

**COPPER MINES OF TASMANIA PTY LIMITED**

**A.B.N. 36 065 339 835**

**SPECIAL PURPOSE FINANCIAL REPORT**

**FOR THE YEAR ENDED 31 MARCH 2016**

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**COPPER MINES OF TASMANIA PTY LIMITED**  
**DIRECTORS' REPORT**

The directors of Copper Mines of Tasmania Pty Limited submit herewith the annual financial report of the company for the financial year ended 31 March 2016. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names and particulars of the directors of the company during or since the end of the financial year are:

**DIRECTORS**

Mr. DD Jalan

Mr Kishore Kumar

Mr Geoffrey Allan Hilton

Ms Deshnee Naidoo (Appointed 17 April 2015)

**PRINCIPAL ACTIVITIES**

The company's principal continuing activities during the financial year consisted of:

- (a) Mining, processing and sale of copper concentrate, and
- (b) Exploration for copper and other base metals at Mt. Lyell, Tasmania

**DIVIDENDS**

In respect of the financial year ended 31 March 2016, no dividend was declared and paid. (2015: no dividend was declared and paid).

**REVIEW OF OPERATIONS**

A summary of revenues and results is set out below:

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from operating activities	-	782
Other revenue	181	556
Total revenue	<hr/> 181	<hr/> 1,338
Operating profit /(loss) for the financial year after income tax	<hr/> (33,271)	<hr/> (58,256)

Comments on the operations and the results of those operations are set out below:

**OPERATING RESULTS**

**Copper Mines of Tasmania Pty Ltd:**

On 17 January 2014 a mud-rush event occurred on the 1315 production level of the company's Prince Lyell ore body resulting in the fatality of a contractor employee and mining operation was suspended.

## **COPPER MINES OF TASMANIA PTY LIMITED**

### **DIRECTORS' REPORT**

All possible efforts were made to restart the operation safely. On 27 June 2014, a rockfall had occurred in the NEA access drive which connects the lower levels of the mine to surface. It has delayed restart of operation by three months. Due to the Rockfall incident, the directors decided to put the operation into Care & Maintenance. Operations are still under suspension and the company is engaged in Exploration and Project Studies to restart the mine operation. The company has completed - D Panel prospect feasibility and technical peer review studies and established 17Mt Indicated Resource and also completed the Scoping Study of Copper Chert prospect. Though the company is committed to develop D Panel prospect, high volatility and unsupportive low copper prices eventuate into extension of care & maintenance operations until there is an increase in copper prices in order for the operation to be sustainable.

#### **LIQUIDITY AND FUNDING**

The company holds a Letter of Comfort issued by Sterlite Industries (India) Limited (now known as Vedanta Ltd), a related company, under the approval of the board of directors, that states that Vedanta Limited accepts the responsibility for arranging to provide sufficient financial assistance to the company as and when it is needed to enable the company to continue its operations and fulfil all of its financial obligations now and in the future.

#### **CHANGES IN STATE OF AFFAIRS**

During the financial year, the company borrowed money from a related company to fund ongoing operation while under Care & Maintenance.

#### **SUBSEQUENT EVENTS**

There has not been any other matter or circumstances occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

#### **FUTURE DEVELOPMENTS**

Refer to comments relating to future developments in Operating Results section above.

There were no other developments in the company's operations that were not finalised at the date of this report.

#### **ENVIRONMENTAL REGULATION**

The company is subject to environmental regulations and operates under licence. The company is guided by the Environment Management and Pollution Control Act, 1994. The land use permit conditions are contained in the Environment Protection Notice (EPN) No. 308/2. The Environmental Management Plan was completed in March 1998 and together with the Act and EPN, is the basis for the management of all environmental aspects of the mining leases. The company has been relieved of any environmental obligation in relation to any contamination, pollutants or pollution caused by past operations prior to acquisition of the company by Monte Cello BV (i.e. prior to 1 April 1999).

The company's mining leases have been renewed for further period of 14 years to 30 December 2027. There were no major breaches of license conditions. The Company completed Princess Creek tailings facility Lift construction

**COPPER MINES OF TASMANIA PTY LIMITED**  
**DIRECTORS' REPORT**

& dredging during the year to cover exposed tailings under water. ISO 9001, ISO 14001, OHSAS 18001, AS/NZS 4801:2001 surveillance assessments were successfully conducted during the financial year.

**INDEMNIFICATION OF OFFICERS AND AUDITORS**

During the year a related company paid premiums to insure the directors of the company, the company secretary and other executive officers of the company against a liability incurred as such a director, company secretary or other executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the company against a liability incurred as such an officer or auditor other than issuing Deed of Access, Indemnity and Insurance to directors.

**ROUNDING OF AMOUNTS**

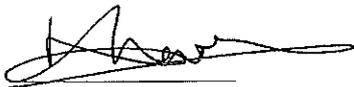
The company is of a kind referred to in Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

**AUDITOR'S INDEPENDENCE DECLARATION**

The auditor's independence declaration is included on page 4 of the financial report.

Signed in accordance with a resolution of the directors and made pursuant to S298 (2) of the Corporations Act 2001.

On behalf of the Directors



Deshnee Naidoo

Director

Queenstown

Date: 22-04-2016

The Board of Directors  
Copper Mines of Tasmania Pty Limited  
Locked Bag 1  
QUEENSTOWN TAS 7467

22 April 2016

Dear Board Members

### **Copper Mines of Tasmania Pty Limited**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Copper Mines of Tasmania Pty Limited.

As lead audit partner for the audit of the financial statements of Copper Mines of Tasmania Pty Limited for the financial year ended 31 March 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU



**Carl Harris**  
Partner  
Chartered Accountant

## **Independent Auditor's Report to the members of Copper Mines of Tasmania Pty Limited**

We have audited the accompanying financial report, being a special purpose financial report, of Copper Mines of Tasmania Pty Limited, which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 7 to 35.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 3.3 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Copper Mines of Tasmania Pty Limited would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion, the financial report of Copper Mines of Tasmania Pty Limited is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 March 2016 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards to the extent described in Note 3.2, and the *Corporations Regulations 2001*.

## *Basis of Accounting*

Without modifying our opinion, we draw attention to Note 3 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Carl Harris  
Partner  
Chartered Accountants  
Launceston, 23 April 2016

**COPPER MINES OF TASMANIA PTY LIMITED  
DIRECTORS DECLARATION**

**Directors' declaration**

As detailed in note 3 to the financial statements, the company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, this 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

The directors declare that :

- i. in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
  
- ii. in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company

Signed in accordance with a resolution of directors made pursuant to S295 (5) of the Corporations Act 2001.

On behalf of the Directors

Director



Deshnee Naidoo

Queenstown

Dated: 22-04-2016

**COPPER MINES OF TASMANIA PTY LIMITED**  
**STATEMENT OF PROFIT AND LOSS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>	181	1,338
Changes in inventories of finished goods and work in progress	-	(254)
Raw material & consumables used	(1,521)	(1,904)
Employee Benefit expenses	(5,620)	(10,531)
Depreciation and amortisation expenses	(5,025)	(12,608)
Mining and Milling costs	(6,497)	(21,633)
Selling and Distribution Costs	-	(173)
Finance Costs	(602)	(2,630)
Other expenses	(3,865)	(5,283)
Impairment expense	(10,322)	-
<b>Profit (Loss) before income tax expense</b>	<b>(33,271)</b>	<b>(53,678)</b>
Income tax expense	-	(4,578)
<b>Profit (Loss) for the year</b>	<b>(33,271)</b>	<b>(58,256)</b>

*Notes to the financial statements are included on pages 13 to 35*

**COPPER MINES OF TASMANIA PTY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Loss for the year</b>	(33,271)	(58,256)
<b>Other comprehensive income:</b>		
Available for sale financial assets		
Net fair value gain on available for sale financial assets during the year	1,459	-
Other comprehensive income for the year	1,459	-
<b>Total comprehensive income during the year</b>	(31,812)	(58,256)

*Notes to the financial statements are included on pages 13 to 35*

**COPPER MINES OF TASMANIA PTY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2016**

	Notes	2016 \$'000	2015 \$'000
<b>Current assets</b>			
Cash and cash equivalents		408	853
Trade and other Receivables	6	801	580
Inventories	7	5,407	5,946
Other assets	8	147	196
Available for Sale Financial Assets	9	23,929	-
Assets classified as held for sale	9	-	22,470
<b>Total current assets</b>		<b><u>30,692</u></b>	<b><u>30,045</u></b>
<b>Non-current assets</b>			
Property, plant and equipment	10	5,699	17,496
<b>Total non-current assets</b>		<b><u>5,699</u></b>	<b><u>17,496</u></b>
<b>Total Assets</b>		<b><u>36,391</u></b>	<b><u>47,541</u></b>
<b>Current liabilities</b>			
Trade and other payables	11	20,014	12,382
Provisions	12	519	638
Borrowings	13	29,394	16,499
<b>Total current liabilities</b>		<b><u>49,927</u></b>	<b><u>29,519</u></b>
<b>Non-current liabilities</b>			
Provisions	12	16,555	16,301
<b>Total non-current liabilities</b>		<b><u>16,555</u></b>	<b><u>16,301</u></b>
<b>Total Liabilities</b>		<b><u>66,482</u></b>	<b><u>45,820</u></b>
<b>Net Assets / (Liabilities)</b>		<b><u>(30,091)</u></b>	<b><u>1,721</u></b>
<b>Equity</b>			
Issued capital ( 2 shares of AUD 1 each)	14	0	0
(Accumulated losses) / Retained earnings		(31,550)	1,721
Investments revaluation reserve	15	1,459	-
<b>Total Share holders' equity</b>		<b><u>(30,091)</u></b>	<b><u>1,721</u></b>

*Notes to the financial statements are included on pages 13 to 35*

**COPPER MINES OF TASMANIA PTY LIMITED**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flow from operating activities</b>		
Loss before taxation	(33,271)	(53,678)
<b>Adjustments to reconcile net income to net cash</b>		
Depreciation	5,026	12,608
Impairment expense	10,322	-
Foreign exchange loss (unrealised)	(1,576)	2,569
(Profit) / Loss from sale of asset	-	(7)
Interest income	(21)	(145)
Interest expense	887	542
	<u>(18,633)</u>	<u>(38,110)</u>
<b>Changes in assets and liabilities :</b>		
Decrease /(increase) in trade and other receivables	(221)	12,117
Decrease /(increase) in inventories	539	(178)
Decrease /(increase) in other current and non-current assets	49	129
(Decrease) /increase in trade payables & provisions	7,711	2,299
(Decrease) /increase in other current and non-current liabilities	135	(1,908)
<b>Cash generated from operations</b>	<u>(10,420)</u>	<u>(25,651)</u>
Interest and other costs of finance paid	(597)	(139)
Interest received	21	145
Income taxes (paid)/ refund received	-	4,834
<b>Net cash from operating activities</b>	<u>(10,996)</u>	<u>(20,811)</u>
<b>Cash flow from investing activities</b>		
Purchases of property, plant and equipment	(3,444)	(4,526)
Proceeds from sale of property, plant and equipment	-	2
Loan repaid by related parties (Fujairah)	-	6,663
<b>Net cash provided by / (used in) investing activities</b>	<u>(3,444)</u>	<u>2,139</u>
<b>Cash flow from financing activities</b>		
Proceeds from short term debt	20,943	14,812
Repayment of short term debt	(6,948)	0
<b>Net Cash used in financing activities</b>	<u>13,995</u>	<u>14,812</u>
Net increase / (decrease) in cash and cash equivalents	(445)	(3,861)
Cash and cash equivalents at beginning of financial year	853	4,714
<b>Cash and cash equivalents at end of financial year</b>	<u>408</u>	<u>853</u>

Notes to the financial statements are included on pages 13 to 35

**COPPER MINES OF TASMANIA PTY LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

	<b>Fully paid ordinary shares \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Investments revaluation reserve \$'000</b>	<b>Total \$'000</b>
<b>Balance at 1 April 2014</b>	0	59,977	-	59,977
Loss for the year	0	(58,256)	-	(58,256)
Other comprehensive for the year	0	-	-	-
<b>Total comprehensive for the year</b>	<b>0</b>	<b>(58,256)</b>	<b>-</b>	<b>(58,256)</b>
Dividend paid during the year		-	-	-
<b>Balance at 31 March 2015</b>	<b>0</b>	<b>1,721</b>	<b>-</b>	<b>1,721</b>
Loss for the period	0	(33,271)	-	(33,271)
Other comprehensive for the year	0	-	1,459	1,459
<b>Total comprehensive for the year</b>	<b>0</b>	<b>(33,271)</b>	<b>1,459</b>	<b>(31,812)</b>
Dividend paid during the year	0	-	-	-
<b>Balance at 31 March 2016</b>	<b>0</b>	<b>(31,550)</b>	<b>1,459</b>	<b>(30,091)</b>

*Notes to the financial statements are included on pages 13 to 35*

**COPPER MINES OF TASMANIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**1. New and revised Accounting Standards**

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the annual reporting period ending 31 March 2016. The adoption of the following new and revised Standards and Interpretations has not resulted in any significant changes to the company's accounting policies or affected amounts reported for the current or prior years.

**List of Standards and Interpretations in issue not yet effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	31 December 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	31 December 2016
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15' and AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15'	1 January 2018	31 December 2018
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	31 December 2016
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	31 December 2016
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	31 December 2016
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	31 December 2016
AASB 2015-4 'Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent'	1 July 2015	31 December 2016
AASB 2015-9 'Amendments to Australian Accounting Standards – Scope and Application Paragraphs'	1 January 2016	31 December 2016

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
IFRS 16 <i>Leases</i>	1 January 2019	31 December 2019
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017	31 December 2017
Disclosure Initiative (Amendments to IAS 7)	1 January 2017	31 December 2017

**COPPER MINES OF TASMANIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**2. Significant accounting judgements, estimates and assumptions**

In the application of the Company's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

*Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below or elsewhere in the financial statements:

***Recoverability of inventory and property, plant and equipment***

On 17 Jan 2014, a mud rush event occurred underground at 1315 level, resulting in suspension of mining operations and impacting the viability of existing mine operations going forward. On 27 June 2014 a rock fall occurred in in the Prince Lyell mine affecting an access drive which connects the lower levels of the mine to surface. As a consequence of the mud rush and rock fall, mining operations were put into Care and Maintenance. During the year, the directors have considered the recoverability of the Company's inventory and property, plant and equipment which are included in the statement of financial position at 31 March 2016 with a carrying amount of \$11.1 million.

The company is currently investigating two mining prospects on the Mt Lyell mining lease. The company has completed a Feasibility Study and technical peers on the northern flank of the Prince Lyell deposit (D Panel) and established 17Mt of Indicated Resource. The company has also completed a Scoping Study of the Copper Chert prospect. Though the company is committed to develop D Panel prospects, high volatility and unsupportive low copper prices eventuate into extension of care & maintenance operations till increase in copper prices in order to be a sustainable operation. The company has prepared a discounted cash flow which indicates that the carrying amount of inventories and property, plant and equipment will be recovered in full, if the projects proceed. The projects are subject to regulatory approvals and the requirements and approvals of the company Board and the ultimate parent company Board to be obtained after improvement in current market conditions. If the company does not receive approvals to enable the projects to proceed, or if there are other factors that prevent the projects from proceeding, the company will consider other options in respect of the mine lease area.

The company has, as a result of the extension of the care & maintenance period and associated uncertainties outlined above, recognised an impairment expense relating to fixed assets during the current financial year totalling \$10.3m.

This situation will be closely monitored, and adjustments made in future periods if events indicate that such adjustments are appropriate.

**COPPER MINES OF TASMANIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**2. Significant accounting judgements, estimates and assumptions (continued)**

***Decommissioning liabilities***

Decommissioning liabilities represents the present value of decommissioning costs relating to the company's mining and production activities. These provisions have been created based on the independent external assessment (GHD) which may change in the future in response to changes in relevant legal requirements, changes in restoration techniques or experience at the production sites. Assumptions have been made based on the current economic environment which management believe are a reasonable basis upon which to estimate the future liability. However actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect the market conditions at the relevant time. Furthermore the timing of decommissioning is likely to depend on when the company's operation ceases. The liability has been discounted to its present value using risk free discount rates. Inflation rates have been used in determining decommissioning liabilities.

***Useful lives of property, plant and equipment:***

All mining assets have been fully depreciated. As a consequence of entering into Care and Maintenance, Plant and equipment assets are now being depreciated to cover normal wear & tear.

***Contingencies***

Due to the size, complexity and nature of the company's operations, various legal matters are outstanding from time to time. Contingencies can be possible assets or liabilities arising from past events which, by their nature, will only be resolved when one or more future events not wholly within our control occur or fail to occur. The assessment of such contingencies involves the use of significant judgment and estimates. In the event that management's estimate of the future resolution of these matters changes, the company will recognise the effects of the changes in its financial statements on the date such changes occur.

Actual results could differ from estimates and those differences could be material.

**3. Significant accounting policies**

**3.1 Financial reporting framework**

The Company is not a reporting entity because in the opinion of the directors there are unlikely to exist users of the financial report who are unable to command the preparation of reports tailored so as to satisfy specifically all of their information needs. Accordingly, these special purpose financial statements have been prepared to satisfy the directors' reporting requirements under the Corporations Act 2001.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

**3.2 Statement of compliance**

The financial statements have been prepared in accordance with the Corporations Act 2001, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and AASB 1054

**COPPER MINES OF TASMANIA PTY LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 31 MARCH 2016**

**3. Significant accounting policies (continued)**

**3.2 Statement of compliance (continued)**

‘Australian Additional Disclosures’. Since the Company has opted to prepare a Special Purpose Financial Report (SPFR) in the current year, the disclosure requirements of AASB 127 ‘Consolidated and Separate Financial Statements’ are optional and it has elected to not apply the disclosure requirements of AASB 127 ‘Consolidated and Separate Financial Statements’.

**3.3 Basis of preparation**

The financial report has been prepared on the basis of historical cost; except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

**3.4 Income tax**

**Nature of funding arrangements and tax sharing agreements**

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Copper Mines of Tasmania Pty Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable or payable to other entities in the tax-consolidated group.

The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if any entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member’s liability for tax payable by the tax-consolidated group is limited to the head entity under the tax funding agreement.

**Tax consolidation:**

**Relevance of tax consolidation to the Group**

The Company and its associate Australian resident entity have formed a Multiple Entity Consolidated Group with effect from 1 April 2007 and are therefore taxed as single entity from that date. The head entity within the tax-consolidated group is Copper Mines of Tasmania Pty Ltd. The members of the tax-consolidated group are Copper Mines of Tasmania Pty Ltd and Thalanga Copper Mines Pty Ltd.

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**3. Significant accounting policies (continued)**

**3.5 Foreign currency**

The financial statements of the company are presented in its functional currency being the currency of primary economic environment in which the company operates. For the purpose of the financial statements, the results and financial position of the company are expressed in Australian dollars, which is the functional currency of the company and the presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to *interest* costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For partial disposals which results in reductions in the company's ownership interests in associates or jointly controlled entities that do not result in the company losing significant influence or joint control, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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**3. Significant accounting policies (continued)**

**3.6 Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for commodity hedge losses, and estimated customer returns, stock rotation, price protect, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when the following conditions are satisfied:

- the company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the company retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably
- it is probable that the economic benefits associated with the transaction will flow to the company; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

**3.7 Inventories**

*(i) Ore and concentrate*

Inventories of mined ore, concentrate and work in process are physically measured or estimated and valued at the lower of cost and net realisable value. Cost includes direct materials, labour and transportation expenditure in getting such inventories to their existing location and condition, together with an appropriate portion of fixed and variable overhead expenditure, based on weighted average costs incurred during the period in which such inventories were produced.

Net realisable value is the amount estimated to be obtained from sale of the item of inventory in the normal course of business, less any anticipated costs to be incurred prior to its sale.

To the extent to which more than one finished product is obtained from the mineral resource ("joint products") all joint production costs are apportioned between the resulting finished products by reference to their estimated net realisable value at the point where those joint products become physically separated.

*(ii) Stores and consumables*

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories are valued at net realisable value through the recognition of an impairment write down. A regular and ongoing review is undertaken to establish the extent of surplus items, and an impairment write down is made for any potential loss on their disposal.

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**3. Significant accounting policies (continued)**

**3.8 Impairment of long-lived assets excluding goodwill**

At each reporting date, the company reviews the carrying amounts of its tangible and intangible 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 the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. Recoverable amount is the higher of fair value less costs to sell and 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent 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 (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

**3.9 Project exploration, evaluation and development expenditure**

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year which they are incurred where the following conditions are satisfied:

- (i) The rights to tenure of the area of interest are current; and
- (ii) The exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale.

Expenditure incurred during exploration and the early stages of evaluation of new areas of interest within the development area are written off as incurred.

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**3. Significant accounting policies (continued)**

**3.9 Project exploration, evaluation and development expenditure (continued)**

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only in the measurement of exploration and evaluation costs where they are related directly to operational in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash-generating units to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset increases to the revised estimate of its recoverable amount, but only to the extent 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 previous years.

Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to “development”. Development expenditure is recognised at cost less accumulated amortisation and any impairment losses.

Where commercial production in an area of interest has commenced, the associated costs, are amortised over the estimated economic life of the mine on a units-of-production basis. Where it is decided to abandon an area of interest, costs carried forward in respect of that area are written off in full in the year in which the decision was taken. Changes in factors such as estimates of proved and probable reserves that affect unit-of-production calculations are dealt with on a prospective basis.

**3.10 Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income/income statement because of items of income or expense that are taxable or deductible in other years and 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 end of the reporting period. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

**3.11 Deferred Tax**

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Adjustments are made for transactions and events occurring within the tax-consolidated group that do not give rise to a tax consequence for the Group or that have a different tax consequence at the level of the Group.

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**3. Significant accounting policies (continued)**

**3.11 Deferred Tax (continued)**

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

**3.12 Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

**3.13 Property, plant and equipment**

Land, buildings, plant and equipment, mine development and equipment under finance lease are stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Where items of plant and equipment have separately identifiable components, which are subject to regular

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**3. Significant accounting policies (continued)**

**3.13 Property, plant and equipment (continued)**

replacement, those components are assigned useful lives distinct from the item of plant and equipment to which they relate.

Depreciation is provided on all property, plant and equipment, mine development including freehold buildings but excluding land. Depreciation on mining assets is calculated based on the percentage of total ore reserve extracted to date. Leasehold improvements are depreciated over the period of the lease or the estimated residual life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

Major spares purchased specifically for particular plant are capitalised and depreciated on the same basis as the plant to which they relate. The company's plant requires overhaul on a regular basis. This is managed as part of an ongoing major cyclical maintenance program. The costs of this maintenance are charged as expenses as incurred, except where they relate to the replacement of a component of an asset, in which case the costs are capitalised and depreciated. Other routine operating maintenance, repair costs and minor renewals are also charged as expenses as incurred.

**3.14 Leased assets**

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

Entity as lessee

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's general policy on borrowing costs. Contingent rentals are recognised as an expense in the period, which they are incurred.

Finance leased assets are amortised on a straight-line basis over the term of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

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**3. Significant accounting policies (continued)**

**3.15 Employee benefits**

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave when it is probable that settlement will be required and they are capable of being measured reliably. Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured at the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Defined contribution plans

Contributions to defined contribution superannuation plans are expensed when incurred.

**3.16 Provision for restoration and rehabilitation**

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development and production activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each reporting date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised at the start of each project into the cost of the related asset and is charged to the income statement as depreciation on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset. Costs for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net present values and charged to the profit and loss account as extraction progresses. Where the costs of site restoration are not anticipated to be material, they are expensed as incurred.

**3.17 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred.

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**3. Significant accounting policies (continued)**

**3.18 Cash and cash equivalents**

Cash comprises cash on hand and demand deposits. Cash equivalent are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

**3.19 Derivative financial instruments**

The Company enters into forward contracts based on requirement and under management approval to manage its exposure to foreign exchange, interest rate and commodity price. The company does not hold nor issue derivative financial instruments for speculative purposes. Derivative financial instruments are initially recorded at their fair value on the date the derivative transaction is entered and are subsequently re-measured at their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The company designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedges), or hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges). The fair value of hedging commitments is classified as a non-current asset or a non-current liability if the remaining maturity of the hedge relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the hedge relationship is less than 12 months.

Derivatives that are not designated into an effective hedge relationship are classified as current assets or current liabilities.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to net profit or loss for the year.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

Hedge accounting

The company designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk as either fair value hedges or cash flow hedges.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive

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**3. Significant accounting policies (continued)**

**3.19 Derivative financial instruments (continued)**

income/income statement relating to the hedged item. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income/income statement as the recognised hedged item. However, when the hedged forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

**3.20 Financial assets**

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company's financial statements.

Other financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets, and 'loans and

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**3. Significant accounting policies (continued)**

**3.20 Financial assets (continued)**

receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Currently the company has investment in related company within the Available for Sale Financial Assets category.

Effective interest rate method

The effective interest rate method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest rate method for debt instruments other than those financial assets 'at fair value through profit or loss'.

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 impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Derecognition of financial assets

The company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another company. If the company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the company retains substantially all the risks and rewards of ownership of a transferred financial asset, the company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the company retains an option to repurchase part of a transferred), the company allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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**3. Significant accounting policies (continued)**

**3.20 Financial assets (continued)**

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of an amount written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previous recognised impairment loss is reversed through profit or loss to the extent that the carrying amount at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

**3.21 Financial Instruments issued by the Company and Financial Liabilities**

Debt and equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are initially measured 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 interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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**3. Significant accounting policies (continued)**

**3.22 Goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii. For receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

**4. Other gains and losses:**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Gain/(loss) on disposal of property, plant and equipment	-	(7)
Net foreign exchange gains/(losses)	-	(27)
	-	(34)

No other gains or losses have been recognised in respect of loans and receivables or held-to maturity Investments and impairment losses recognised/reversed in respect of trade receivables.

**5. Loss for the year:**

Loss for the year includes the following expenses

Cost of Operations	(17,504)	(39,778)
Depreciation of non-current Assets		
Buildings	(57)	(56)
Plant and equipment	(2,124)	(2,499)
	(2,181)	(2,555)
<b>Amortisation of non-current Assets</b>		
Rehabilitation asset	(1,088)	(1,363)
Mine development	(1,757)	(8,690)
	(2,845)	(10,053)
Total depreciation and amortisation	(5,026)	(12,608)
<b>Employee benefit expenses:</b>		
Defined contribution plan	(521)	(834)

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**6. Trade and Other Receivables:**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Other receivables	801	580
	<u>801</u>	<u>580</u>

(i) Average credit period is 30 days and no interest is charged.

No allowance has been made for estimated irrecoverable trade receivable amounts due to past experience.

**7. Inventories:**

Stores and Consumables at Cost	6,959	7,498
Write down to net realizable Value	(1,552)	(1,552)
	<u>5,407</u>	<u>5,946</u>

**8. Other assets:**

Prepayments	147	196
	<u>147</u>	<u>196</u>

**9. Other Financial Assets:**

**Investments in Equity Shares**

Investment in Fujairah Gold FZE, related company (669,928 shares; face value of AED 100 each)	23,929	22,470
	<u>23,929</u>	<u>22,470</u>

**Disclosed in the financial statements as:**

**Current assets**

Available for Sale Financial Assets	23,929	-
Assets classified as held for sale	-	22,470
	<u>23,929</u>	<u>22,470</u>

Fujairah Gold FZC is a precious metal refinery and a Copper Rod Mill located at 130 kms east of Dubai, at Fujairah free Zone II, Fujairah UAE.

Fujairah Gold FZE has issued additional shares of 32,906,700 to Malco Energy Ltd, a related company during the year and thus company holding percentage has been reduced from 98% to 1.99%.

The company has agreed to unwind transaction with Vedanta Ltd (formerly Sesa Sterlite Ltd), a related company in light of delays in getting regulatory approvals to sell its holding in Fujairah Gold FZE, a related company.

Further the company board has approved the sale of its holding in Fujairah Gold FZE to Malco Energy Ltd, a related company.

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**10. Property, Plant & Equipment:**

Aggregated depreciation and amortisation allocated during the year is recognised as an expense and disclosed in note 5 to the financial statements.

	Freehold land & Buildings – at cost \$'000	Mine reserve and development – at cost \$'000	Plant and equipment – at cost \$'000	Capital work in progress – at cost \$'000	Rehabilitation assets \$'000	Total \$'000
<b>Gross Carrying Amount</b>						
<b>Balance as at 1 April 2014</b>	<b>463</b>	<b>68,530</b>	<b>72,375</b>	<b>1,469</b>	<b>10,550</b>	<b>153,387</b>
Additions	6	484	2,092	1,945	-	4,527
Transfers	-	-	-	-	(204)	(204)
Disposals	-	-	(86)	-	-	(86)
<b>Balance as at 31 March 2015</b>	<b>469</b>	<b>69,014</b>	<b>74,381</b>	<b>3,414</b>	<b>10,346</b>	<b>157,624</b>
Additions	-	-	-	3,444	-	3,444
Transfers	-	-	6,729	(6,729)	106	1,06
<b>Balance as at 31 March 2016</b>	<b>469</b>	<b>69,014</b>	<b>81,110</b>	<b>129</b>	<b>10,452</b>	<b>161,174</b>
<b>Accumulated Depreciation</b>						
<b>Balance as at 1 April 2014</b>	325	58,567	61,371	-	7,334	127,597
Depreciation expense	56	8,690	2,499	-	1,363	12,608
Disposals	-	-	(77)	-	-	(77)
<b>Balance as at 31 March 2015</b>	<b>381</b>	<b>67,257</b>	<b>63,793</b>	<b>-</b>	<b>8,697</b>	<b>140,128</b>
Depreciation expense	57	1,757	2,123	-	1,088	5,025
Impairment Expense	-	-	10,322	-	-	10,322
<b>Balance as at 31 March 2016</b>	<b>438</b>	<b>69,014</b>	<b>76,238</b>	<b>-</b>	<b>9,785</b>	<b>155,475</b>
<b>Net Book Value</b>						
As on 31 March 2015	88	1,757	10,588	3,414	1,649	17,496
As on 31 March 2016	<b>31</b>	<b>-</b>	<b>4,872</b>	<b>129</b>	<b>667</b>	<b>5,699</b>

The following useful lives have been used in the calculation of depreciation and amortisation and depreciation is based on useful life of assets as below :

Buildings	20 years
Plant and equipment	2 – 10 years
Equipment under finance lease	2 – 5 years
Mine reserve and development	1-4 years
Rehabilitation assets	5-8 years

The company is fully depreciated mine reserve and development. The company is under care & maintenance, so depreciation on Plant and Equipment has been changed to cover only normal wear and tear.

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**11. Trade and other payables:**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade Payables (i)	20,014	12,382
	<b>20,014</b>	<b>12,382</b>

- a. The average credit period for purchase of goods and services is 30 days and no interest is paid. The company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

**12. Provisions:**

<b>Current</b>		
Employee Benefits (i)	519	638
<b>Non-Current</b>		
Employee Benefits	641	783
Rehabilitation (ii)	15,914	15,518
	<b>16,555</b>	<b>16,301</b>

- (i) The current provision for employee benefits includes \$519 thousand of annual leave (2015:\$638 thousand)  
(ii) The provision for rehabilitation costs represents the present value of the director's best estimate of the futures sacrifice of economic benefits that will require rehabilitating the leasehold property.

**13. Borrowing:**

<b>Current: Unsecured - at amortised Cost</b>		
Loans from Monte Cello BV, related company Refer note 22	29,394	16,499

**14. Issued capital**

	<b>AUD</b>	<b>AUD</b>
2 fully paid ordinary shares (2015: 2)	2	2

Changes relating to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the company in proportion to the numbers of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

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**15. Investments Revaluation Reserve**

The investments revaluation reserve represents the cumulative gains and losses arising on the revaluation of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to profit or loss when those assets have been disposed of or are determined to be impaired.

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Investments Revaluation Reserve	1,459	-

**16. Dividend**

	<b>2016</b>		<b>2015</b>	
	<b>per share</b>	<b>Total</b>	<b>per share</b>	<b>Total</b>
	<b>in \$'000</b>	<b>\$'000</b>	<b>in \$'000</b>	<b>\$'000</b>
<b>Unrecognised amounts</b>				
<u>Fully paid ordinary shares</u>				
Final dividend Proposed:				
Fully franked at a 30% tax rate	-	-	-	-

During the financial year, no dividend was declared & paid (2015: No dividend declared and paid).

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
Adjusted franking account balance	41,099	41,099

**17. Remuneration of Auditors:**

<b>Auditor of the company</b>	<b>AUD</b>	<b>AUD</b>
Audit of the financial Report	49,700	84,000

The auditor of the company is Deloitte Touche Tohmatsu

**18. Commitments for expenditure**

	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Lease commitments</b>		
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	6	112
Later than one year but not later than 2 years	-	7
Later than 2 years but not later than 5 years	-	-
	6	119
Representing:		
Non-cancellable operating leases	6	119

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**19. Ownership interest**

	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>2016 %</b>	<b>2015 %</b>
<b>Parent entity</b>				
Copper Mines of Tasmania Pty Limited	Copper Mining	Australia		
<b>Subsidiary</b>				
Fujairah Gold FZE	Manufacturing, Refinery & Trading of Precious Metals and Copper Products.	United Arab Emirates	1.99%	98%

In accordance with the statement of compliance at note 3.2, the results of Fujairah Gold FZE have not been consolidated into the results of the company.

**20. Notes to the statement of cash flows:**

**Cash and cash equivalents:**

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments with maturity dates less than 3 months, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position as follows:

	<b>2016 \$'000</b>	<b>2015 \$'000</b>
Cash and bank balances	408	853

**21. Commitments and contingent liabilities:**

Capital Commitment (1)	34	3,130
Bank Guarantee (2)	6,100	6,100
Suppliers and Contractors (3)	57,844	41,674
Safety Incidents (4)	3,000	-
	66,978	50,904

- (1) The company had made a purchase commitment for various Capital Projects and an amount of \$34 thousand (2015: \$3,130 thousand) was outstanding in those orders as at 31 March 2016.
- (2) The company has issued Bank Guarantee of \$6,100 thousand (2015: \$ 6,100 thousand) in favour of Minister for Economic Development, Energy and Resources.
- (3) Redpath Australia Pty Ltd has lodged a litigated claim of \$64.8 million including contractual interest of \$16.3 million under the Mining Contract with company for the period of 1 October 2010 to 31 August 2013, which was terminated in accordance with contract terms on 31 August 2013. The company has made provision of \$7.0 million in respect of this claim as at 31 March 2016 based on internal assessment and external legal advice.
- (4) The company has been charged for failing to ensure safe systems of work under the WHS Act following the 9 December 2013 and 17 January 2014 incidents and matter is subject to court process. The amount disclosed is the maximum penalty under Category II incident of WHS Act.

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**22. Subsequent Events**

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years

**23. Going Concern**

The financial report has been prepared on the going concern basis, which assumes that the company will be able to realise its assets and discharge its liabilities in the normal course of business.

On 17 Jan 2014, a mud rush event occurred underground at 1315 level, resulting in suspension of mining operations and impacting the viability of existing mining operations going forward. On 27 June 2014 a rock fall occurred in the Prince Lyell mine affecting an access drive which connects the lower levels of the mine to surface. As a consequence of the mud rush and rock fall, mining operations were put into Care and Maintenance. The company had simultaneously completed D Panel prospect feasibility and technical peer review studies and established 17Mt Indicated Resource and also completed the Scoping Study of Copper Chert prospect. Though the company is committed and confident that development of D Panel prospect will be a sustainable operation, high volatility and the current low copper price has resulted in an extension of Care & Maintenance operations until an increase in copper prices.

The projects are subject to regulatory approvals and the requirements and approvals of the company Board and the ultimate parent company Board to be obtained after improvement in current market conditions. If the company does not receive approvals to enable the projects to proceed, or if there are other factors that prevent the projects from proceeding, the company will consider other options in respect of the mine lease area. This position will be closely monitored, and adjustments made in future periods if events indicate this to be appropriate.

Due to the size, complexity and nature of the company's operations, various legal matters are outstanding from time to time (Refer Note 21). Contingencies arising from past events will only be resolved by future events not wholly within the control of the company.

Though there are uncertainties, at the date of this report the directors are confident that the company will be able to continue as a going concern for the reasons outlined below:

- The company holds a Letter of Comfort dated 30 April 2012 issued by Sterlite Industries (India) Limited, a related company, under the approval of the board of directors, that states that Sterlite Industries (India) Limited accepts the responsibility for arranging to provide sufficient financial assistance to the company as and when it is needed to enable the company to continue its operations and fulfil all of its financial obligations now and in the future. The directors of Vedanta Limited (formerly Sesa Sterlite Ltd, the company established on the merger of Sterlite Industries (India) Limited and Sesa Goa Limited) have provided a letter dated 31 March 2016 confirming that the original Letter of Comfort issued on 30 April 2012 remains valid and has not been revoked. In addition, the directors have confirmed that the Letter of Comfort will remain in force until at least the finalisation of the financial statements of Copper Mines of Tasmania Pty Ltd for the year ending 31 March 2017 or such time after that date that the directors make a decision to revoke the undertaking.

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**23. Going Concern (continued)**

- The company holds 1.99% of the share equity in Fujairah Gold FZC and plans are in place to sell complete holding in Fujairah Gold FZC to Malco energy Ltd, a related company for an amount equal to its carrying value. This was approved by company Board and Malco energy Ltd Board. Settlement is expected in the first half of the 2017 financial year.

At the date of this report and having considered the above factors, the directors are confident of the company's ability to continue as a going concern and the commitment of the parent entity to provide ongoing financial support.

**24. General information**

**COMPANY PARTICULARS**

The parent entity is Monte Cello Corporation BV (incorporated in the Netherlands) that owns 100% of the issued ordinary shares of Copper Mines of Tasmania Pty Limited.

The ultimate parent entity is Vedanta Resources Plc (incorporated in United Kingdom) that indirectly owns 62.85% of the issued ordinary shares of Monte Cello Corporation BV. Vedanta Limited is the parent entity of Monte Cello Corporation BV.

Copper Mines of Tasmania Pty Limited is a company limited by shares incorporated and domiciled in Australia. The company's registered office and its principal place of business are as follows:

**Registered office:**

C/o Henry Davis York  
44 Martin Place  
Sydney, New South Wales

**Principal place of business:**

Copper Mines of Tasmania Pty Limited  
Private Bag 1  
Queenstown, Tasmania

**Immediate Holding Company:**

Monte Cello BV  
WTC Schiphol Airport, Tower B,  
5th Floor, Schiphol Boulevard 231,  
1118 BH Amsterdam Schiphol,  
The Netherlands

**Ultimate listed holding company:**

Vedanta Resources plc  
16 Berkeley Street  
London W1J8DZ  
United Kingdom