THL ZINC VENTURES LTD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2017

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FOR THE YEAR ENDED 31 MARCH 2017

CONTENTS | **PAGE**

CONTENTS	PAGE
CORPORATE INFORMATION	1
COMMENTARY OF THE DIRECTORS	2
CERTIFICATE FROM SECRETARY	3
INDEPENDENT AUDITOR'S REPORT	4-6
STATEMENT OF FINANCIAL POSITION	7
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 24

THL ZINC VENTURES LTD
CORPORATE INFORMATION

		Date of appointment	Date of resignation
DIRECTORS:	Gyaneshwarnath Gowrea	17-Nov-10	-
	Din Dayal Jalan	17-Nov-10	28-Oct-16
	Doomraj Sooneelall	30-Jun-15	-
	Deepak Kumar	28-Oct-16	-

ADMINISTRATOR AND SECRETARY:

CIM CORPORATE SERVICES LTD
Les Cascades Building
Edith Cavell Street
Port Louis
Mauritius

REGISTERED OFFICE:

C/o CIM CORPORATE SERVICES LTD
Les Cascades Building
Edith Cavell Street
Port Louis
Mauritius

BANKER:

Standard Chartered Bank (Mauritius) Limited
Units 6A and 6B
6th Floor, Standard Chartered Tower
19 - 21, Bank Street, Cybercity
Ebène
Mauritius

AUDITOR:

Ernst & Young
9th Floor, NeXTeracom Tower I
Cybercity
Ebène
Mauritius

<u>THL ZINC VENTURES LTD</u>
<u>COMMENTARY OF THE DIRECTORS</u>

The directors present their commentary, together with the audited financial statements of THL Zinc Ventures Ltd (the "Company") for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company is investment holding.

RESULTS AND DIVIDEND

The Company’s loss for the year ended 31 March 2017 is **USD 12,859** (2016: USD 15,318).

The directors do not recommend the payment of dividend for the year ended 31 March 2017 (2016: NIL).

SIGNIFICANT EVENT DURING THE YEAR

During the current year, the merger of Cairn India Limited (“Cairn India”), a fellow subsidiary, into the Company's intermediate holding company, Vedanta Limited (“Vedanta"), was substantially completed and was implemented in the month of April 2017 by allotment of shares of Vedanta to the shareholders of Cairn India. As per the terms of the Scheme of merger, Vedanta and its subsidiaries (including Twin Star Mauritius Holdings Limited ("TSMHL")) did not receive any consideration in lieu of their holding in Cairn India which stood extinguished upon the merger being implemented.
Accordingly, THL Zinc Ltd, the subsidiary of the Company, recognised a provision for impairment against the loan it had extended to TSMHL. As a result, the Company has made an impairment provision of USD 503,772,493 against the investment in the Optionally Convertible Redeemable Preference Shares issued by THL Zinc Ltd. and the effects of the same were carried through the statement of changes in equity.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

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

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

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

AUDITOR

In the auditors rotation process, the existing auditors, Deloitte Mauritius had been replaced by Ernst & Young, Mauritius. The Auditors, Ernst & Young, have indicated their willingness to continue in office and will be automatically re-appointed at the next Annual Meeting.

<u>THL ZINC VENTURES LTD</u>

SECRETARY'S CERTIFICATE

TO THE MEMBER OF THL ZINC VENTURES LTD

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

We certify, as secretary of the Company, that based on records and information made available to us by the Directors and Sole Shareholder of the Company, the Company has filed with the Registrar of Companies, for the financial year ended 31 March 2017, all such returns as required of the Company under the Companies Act 2001.

Authorised Signatory
Date: July 7, 2017

Independent auditor's report to the shareholder of THL Zinc Ventures Ltd

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of THL Zinc Ventures Ltd (the "Company") set out on pages 7 to 24 which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the financial statements give a true and fair view of, the financial position of the Company as at 31 March 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and comply with the Companies Act 2001.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 17 to the financial statements, which indicates that the Company incurred a net loss for the year ended 31 March 2017 of USD 12,859 (2016: USD 15,318) and, as at that date, the Company's total liabilities exceeded its total assets by USD 494,410,144 (2016: shareholder's equity of USD 9,375,208). These conditions along with other matters set forth in note 17 indicate the existence of a material uncertainty which may cast significant doubt on the entity's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

The directors are responsible for the other information. The other information comprises the Commentary of Directors and the Certificate from the Secretary as required by the Companies Act 2001, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this 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 2001, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report to the shareholder of
THL Zinc Ventures Ltd

Report on the Audit of the Financial Statements (Continued)

Responsibilities of the Directors for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

· Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

· Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

· Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

· Conclude on the appropriateness of the director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

· Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent auditor's report to the shareholder of THL Zinc Ventures Ltd

Report on the Audit of the Financial Statements (Continued)

Other matter

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

Report on Other Legal and Regulatory Requirements

Companies Act 2001

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

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

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

ERNST & YOUNG
Ebène, Mauritius

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

Date: July 7, 2017

THL ZINC VENTURES LTD
STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

	Notes	**2017 USD**	2016 USD
ASSETS			
Non-current asset			
Investment in subsidiary	5	**205,228,507**	709,001,000
Current assets			
Other receivables	6	**483,728**	466,232
Cash and cash equivalents		**20,113**	20,257
Total current assets		**503,841**	486,489
TOTAL ASSETS		**205,732,348**	709,487,489
EQUITY AND LIABILITIES			
Equity			
Issued capital	7	**10,000,001**	10,000,001
Other Equity reserve	5	**(503,772,493)**	-
Accumulated losses		**(637,652)**	(624,793)
Shareholders' deficit		**(494,410,144)**	9,375,208
Non-current liabilities			
Optionally Convertible Redeemable Preference Shares	8	**700,000,000**	700,000,000
Current liabilities			
Other payables	9	**142,492**	112,281
Total liabilities		**700,142,492**	700,112,281
TOTAL EQUITY AND LIABILITIES		**205,732,348**	709,487,489

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

……………………………… ………………………………
Director **Director**

The notes on pages 11 to 24 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

THL ZINC VENTURES LTD
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 USD	2016 USD
INCOME			
Interest income	11	**17,515**	17,566
Liabilities written back	11	**-**	99
		17,515	17,665
ADMINISTRATIVE EXPENSES			
Filing & Registration Fees		**(2,015)**	(2,015)
Professional fee		**(8,200)**	(7,851)
Audit fees		**(2,500)**	(5,433)
		(12,715)	(15,299)
FINANCE COSTS			
Dividend on preference shares	12	**(17,496)**	(17,544)
Bank charges	12	**(163)**	(140)
		(17,659)	(17,684)
Loss before taxation		**(12,859)**	**(15,318)**
Income tax expense	13	**-**	-
Loss for the year		**(12,859)**	(15,318)
Other comprehensive income		**-**	-
Total comprehensive loss for the year		**(12,859)**	(15,318)

The notes on pages 11 to 24 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

THL ZINC VENTURES LTD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Issued capital USD	Other Equity reserve USD	Accumulated losses USD	Total equity USD
At 1 April 2015	10,000,001	-	(609,475)	9,390,526
Loss for the year and total comprehensive loss	-		(15,318)	(15,318)
At 31 March 2016	10,000,001	-	(624,793)	9,375,208
At 1 April 2016	**10,000,001**	**-**	**(624,793)**	**9,375,208**
Loss for the year and total comprehensive loss	**-**	**-**	**(12,859)**	**(12,859)**
Impairment of Investment (refer to note 5)	**-**	**(503,772,493)**	**-**	**(503,772,493)**
At 31 March 2017	**10,000,001**	**(503,772,493)**	**(637,652)**	**(494,410,144)**

The notes on pages 11 to 24 form an integral part of these financial statements
Independent Auditor's report on page 4 to 6

THL ZINC VENTURES LTD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 USD	2016 USD
Cash flows from operating activities			
Net cash used in operating activities	10	**(163)**	(5,315)
Investing activities			
Interest received on deposits		**19**	22
Net cash from investing activities		**19**	22
Net decrease in cash and cash equivalents		**(144)**	(5,293)
Cash and cash equivalents at beginning of year		**20,257**	25,550
Cash and cash equivalents at end of year		**20,113**	20,257

The notes on pages 11 to 24 form an integral part of these financial statements
Independent Auditor's report on page 4-6

THL ZINC VENTURES LTD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1 CORPORATE INFORMATION

THL Zinc Ventures Ltd (the "Company") was incorporated in Mauritius, under the Mauritius Companies Act 2001, on 28 February 2008 as a private company. The Company was set up as a Category 2 Global Business Licence company and pursuant to a shareholder resolution of 18 November 2010, the Company changed its legal regime to a Category 1 Global Business Licence company. The Company's registered office address is c/o CIM Corporate Services Ltd, Les Cascades Building, Edith Cavell Street, Port Louis, Mauritius. The Company's principal activity is investment holding.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of preparation

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

(c) Significant accounting judgements, estimates and assumptions

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

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

Judgements

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

Functional currency

The directors consider the USD to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results to the members. Therefore, management considers the USD as the currency that most represents the economic effects of the underlying transactions, events and conditions.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has access to resources to continue in business for the foreseeable future. Refer to note 17 for more details.

Estimates and assumptions

At the reporting date, there were no key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

3.1 Changes in accounting policies

The accounting policies adopted in these financial statements are consistent with those of the previous financial year. There were a number of new standards and interpretations which were effective for this financial year, none of which have an impact on the Company.

3.2 Accounting standards and interpretations issued but not yet effective

A number of new standards , amendments to existing standards and interpretations have been issued and are not yet effective at the end of the issuance of the financial statements of the company. The company does not intend to early adopt these standards and interpretations as the directors do not consider these to have a material impact on the Company.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies, which have been applied consistently, is set out below:

(a) Functional and presentation currency

The directors consider United States Dollar ("USD") to be the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The USD is the currency in which the Company measures its performance and reports its results, as well as the currency in which it receives capital contribution from its investors. This determination also considers the competitive environment in which the Company operates. The Company's financial statements are presented in USD.

Foreign currency translations

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in profit or loss as part of the ‘Net gain or loss on financial assets and liabilities at fair value through profit or loss’. Exchange differences on other financial instruments are included in profit or loss as ‘Net foreign exchange gains/(losses)’.

(b) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is received. The specific recognition criteria described below must also be met before revenue is recognised.

Interest income

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as AFS, interest income is recorded using the effective interest rate (EIR). The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

Dividend income

Revenue is recognised when the Company’s right to receive the payment is established, which is generally when shareholders approve the dividend.

(c) Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the company expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Expense Recognition

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

(e) Investment in subsidiary

A subsidiary is an entity (including special purpose entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Investments in subsidiaries are shown at cost. Where the carrying amount of the investment is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount and the difference is transferred to the statement of profit or loss and other comprehensive income. On disposal of the investments,the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

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

(f) Financial Instruments

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

Initial Recognition and measurement

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

The financial assets of the company comprises of other receivables and cash and cash equivalents.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the EIR method, less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Effective interest method

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (cont'd)

Impairment of financial assets

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

Financial assets at amortized cost

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

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

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

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) where:
• The rights to receive cash flows from the asset have expired or

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

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (cont'd)

Financial liabilities and equity instruments issued by the Company.

Classification as debt or equity

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

Equity instruments

Ordinary shares are classified as equity

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

(g) **Financial liabilities**

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs

The Company's financial liabilities include other payables and optionally convertible redeemable preference shares.

Loans and borrowings

This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation (if any) is included as finance costs in the statement of profit or loss.

Derecognition of financial liabilities

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

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment of non financial assets

At each reporting date, the company determines whether there is objective evidence that the investment in the assets is impaired. If there is such evidence, the company calculates the amount of impairment as the difference between the recoverable amount and its carrying value, and then recognises the loss in the statement of profit or loss. An asset's recoverable amount is the higher of an asset's or CGU's(cash generating units) fair value less costs of disposal and its value in use.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs in the statement of profit or loss.

(i) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

(j) Taxation

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

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

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

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

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

4 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(k) Related parties

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

(l) Current v/s Non -current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

• Expected to be realised or intended to be sold or consumed in the normal operating cycle
• Held primarily for the purpose of trading
 Expected to be realised within twelve months after the reporting period
Or
• Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

• It is expected to be settled in the normal operating cycle
• It is held primarily for the purpose of trading
• It is due to be settled within twelve months after the reporting period
Or
• There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The company classifies all other liabilities as non-current.

(m) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and cash equivalents with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

THL ZINC VENTURES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

5 INVESTMENT IN SUBSIDIARY

	2017 USD	2016 USD
THL Zinc Limited	**205,228,507**	709,001,000

Details of the investments held in subsidiary during the year are provided below:

	Company	Principal Activity	Types of Shares	No of Shares Held 2017 and 2016	Proportion of ownership interests 2017	Proportion of ownership interests 2016	2017 USD	2016 USD
(a)	THL Zinc Ltd	Investment holding	Ordinary	91,000	**100%**	100%	**9,001,000**	9,001,000
(b)	THL Zinc Ltd	Investment holding	OCPRS	7,000,000	**21.9%**	78.1%	**700,000,000**	700,000,000
	Less: Impairment of Investment						**(503,772,493)**	-
	Total (b)						**196,227,507**	**700,000,000**
	Total						**205,228,507**	**709,001,000**

The Optionally Convertible Redeemable Preference Shares ('OCPRS') carry interest at the rate of 0.25% p.a.. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the issuer at any time. The directors have confirmed that they will not opt for conversion within the next twelve months.

During the current year, the merger of Cairn India Limited (“Cairn India”), a fellow subsidiary, into the Company's intermediate holding company, Vedanta Limited (“Vedanta"), was substantially completed and was implemented in the month of April 2017 by allotment of shares of Vedanta to the shareholders of Cairn India. As per the terms of the Scheme of merger, Vedanta and its subsidiaries (including TSMHL) did not receive any consideration in lieu of their holding in Cairn India which stood extinguished upon the merger being implemented.

Accordingly, THL Zinc Ltd, the subsidiary of the Company, recognised a provision for impairment against the loan it had extended to TSMHL. As a result, the Company has made an impairment provision of USD 503,772,493 against the investment in Optionally Convertible Redeemable Preference Shares issued by THL Zinc Ltd. and the effects of the same were carried through the statement of changes in equity.

6 OTHER RECEIVABLES

	2017 USD	2016 USD
Amount due from THL Zinc Ltd (note 14)	**373,000**	373,000
Interest on Optionally Convertible Redeemable Preference Shares (note 14)	**110,728**	93,232
	483,728	466,232

The amount due from THL Zinc Ltd, the subsidiary, is unsecured, interest free and repayable on demand.

THL ZINC VENTURES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

7 ISSUED CAPITAL

Ordinary shares	**2017**	2016
	USD	USD
Issued and Fully Paid		
At 1 April and 31 March	**10,000,001**	10,000,001

The shares in the capital of the Company comprise of 1 ordinary share of no par value and 100,000 ordinary shares of par value USD 100 each, issued to Vedanta Limited

The ordinary shares carry voting rights and a right to dividend.

Pursuant to a shareholder's resolution dated 3 December 2010, there has been an alteration in the capital structure of the Company such that henceforth all subsequent issuance of ordinary shares will be made at a par value of USD 100. There was no change to the existing 1 ordinary share of no par value.

8 OPTIONALLY CONVERTIBLE REDEEMABLE PREFERENCE SHARES ("OCRPS")

The Company has issued 7 Million, 0.25% Optionally Convertible Redeemable Preference Shares (OCRPS) of USD 1 each with a premium of USD 99 each to Vedanta Limited, the immediate holding company, incorporated in India pursuant to a board resolution dated 3 December 2010. Each OCRPS can be converted at the option of the investor into a variable number of equity shares and can be redeemed at the option of the Company. The directors confirm that the Optionally Convertible Redeemable Preference Shares will not be redeemed within the next twelve months.

In accordance with paragraph 16 of IAS 32 Financial Instruments: Presentation, the Optionally Convertible Redeemable Preference Shares (OCRPS) have been classified as a liability.

Vedanta Limited have confirmed that the OCRPS will not be converted into equity shares within the next twelve months.

9 OTHER PAYABLES

	2017	2016
	USD	USD
Audit fees	**2,500**	5,433
Other payables	**29,264**	13,616
Accrued interest on Optionally Convertible Redeemable Preference Shares	**110,728**	93,232
At 31 March	**142,492**	112,281

10 NET CASH USED IN OPERATING ACTIVITIES

	2017	2016
	USD	USD
Loss before tax	**(12,859)**	(15,318)
Adjustments for:		
- Interest income	**(17,515)**	(17,566)
- Interest expense	**17,496**	17,544
- Liability written off	**-**	99
Changes in working capital:		
Increase in other receivables	**(17,496)**	(17,544)
Increase in other payables	**30,211**	27,470
Operating loss before working capital changes	**(163)**	(5,315)

11 INCOME

	2017	2016
	USD	USD
Interest on optionally convertible redeemable Preference Shares	**17,496**	17,544
Liabilities written back	-	99
Interest on Bank Deposits	**19**	22
	17,515	17,665

12 FINANCE COSTS

	2017	2016
	USD	USD
Interest on Optionally Convertible Redeemable Preference Shares	**(17,496)**	(17,544)
Bank Charges	**(163)**	(140)
	(17,659)	(17,684)

13 INCOME TAX

The Company, being the holder of a Category 1, Global Business Licence, is liable to income tax in Mauritius on its taxable profit arising from its world-wide income at the rate of 15%. The Company's foreign sourced income is eligible for a foreign tax credit which is computed as the lower of the Mauritian tax and the foreign tax on the respective foreign sourced income. The foreign tax for a GBL1 company is based on either the foreign tax charged by the foreign country or a presumed amount of foreign tax: the presumed amount of foreign tax is based on 80% of the Mauritian tax on the relevant foreign sourced income. In computing its total foreign tax credit, the Company is allowed to pool all its foreign sourced income.

Capital gains are outside the scope of the Mauritian tax net while trading profits made by the Company from the sale of shares are exempt from tax.

At 31 March 2017, the Company had tax losses of **USD 78,472** (2016: USD 612,165). Losses incurred in an income year may be carried forward to be set-off against net income of the following 5 income years only. The accumulated tax losses at 31 March 2017 are available for set off against any taxable income, as follows:

Loss relating to financial year ending	**Carry forward up to financial year ending:**	**USD**
31 March 2013	31 March 2018	**22,135**
31 March 2014	31 March 2019	**13,474**
31 March 2015	31 March 2020	**14,546**
31 March 2016	31 March 2021	**15,439**
31 March 2017	31 March 2022	**12,878**
		78,472

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

Tax reconciliation

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2017	2016
Loss before income tax	**(12,859)**	(15,318)
Income tax @15%	**(1,929)**	(2,298)
Less - Exempt Income	**(3)**	(18)
Add - Effect of unused tax losses not recognised as deferred tax assets	**1,932**	2,316
Income tax expense recognised in profit and loss	**-**	**-**

14 RELATED PARTY TRANSACTIONS

During the year ended 31 March 2017, the Company traded with related parties. The nature and volume of transactions with the entities are as follows:

Name of company	Relationship	Nature of Transaction	2017 USD	2016 USD
THL Zinc Ltd	Subsidiary	Dividend income	**17,496**	17,544
Vedanta Limited	Immediate holding company	Preference Dividend	**17,496**	17,544
Vedanta Resources Plc	Intermediate holding company	Payment of expenses	**15,649**	10,365
Outstanding balances				
THL Zinc Ltd	Subsidiary	Receivable	**373,000**	373,000
THL Zinc Ltd	Subsidiary	Interest receivable on OCRPS	**110,728**	93,232
Vedanta Limited	Immediate holding company	Interest payable on OCRPS	**110,728**	93,232
Vedanta Resources Plc	Intermediate holding company	Other payables	**26,014**	10,365
Vedanta Limited	Immediate holding company	Optionally convertible redeemable preference shares	**700,000,000**	700,000,000

The interest payable on OCRPS is unsecured and do not have any repayment terms.

Other related party transactions

CIM Corporate Service Ltd performs certain administration and related services for the Company. A sum amounting to USD 10,215 (2016: USD 9,866) which includes professional fees for the provision of directorship services of USD 2,000 (2016: USD 2,000) was expensed during the year in respect of the aforesaid services. No compensation to key management personnel was paid during the year (2016 : Nil).

15 FINANCIAL INSTRUMENTS

Fair values

The carrying amounts of other receivables, cash and cash equivalents, and other payables approximate their fair values.

Categories of financial instruments

	2017 USD	2016 USD
Financial assets		
Other receivables	**483,728**	466,232
Cash and cash equivalents	**20,113**	20,257
	503,841	486,489
Financial liabilities		
Optionally Convertible Redeemable Preference Shares	**700,000,000**	700,000,000
Other payables	**142,492**	112,281
	700,142,492	700,112,281

THL ZINC VENTURES LTD
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 MARCH 2017

15 FINANCIAL INSTRUMENTS (CONT'D)

Currency profile

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

	Financial assets 2017	**Financial liabilities 2017**	Financial assets 2016	Financial liabilities 2016
	USD	**USD**	USD	USD
United States Dollars	**503,841**	**700,142,492**	486,489	700,112,281

The Company is not exposed to currency risk

(a) Market Risk Management

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

(b) Interest Rate Risk Management

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Any excess cash and cash equivalents of the Company are invested in short-term time deposits and liquid funds.

The following table details the Company 's exposure to interest rate risks. The total interest sensitivity gap represents the net notional amounts of all interest sensitive financial instruments.

31 March 2017	**Interest bearing**	**Non-interest bearing**	**Total**
	USD	**USD**	**USD**
Assets			
Other receivables	**-**	**483,728**	**483,728**
Cash and cash equivalents	**-**	**20,113**	**20,113**
Total assets	**-**	**503,841**	**503,841**
Liabilities			
Optionally Convertible Redeemable Preference Shares	**700,000,000**	**-**	**700,000,000**
Other payables	**-**	**142,492**	**142,492**
Total liabilities	**700,000,000**	**142,492**	**700,142,492**

15 FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk Management (cont'd)

31 March 2016	Interest bearing	Non-interest bearing	Total
	USD	USD	USD
Assets			
Other receivables	-	466,232	466,232
Cash and cash equivalents	-	20,257	20,257
Total assets	-	486,489	486,489
Liabilities			
Optionally Convertible Redeemable Preference Shares	700,000,000	-	700,000,000
Other payables	-	112,281	112,281
Total liabilities	700,000,000	112,281	700,112,281

The Optionally Convertible Redeemable Preference Shares are not sensitive to movement in interest rates.

(c) Liquidity risk management

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

The Company manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of the financial assets and liabilities. The table below illustrates the maturity profile of the Company's financial liabilities.

31 March 2017	**Up to 1 year**	**More than 1 year**	**Total**
	USD	**USD**	**USD**
Liabilities			
Optionally Convertible Redeemable Preference Shares	-	**700,000,000**	**700,000,000**
Other payables	**142,492**	**-**	**142,492**
Total	**142,492**	**700,000,000**	**700,142,492**

31 March 2016	Up to 1 year	More than 1 year	Total
	USD	USD	USD
Liabilities			
Optionally Convertible Redeemable Preference Shares	-	700,000,000	700,000,000
Other payables	112,281	-	112,281
Total	112,281	700,000,000	700,112,281

15 **FINANCIAL RISK MANAGEMENT (CONT'D)**

(d) Capital risk management

For the purpose of the company’s capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the company’s capital management is to maximise the shareholder value.

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

The company monitors capital using a gearing ratio, which is net debt divided by total capital.The company includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits, excluding discontinued operations.

The capital structure of the Company consists of stated capital and equity.

Gearing ratio

The gearing ratio at the year end was as follows:

	2017	2016
	USD	USD
Debt (i)	**700,000,000**	700,000,000
Cash and cash equivalents	**(20,113)**	(20,257)
Net debt	**699,979,887**	699,979,743
Equity (ii)	**(494,410,144)**	9,375,208
Net debt to equity ratio (times)	**N/A**	75

(i) Debt is defined as long-term and short-term borrowings.
(ii) Equity includes all capital and equity.

(e) Currency risk management

There is no significant exchange rate risk as substantially all financial assets and financial liabilities are denominated in United States Dollar which is the functional currency of the Company.

The investments in the subsidiary is denominated in United States dollars and therefore, the Company is not exposed to movement in exchange rates on realisation of the investments.

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

The Company’s immediate holding company is Vedanta Limited (formerly known as Sterlite Infra Ltd), a company established in India. The Company's intermediate holding company is Vedanta Resources Plc a company incorporated in the United Kingdom. The ultimate holding company is Volcan Investments Limited, a company incorporated in the Bahamas.

17 **GOING CONCERN**

The Company incurred a net loss of USD 12,859 (2016: USD 15,318) for the year ended 31 March 2017 and as at that date, its total liabilities exceeded its total assets by USD 494,410,144 (2016:shareholder's equity USD 9,375,208)

The directors have received a letter of support from Vedanta Limited, the intermediate holding company, who will provide financial support to the Company to enable the latter to meet its obligations as and when they fall due and to carry on its current business for the next 12 months.

These conditions give rise to a material uncertainty which may cast significant doubt about the Company’s ability to continue as a going concern and, therefore that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

18 **EVENTS AFTER THE REPORTING PERIOD**

There have been no material events after reporting date which would require disclosure or adjustment to the financial statements for the year ended 31 March 2017.