

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

ANNUAL FINANCIAL STATEMENTS
31 March 2017

SKORPION ZINC (PROPRIETARY) LIMITED

GENERAL INFORMATION

Country of incorporation and domicile	NAMIBIA
Nature of business and principal activities	Acquisition of investments in subsidiaries and other companies associated with the exploration, development, treatment, production and sale of zinc and associated minerals concentrates.
Registered office	24 Orban Street Klein Windhoek Windhoek
Postal address	PO Box 30 Windhoek
Ultimate holding company	Vedanta Resources Plc
Holding company	100% held subsidiary of THL Zinc Namibia Holdings (Proprietary) Limited
Bankers	First National Bank
Auditors	Ernst & Young Namibia
Company registration number	97/146
Preparer of annual financial statements	The annual financial statements have been prepared under the supervision of Sharon Mthetho CA (SA) (Financial Reporting Manager).
Published	01 June 2017

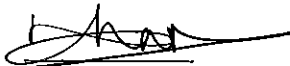
SKORPION ZINC (PROPRIETARY) LIMITED

ANNUAL FINANCIAL STATEMENTS
31 March 2017

CONTENTS	PAGE
Directors' approval of the annual financial statements	1
Report of the independent auditors	2 - 3
Report of the directors	4 - 5
Statement of financial position	6
Statement of profit or loss and other comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the annual financial statements	10 - 27

DIRECTORS' APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

The annual financial statements set out on pages 4 to 27 were approved by the board of directors on 01 June 2017 and are signed on their behalf by:


DIRECTOR


DIRECTOR

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

Opinion

We have audited the financial statements of Skorpion Zinc (Proprietary) Limited set out on pages 4 to 27, which comprise the directors' report, the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Skorpion Zinc (Proprietary) Limited as at 31 March 2017, 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 the audits in Namibia. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

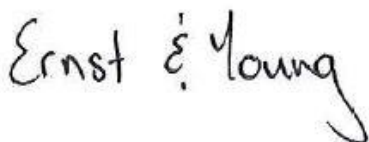
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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
Partner - Jaco Coetzee
Registered Accountants and Auditors
Chartered Accountant (Namibia)

Windhoek

01 June 2017

SKORPION ZINC (PROPRIETARY) LIMITED

REPORT OF THE DIRECTORS for the year ended 31 March 2017

The directors have pleasure in presenting their report on the activities of the company for the year ended 31 March 2017.

GENERAL REVIEW

The company was incorporated in Namibia on 16 June 1998, for the purpose of owning investments in companies involved in mineral exploration, mining and beneficiation. The company's holding company is THL Zinc Limited, a company incorporated in Mauritius. 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.

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

The authorised share capital of 4 000 (2016: 4 000) and issued share capital of 101 (2016: 101) ordinary shares have remained unchanged during the year.

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

Skorpion Mining Company (Proprietary) Limited

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

Namzinc (Proprietary) Limited

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

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

SKORPION ZINC (PROPRIETARY) LIMITED

REPORT OF THE DIRECTORS (continued) for the year ended 31 March 2017

DIVIDENDS

During the year under review no dividends (2016: N\$ nil) were received.

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 27 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*	
S L Bajaj*	Resigned 20 July 2016
M Munroe**	Resigned 13 January 2017
D Naidoo**	
I S Simataa***	
G R A Kumar*	Appointed 20 July 2016

*Indian

**South African

***Namibian

Secretary – SGA Windhoek

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF FINANCIAL POSITION
as at 31 March 2017

	<u>Notes</u>	<u>2017</u> N\$	<u>2016</u> N\$
ASSETS			
NON-CURRENT ASSETS		28 563 246	30 395 814
Investments in subsidiaries	2	5 108 022	5 108 022
Investments in joint ventures	3	23 455 224	25 287 792
CURRENT ASSETS		958 698 993	956 692 208
Related party loans	4	953 976 881	955 374 575
Trade and other receivables		8 050	-
Taxation	9.2	301 200	339 447
Cash and cash equivalents	5	4 412 862	978 186
TOTAL ASSETS		<u>987 262 239</u>	<u>987 088 022</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES		4 800 459	4 740 505
Share capital	6	101	101
Share premium	6	5 107 921	5 107 921
Accumulated deficit		(307 563)	(367 517)
CURRENT LIABILITIES		982 461 780	982 347 517
Holding company loans	4	982 298 055	982 298 055
Other payables		163 725	49 462
TOTAL EQUITY AND LIABILITIES		<u>987 262 239</u>	<u>987 088 022</u>

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 March 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		N\$	N\$
Dividends received		-	-
Administrative expenses		(23 720)	(696 772)
OPERATING LOSS		(23 720)	(696 772)
Net finance costs		83 674	60 513
- Finance income	7	83 674	62 432
- Finance costs	7	-	(1 919)
PROFIT / (LOSS) BEFORE TAXATION		59 954	(636 259)
Taxation	8	-	-
PROFIT / (LOSS) FOR THE YEAR		59 954	(636 259)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE YEAR		59 954	(636 259)

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 March 2017

	<u>Share capital</u> N\$	<u>Share premium</u> N\$	<u>Accumulated deficit</u> N\$	<u>Total</u> N\$
Balance at 1 April 2015	101	5 107 921	268 742	5 376 764
Comprehensive loss for the year	-	-	(636 259)	(636 259)
Balance at 31 March 2016	101	5 107 921	(367 517)	4 740 505
Comprehensive income for the year	-	-	59 954	59 954
Balance at 31 March 2017	101	5 107 921	(307 563)	4 800 459
Note	6	6		

SKORPION ZINC (PROPRIETARY) LIMITED

STATEMENT OF CASH FLOWS
for the year ended 31 March 2017

	<u>Notes</u>	<u>2017</u>	<u>2016</u>
		N\$	N\$
CASH FLOWS FROM OPERATING ACTIVITIES			
		204 414	(605 313)
Dividends received		-	-
Cash generated / (utilised) by operations	9.1	82 493	(654 946)
Net finance income		83 674	60 513
Taxation received / (paid)	9.2	38 247	(10 880)
CASH FLOWS FROM INVESTING ACTIVITIES			
		3 230 262	(22 163)
Decrease/ (increase) in Group company loans		1 397 694	(905 630)
Decrease in loan to RoshSkor Township (Proprietary) Limited		1 832 568	883 467
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS			
		3 434 676	(627 476)
Cash and cash equivalents at the beginning of the year		978 186	1 605 662
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		4 412 862	978 186

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES

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

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

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

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

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after	Impact on financial statements
IFRS 5	Non-current assets Held for Sale and Discontinued Operations — Clarity that a change in the manner of disposal of a non-current asset or disposal group held for sale does not result in a change of classification as held for sale.	1 January 2016	None
IFRS 7	Financial Instruments: Disclosures	1 January 2016	None
IFRS 10	Consolidated Financial Statements — Amendments for investment entities	1 January 2016	None
IFRS 11	Joint Arrangements — Guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business	1 January 2016	None
IAS 1	Presentation of Financial Statements — Encouragement to entities to apply professional judgement in determining what information to disclose in their financial statements	1 January 2016	None
IAS 16	Financial Instruments: Presentation — Amendments relating to the offsetting of financial assets and financial liabilities	1 January 2016	None
IAS 19	Defined Benefit Plans: Employee Contributions — Clarity of the requirements of to determine the discount rate in a regional market sharing the same currency.	1 January 2016	None
IAS 27	Consolidated and Separate Financial Statements — Amendments to allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements	1 January 2016	None
IAS 28	Investments in Associates and Joint Ventures	1 January 2016	None
IAS 34	Interim Financial Reporting	1 January 2016	None

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 31 March 2017

1. ACCOUNTING POLICIES

New/Revised International Financial Reporting Standards		Effective for annual periods beginning on or after	Impact on financial statements
IAS 38	Intangible Assets — Clarity on the principles and the basis for the calculation of depreciation and amortisation	1 January 2016	None
IFRS 12	Disclosure of Interests in Other Entities — Amendments for investment entities	1 January 2016	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, except for disclosure to the annual financial statements.

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 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
IAS 7	Financial Instruments: Disclosures	1 January 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRS 2	Classification and Measurement of Share based Payment Transactions	1 January 2018
IAS 40	Transfers of Investment Property	1 January 2018

Reclassifications

During the current financial year, the Company reclassified certain items within loans to related parties and investments in subsidiaries elements to align the disclosure on the face of the Statement of Financial Position with best practice and with the Group. The net impact of the reclassifications on total assets is nil.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.1 Taxation

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

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

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

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

1.2 Financial instruments

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 group 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.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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.

Derecognition

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

Financial liabilities (or a portion thereof) are de-recognised 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 the profit and loss.

Financial assets

The group's principal financial assets are group company loans and receivables, investments 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.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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

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

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

Held-to-maturity investments

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

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.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

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.

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 group'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.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.2 Financial instruments (continued)

Financial liabilities at FVTPL (continued)

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.

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 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 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 group are recorded at the value of proceeds received less directly attributable costs.

1.3 Impairments

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

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.3 Impairments (continued)

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

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

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

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

1.4 Revenue recognition

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

1.5 Judgements made by management

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

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

- **Valuation of financial instruments**
The valuation of financial instruments is based on the market situation and the ability of counter party to repay its loans at the reporting date.
- **Going concern**
The Directors have assessed the ability of the company to continue as a going concern and given the ability of the company to direct the operations and cash flows of its subsidiary Namzinc (Proprietary) Limited consider the going concern basis of accounting appropriate despite the accumulated deficit at year end.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

1. ACCOUNTING POLICIES (continued)

1.5 Judgements made by management (continued)

Key sources of estimation uncertainty and judgments

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

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

The directors do not consider there to be any significant sources of estimation uncertainty, other than regarding the recoverability of its investments in subsidiaries and loans owed by subsidiaries.

2. INVESTMENTS IN SUBSIDIARIES

Shares at cost

	Issued capital	Percentage held		2017 N\$	2016 N\$
		2017	2016		
Skorpion Mining Company (Proprietary) Limited	100	100%	100%	2 553 961	2 553 961
Namzinc (Proprietary) Limited	100	100%	100%	2 553 961	2 553 961
Amica Guest House (Proprietary) Limited	100	100%	100%	100	100
Total shares at cost				<u>5 108 022</u>	<u>5 108 022</u>
Net investment in subsidiary companies				<u>5 108 022</u>	<u>5 108 022</u>

Additional information on investments:

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

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

	2017 N\$	2016 N\$
3. INVESTMENTS IN JOINT VENTURES		
<u>UNLISTED</u>		
<u>Shares at cost</u>		
50 Ordinary shares of N\$1 each in RoshSkor Township (Proprietary) Limited (Directors' valuation: N\$50)	50	50
<u>Shares at cost</u>		
69 Ordinary shares of N\$1 each in Rosh Pinah Health Care (Proprietary) Limited	69	69
69 Ordinary shares of N\$1 each with a share premium of N\$138 947.13 per share (Directors' valuation: N\$9 587 421)	9 587 352	9 587 352
Amounts owing by:		
Rosh Pinah Health Care (Proprietary) Limited	143 940	143 940
RoshSkor Township (Proprietary) Limited	<u>13 723 813</u>	<u>15 556 381</u>
Net investment	<u>23 455 224</u>	<u>25 287 792</u>

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

4. HOLDING COMPANY LOANS

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

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

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

	Amounts owed to related parties		Amounts due by related parties*	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	N\$	N\$	N\$	N\$
THL Zinc Namibia Holdings (Proprietary) Limited	982 298 055	982 298 055	-	-
Namzinc (Proprietary) Limited	-	-	554 590 825	556 488 519
Skorpion Mining Company (Proprietary) Limited	-	-	399 386 056	398 886 050
	<u>982 298 055</u>	<u>982 298 055</u>	<u>953 976 881</u>	<u>955 374 569</u>

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

*Included in subsidiary companies. See Note 2.

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

5. CASH AND CASH EQUIVALENTS

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

Bank balances and cash are denominated as follows:

	<u>2017</u>	<u>2016</u>
	N\$	N\$
- Local currency:	<u>4 412 862</u>	<u>978 186</u>

6. SHARE CAPITAL AND PREMIUM

Authorised

4 000 ordinary shares of N\$1 each	<u>4 000</u>	<u>4 000</u>
------------------------------------	--------------	--------------

Issued

101 ordinary shares of N\$1 each	<u>101</u>	<u>101</u>
----------------------------------	------------	------------

Share premium	<u>5 107 921</u>	<u>5 107 921</u>
---------------	------------------	------------------

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

7. FINANCE INCOME

Finance income

- Bank	<u>83 674</u>	<u>62 432</u>
--------	---------------	---------------

Less: Finance costs

- Net foreign exchange gain	<u>-</u>	<u>(1 919)</u>
-----------------------------	----------	----------------

	<u>83 674</u>	<u>60 513</u>
--	---------------	---------------

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

	<u>2017</u>	<u>2016</u>
	N\$	N\$
8. TAXATION		
Namibian Normal Taxation		
Current taxation	-	-
	<u>-</u>	<u>-</u>
<u>Reconciliation of tax rate</u>		
	%	%
- standard statutory tax rate	32.0	32.0
- unutilised tax loss	(32.0)	(32.0)
Effective tax rate	<u>-</u>	<u>-</u>

9. NOTES TO THE STATEMENT OF CASH FLOWS

	N\$	N\$
9.1 RECONCILIATION OF PROFIT / (LOSS) BEFORE TAXATION TO CASH GENERATED BY OPERATIONS		
Profit / (Loss) before taxation	59 954	(636 259)
Net Finance income	(83 674)	(60 513)
	<u>(23 720)</u>	<u>(696 772)</u>
Working capital changes	106 213	41 826
(Increase) / decrease in trade and other receivables	(8 050)	-
Increase / (decrease) in trade and other payables	114 263	41 826
Cash generated / (utilised) by operations	<u>82 493</u>	<u>(654 946)</u>
9.2 TAXATION PAID		
Balance receivable at beginning of the year	(339 447)	(328 567)
Charge to profit and loss	-	-
Balance receivable at the end of the year	<u>301 200</u>	<u>339 447</u>
Taxation (received) / paid	<u>(38 247)</u>	<u>10 880</u>

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

10. FINANCIAL RISK AND CAPITAL MANAGEMENT

Capital risk management

The company manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The company's overall strategy remains unchanged from 2016.

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

Foreign currency management

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

Interest rate management

Borrowings are mostly obtained from the holding company and interest rates are managed in accordance with the policies set down by the Vedanta Resources 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 company's risk expectations and increase/decrease of 1% in the rate would result in an increase/decrease in interest earnings of N\$44 129 (2016: N\$9 782).

Credit risk management

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

Liquidity risk

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

Categories of Financial instruments

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

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

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

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

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Liquidity risk (continued)

	<u>Less than 1</u> <u>month</u> N\$	<u>1-3 months</u> N\$	<u>3 months to 1</u> <u>year</u> N\$	<u>1-5 years</u> N\$	<u>5+ years</u> N\$	<u>Total</u> N\$
<u>Company</u>						
<u>2017</u>						
Other payables	-	163 724	-	-	-	163 724
Holding company loans	-	-	982 298 055	-	-	982 298 055
<u>Company</u>						
<u>2016</u>						
Other payables	-	49 462	-	-	-	49 462
Holding company loans	-	-	982 298 055	-	-	982 298 055

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

Statement of Financial Position - categories of financial instruments

2017	<u>Available-for- sale financial assets</u>	<u>Cash and cash equivalents</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Non-financial assets and liabilities</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$	N\$
ASSETS						
NON-CURRENT ASSETS	14 695 493	-	13 867 753	-	-	28 563 246
Investment in subsidiaries	5 108 022	-	-	-	-	5 108 022
Investments in joint ventures	9 587 471	-	13 867 753	-	-	23 455 224
CURRENT ASSETS	-	4 412 862	953 976 881	-	309 250	958 698 993
Cash and cash equivalents	-	4 412 862	-	-	-	4 412 862
Trade and other receivables	-	-	-	-	8 050	8 050
Related party loans	-	-	953 976 881	-	-	953 976 881
Taxation	-	-	-	-	301 200	301 200
TOTAL ASSETS	14 695 493	4 412 862	967 844 634	-	309 250	987 262 239
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES	-	-	-	-	4 800 459	4 800 459
Share capital	-	-	-	-	101	101
Share premium	-	-	-	-	5 107 921	5 107 921
Accumulated deficit	-	-	-	-	(307 563)	(307 563)
CURRENT LIABILITIES	-	-	-	982 461 780	-	982 461 780
Holding company loans	-	-	-	982 298 055	-	982 298 055
Other payables	-	-	-	163 725	-	163 725
TOTAL EQUITY AND LIABILITIES	-	-	-	982 461 780	4 800 459	987 262 239

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

10. FINANCIAL AND CAPITAL RISK MANAGEMENT (continued)

2016	<u>Available for sale financial assets</u>	<u>Cash and cash equivalents</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortised cost</u>	<u>Non-financial assets and liabilities</u>	<u>Total</u>
	N\$	N\$	N\$	N\$	N\$	N\$
ASSETS						
NON-CURRENT ASSETS	14 695 493	-	15 700 321	-	-	30 395 814
Investment in subsidiaries	5 108 022	-	-	-	-	5 108 022
Investments in joint ventures	9 587 471	-	15 700 321	-	-	25 287 792
CURRENT ASSETS	-	978 186	955 374 575	-	339 447	956 692 208
Cash and cash equivalents	-	978 186	-	-	-	978 186
Related party loans	-	-	955 374 575	-	-	955 374 575
Taxation	-	-	-	-	339 447	339 447
TOTAL ASSETS	14 695 493	978 186	971 074 896	-	339 447	987 088 022
EQUITY AND LIABILITIES						
CAPITAL AND RESERVES	-	-	-	-	4 740 505	4 740 505
Share capital	-	-	-	-	101	101
Share premium	-	-	-	-	5 107 921	5 107 921
Accumulated deficit	-	-	-	-	(367 517)	(367 517)
CURRENT LIABILITIES	-	-	-	982 347 517	-	982 347 517
Holding company loans	-	-	-	982 298 055	-	982 298 055
Other payables	-	-	-	49 462	-	49 462
TOTAL EQUITY AND LIABILITIES	-	-	-	982 347 517	4 740 505	987 088 022

SKORPION ZINC (PROPRIETARY) LIMITED

NOTES TO THE ANNUAL FINANCIAL STATEMENTS (continued)
for the year ended 31 March 2017

<u>2017</u>	<u>2016</u>
N\$	N\$

11. DIVIDENDS

During the year the following dividends were declared:

-	-
---	---

12. COMPENSATION OF DIRECTORS

No directors emoluments were paid by Skorpion Zinc (Proprietary) Limited during the current financial year (2016: Nil).

13. 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.

14. AUTHORISATION OF ANNUAL FINANCIAL STATEMENTS

The financial statements were authorised by the Directors and approved for issue on 01 June 2017.