added tax	36 114	39 371
Other receivables	141 163	6 933
	187 076	48 308

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

An amount of N$3 031 445 (2017: N$3 031 445) was provided for as doubtful debt.

All receivables except for those set out below are current.

Trade receivables with the following values are past their due date:		
Within one month	13 810	-
Between 1 to 2 months	-	23
Between 2 to 3 months	-	-
Greater than 3 months	4 250	4 214
	18 060	4 237

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

8. 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 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. These transactions occurred under terms negotiated between the parties.

	Revenue		Transfer of assets		Amounts due to related parties	
	2018	2017	2018	2017	2018	2017
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Skorpion Zinc (Proprietary) Limited	-	-	-	-	399 386	399 386
THL Zinc Namibia Holdings (Proprietary) Limited	-	-	-	-	16 600	16 600
Namzinc (Proprietary) Limited	524 610	495 585	-	-	3 692 128	2 719 956
	524 610	495 585	-	-	4 108 114	3 135 942

8. RELATED PARTIES (continued)

	Purchase of services		Purchase of goods		Amounts due from related parties	
	2018	2017	2018	2017	2018	2017
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
Namzinc (Proprietary) Limited	113 067	211 542	-	-	1 592 636	1 078 274
	113 067	211 542	-	-	1 592 636	1 078 274

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

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

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

Settlement of the amount due from Namzinc (Proprietary) Limited is not expected until the company is, in turn, able to settle its liability with Namzinc (Proprietary) Limited.

9. CASH AND CASH EQUIVALENTS

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

	2018	2017
Bank balances and cash are denominated as follows:	N$'000	N$'000
Bank balances	249	4 825
Cash on hand	10	13
	259	4 838

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

	%	%
- Local currency	5.00	4.65

10. SHARE CAPITAL

Authorised		
4 000 Ordinary shares of N$1 each	4	4
Issued		
100 Ordinary shares of N$1 each	1	1

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

11. DEFERRED TAXATION

Liability at the beginning of the year	-	-
Movement in current year	-	-
Liability at the end of the year	-	-
Deferred tax liability / (asset) arises from:		
Deferred stripping asset	283 512	-
Fixed asset allowances	58 254	30 661
Prior year adjustment	22 339	110 822
Prepayments	6 639	752
Other items	19 092	64 943
Tax loss utilised	(389 836)	(207 178)
	-	-

At 31 March 2018, a deferred tax asset of N$487 337 842 (2017: N$540 257 818) was not recognised because it is not probable that future taxable profit will be available against which the Company can utilise the benefits therefrom.

12. DECOMMISSIONING PROVISION

	2018 N$'000	2017 N$'000
Balance at beginning of year	106 873	71 292
Changes in estimates (deducted from)/ capitalised to property, plant and equipment	(8 227)	25 386
Movements expensed to statement of profit or loss and other comprehensive income as finance cost	10 403	10 195
Balance at end of year	109 049	106 873

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 7.63% (2017: 10.07%). These costs are expected to be incurred over the remaining life-of-mine currently being 2.2 years (2017: 2.8 years).

13. RESTORATION PROVISION

	2018 N$'000	2017 N$'000
Balance at beginning of year	67 662	113 198
Movements expensed to statement of profit or loss and other comprehensive income	6 587	6 454
Changes in estimates (deducted from)/ capitalised to property, plant and equipment	(5 209)	(51 990)
Balance at end of year	69 040	67 662

The restoration 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 7.63% (2017: 10.07%). These costs are expected to be incurred over the remaining life-of-mine currently being 2.2 years (2017: 2.8 years).

14. TRADE AND OTHER PAYABLES

	2018	2017
	N$'000	N$'000
Trade payables	92 797	62 750
Royalty accrual	1 674	1 686
Other accruals	72 007	49 209
	166 478	113 645

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.

15. NET FINANCE COSTS

Finance income		
- Bank	223	99
Less: Finance costs		
- Net foreign exchange loss	(628)	(559)
- Decommissioning and restoration provisions	(16 990)	(16 649)
Net Finance costs	(17 395)	(17 109)

16. LOSS BEFORE TAXATION

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

Income		
By-product sales	45 936	19 307
Expenditure		
Auditor's remuneration	761	408
Depreciation	38 187	65 316
Impairment loss	527	56 550
Operating leases	187	154
Administration fees	49 386	66 882
Staff costs	63 682	144 661

17. TAXATION

	2018 N$'000	2017 N$'000
Namibian normal taxation		
Current taxation – current year / period	-	-
Deferred taxation – current year / period	-	-
	-	-
Reconciliation of tax rate	%	%
- Standard tax rate	37.5	37.5
- Increase in unrecognised deferred tax asset	(37.5)	(37.5)
- Effective tax rate	-	-

18. NOTES TO THE STATEMENT OF CASH FLOWS

18.1 RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED / (UTILISED) BY OPERATIONS

	N$'000	N$'000
Loss before taxation	(62 606)	(270 456)
Non-cash flow items		
- Depreciation	38 187	65 316
- Impairment loss	527	56 550
	(23 892)	(148 590)
Net finance costs	17 395	17 109
Finance income	(223)	(99)
Finance costs	17 618	17 208
	(6 497)	(131 481)
Working capital changes	177 139	(36 172)
Decrease / (increase) in inventory	145 346	(63 656)
Increase in trade and other receivables	(21 040)	(4 754)
Increase in trade and other payables	52 833	32 238
Cash generated / (utilised) by operations	170 642	(167 653)

19. 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. The company's overall strategy remains unchanged from 2017.

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

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

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$2 594 (2017: N$48 382).

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.

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.

19. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

The table includes both interest and principal cash flows.

	Less than 1 month	1-3 months	3months to 1 year	1-5 years	5+ years	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
2018						
Non-interest bearing	-	-	4 108 114	-	-	4 108 114
Trade and other payables	-	92 797	-	-	-	92 797
	-	92 797	4 108 114	-	-	4 200 911

	Less than 1 month	1-3 months	3months to 1 year	1-5 years	5+ years	Total
	N$'000	N$'000	N$'000	N$'000	N$'000	N$'000
2017						
Non-interest bearing	-	-	3 135 942	-	-	3 135 942
Trade and other payables	-	62 750	-	-	-	62 750
	-	62 750	3 135 942	-	-	3 198 692

Market risk

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

Categories of financial instruments

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).

All the categories of financial assets and liabilities measured at fair value identified on the table below are measured using level 1.

19. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of Financial Position - categories of financial instruments

2018

	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS					
NON-CURRENT ASSETS	-	32 272	-	902 460	934 732
Property plant and equipment	-	-	-	902 460	902 460
Other non-current assets	-	32 272	-	-	32 272
CURRENT ASSETS	259	1 592 636	141 163	101 269	1 833 959
Loans to relates parties	-	1 592 636	-	-	1 592 636
Inventory	-	-	-	55 356	55 356
Trade and other receivables	-	-	141 163	45 913	187 706
Cash and cash equivalents	259	-	-	-	259
Non-current Assets Held for Sale	-	-	-	-	-
TOTAL ASSETS	259	1 624 908	141 163	1 003 729	2 770 059
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES	-	-	-	(1 682 622)	(1 682 622)
Share capital	-	-	-	1	1
Accumulated deficit	-	-	-	(1 682 623)	(1 682 623)
NON-CURRENT LIABILITIES	-	-	-	178 089	178 089
Decommissioning provision	-	-	-	109 490	109 490
Restoration provision	-	-	-	69 040	69 040
CURRENT LIABILITIES	-	-	4 200 910	73 682	4 274 592
Loans from related parties	-	-	4 108 114	-	4 108 114
Trade and other payables	-	-	92 796	73 682	166 478
TOTAL EQUITY AND LIABILITES	-	-	4 200 910	(1 430 851)	2 770 059

19. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of Financial Position - categories of financial instruments (continued)

2017

	Cash and cash equivalents	Loans and receivables	Financial liabilities at amortised cost	Non-financial assets and liabilities	Total
	N$'000	N$'000	N$'000	N$'000	N$'000
ASSETS					
NON-CURRENT ASSETS	-	-	-	321 984	321 984
Property plant and equipment	-	-	-	321 984	321 984
CURRENT ASSETS	4 838	1 078 274	6 932	242 078	1 332 122
Loans to related parties	-	1 078 274	-	-	1 078 274
Inventory	-	-	-	200 702	200 702
Trade and other receivables	-	-	6 932	41 376	48 308
Bank balances and cash	4 838	-	-	-	4 838
Non-current Assets Held for Sale				150 000	150 000
TOTAL ASSETS	4 838	1 078 274	6 932	714 062	1 804 106
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES	-	-	-	(1 620 016)	(1 620 016)
Share capital	-	-	-	1	1
Accumulated deficit	-	-	-	(1 620 017)	(1 620 017)
NON-CURRENT LIABILITIES	-	-	-	174 535	174 535
Decommissioning provision	-	-	-	106 873	106 873
Restoration provision	-	-	-	67 662	67 662
CURRENT LIABILITIES	-	-	3 198 692	50 895	3 249 587
Loans from related parties	-	-	3 135 942	-	3 135 942
Trade and other payables	-	-	62 750	50 895	113 645
TOTAL EQUITY AND LIABILITIES	-	-	3 198 692	(1 394 586)	1 804 106

20. DIVIDENDS

No interim or final dividends were declared or paid during the period under review (2017: N$ Nil).

21. GUARANTEES AND CONTINGENT LIABILITIES

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

	2018 N$'000	2017 N$'000
Guarantees issued:		
Ministry of Finance	2 470	2 470
Namibian Ports Authority	184	184
	2 654	2 654
Contingent liabilities:		
Rosh Pinah Zinc Corporation (RPZC)	6 000	6 000

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

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

22. 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	187	170
Between 1 to 2 years	-	187
Between 2 to 5 years	-	-
Total	187	357

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.

23. CAPITAL COMMITMENTS

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

Contracted	13 136	1 453
Authorised but not contracted	-	-
	13 136	1 453

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. AUTHORISATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements were authorised by the Directors and approved for issue on 24 April 2018.