

NFC AFRICA MINING PLC

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

NFC AFRICA MINING PLC

(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2022

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NFC AFRICA MINING PLC

REPORT OF THE DIRECTORS

The Directors present their report and the financial statements for the year ended 31 December 2022.

Registered office and principal place of business

The Company's registered office is at:

Amandra House

Ben Bella Road

P.O Box 34550

Lusaka

The principal place of business is at:

Chambishi Mine

P O Box 22542

Chambishi

Principal activity

The principal activity of the Company continued to be the mining of copper and exploration for other base and precious metals.

Results

The profit for the year before taxation amounted to **US\$ 73,973,192** (2021: US\$188,297,971). The Directors recommended a dividend pay-out of **US\$20 million** (2021: nil).

Directors

The Directors who held office during the year were:

Xu Helin

- Chairman, appointed on 25/12/2022

Li Zhanyan

Huang Rongman

Pang Chunguang

Cheng Mingming

Mufingwe Ng'ambi

Cosmas Mwananshiku

Appointed on 6/10/2022

Cui Hailiang

Appointed on 31/12/2022

Yu lixian

Appointed on 31/05/2022

Zhang Jinjun

Resigned on 25/12/2022

Hu Guobin

Resigned on 25/12/2022

Qin Jingwen

Resigned on 25/12/2022

Luke Chenjelani Mbewe

Resigned on 6/10/2022

Zhou Zuotai

Resigned on 18/11/2022

Shi Fawu

Resigned on 31/12/2022

Ma Yuelong

Appointed on 25/02/2022, resigned on 31/05/2022

Key senior management

Chief Executive Officer

Li Zhanyan

Chief Financial Officer

Li Chengguo

Head of Human Resource

Xu Helin

Auditors

Deloitte & Touche

Fookes House

30 Pamo Avenue

Kitwe

NFC AFRICA MINING PLC

REPORT OF THE DIRECTORS (CONT'D)

Company Lawyer

A. Imonda and Company
Legal Practitioners
7th Avenue, No. 20
Nkana West
P O Box 21041

Property, plant and equipment

Additions to property, plant and equipment during the year amounted to **US\$36.72 million** and comprised of:

	US\$
Capital work in progress	34 596 621
Mining plant, machinery and equipment	2 050 552
Motor vehicles	70 499
	<u>36 717 672</u>

Share capital

There were no changes to the share capital during the year.

Holding company

The Company's immediate holding company is China Nonferrous Mining Holdings Limited (CNMH), a company incorporated in Ireland. The Company's ultimate holding company is China Nonferrous Metal Mining (Group) Co, Ltd (CNMC) incorporated in the People's Republic of China.

Employees

The average number of employees on a month by month basis was as follows:

	2022	2021
January	1859	1739
February	1861	1763
March	1869	1790
April	1875	1814
May	1874	1858
June	1896	1867
July	1889	1901
August	1901	1891
September	1920	1889
October	1959	1871
November	1982	1851
December	1997	1865

The total remuneration paid in respect of the above employees was **US\$24,816,109** (2021: US\$20,012,913).

Exports

The value of exports during the year amounted to **US\$548,458,787** (2021: US\$620,779,448).

Research and development

The Company engaged in research and development activities during the year.

REPORT OF THE DIRECTORS (CONT'D)

Risk management control

In its normal operations, the Company is exposed to a number of risks which are fair value, credit, operational, strategic and foreign exchange risks. These are described and explained in detail in notes 5 and 26 of the financial statements.

The Directors have approved policies to mitigate the above risks by introducing controls that are designed to safeguard the Company's assets while allowing sufficient freedom for the normal conduct of business.

Health, safety and welfare of employees

NFC Africa Mining Plc has a safety and health management system.

The Company has developed and defined roles and responsibilities, authority and time scale for achieving the objectives at relevant functions and levels within the Company.

Legal and other requirements have been identified and are monitored for compliance through a legal register.

The Company has developed and established suitable training programmes for employees and contractors in risk assessments and control of hazards in work places.

The Company has embarked on a safety behavioural change programme to change the mindset of employees and contractors towards safety issues and standards.

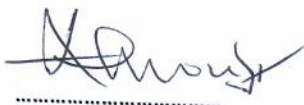
Gifts and donations

During the financial year, donations to charitable causes in the aggregate sum of **US\$220,946** (2021: US\$2,329) were made.

Auditors

A resolution proposing the reappointment of Deloitte & Touche as auditors to the Company will be put to the annual general meeting.

By order of the Board.



.....
Akabondo Imonda
COMPANY SECRETARY

KITWE, ZAMBIA

STATEMENT OF RESPONSIBILITY FOR ANNUAL FINANCIAL STATEMENTS

The Companies Act, 2017 requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of its financial performance. It also requires the Directors to ensure that the Company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the Company. They are also responsible for safeguarding the assets of the Company. The Directors are further required to ensure the Company adheres to the corporate governance principles or practices contained in Part VII Sections 82 to 122 of the Companies Act, 2017.

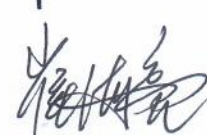
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act, 2017.

The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, and for such internal controls as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

The Directors are of the opinion that the financial statements set out on pages 7 to 38 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards, and the Companies Act, 2017. The Directors further report that they have implemented and further adhered to the corporate governance principles or practices contained in Part VII, Sections 82 to 122 of the Companies Act, 2017.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve (12) months from the date of this statement.

Signed on behalf of the Board by:

)	
LI ZHAN'AN)	
)	
)	DIRECTORS
)	
CUI HAILIANG)	

INDEPENDENT AUDITOR'S REPORT

To the members of
NFC AFRICA MINING PLC

Report on the audit of the financial statements

Opinion

We have audited the financial statements of NFC Africa Mining Plc (the "Company") set out on pages 7 to 38, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of NFC Africa Mining Plc as at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS"), and in the manner required by the Companies Act, 2017.

Basis of 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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Zambia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report as required by the Companies Act, 2017, and the Statement of Responsibility for the Annual Financial Statements 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 an audit opinion or any form of assurance or conclusion thereon.

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

Responsibilities of the Directors for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act, 2017, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The Directors are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements.

Section 250 (2) and (3) of the Companies Act, 2017 requires that in carrying out our audit of the Company's financial statements we consider and report on whether:

- There is a relationship, interest or debt which us, as the Company's auditor, have in the Company;
- There are serious breaches by the Company's Directors of the corporate governance principles or practices contained in Part VII sections 82 to 112 of the Companies Act, 2017; and
- There is an omission in the financial statements as regards particulars of loans made to a Company officer (a director, Company secretary or executive office of a Company) during the year, and if reasonably possible, disclose such information in our opinion

In respect of the foregoing requirements, we have nothing to report.

Deloitte & Touche
DELOITTE & TOUCHE

Alice

ALICE GABAZA
ASSOCIATE DIRECTOR
AUD/F002711

Date: 31 MARCH 2023

NFC AFRICA MINING PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2022

US\$

	NOTES	2022	2021
Metal sales			
Mineral royalty tax	6	548 458 787 (47 328 505)	620 779 448 (55 458 453)
		501 130 282	565 320 995
Cost of sales		(374 901 198)	(320 905 786)
Gross profit		126 229 084	244 415 209
Other gains and losses			
Other income	8	(1 894 749)	713 869
Investment revenue	9	10 211 997	14 452 256
Finance costs	10	3 011 648	6 165 832
Administration expenses	14	(28 866 883)	(32 081 060)
Other operating expenses		(30 135 510)	(38 212 729)
		(4 582 394)	(7 155 406)
Profit before tax		73 973 192	188 297 971
Income tax expense	11	(21 601 131)	(67 360 124)
Profit for the year and total comprehensive income		52 372 061	120 937 847
Earnings per share (cents)	28	582	1 344

NFC AFRICA MINING PLC

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2022

US\$

	Share capital	Amounts pending allotment of shares	(Deficit on) retained earnings	Total
Balance at 1 January 2021	9 000 001	37 452 928	(2 665 509)	43 787 420
Profit for the year	-	-	120 937 847	120 937 847
Balance at 31 December 2021	9 000 001	37 452 928	118 272 338	164 725 267
Profit for the year	-	-	52 372 061	52 372 061
Dividends paid during the year	-	-	(20 000 000)	(20 000 000)
Balance at 31 December 2022	9 000 001	37 452 928	150 644 399	197 097 328

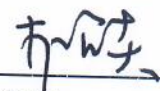

NFC AFRICA MINING PLC

STATEMENT OF FINANCIAL POSITION
at 31 December 2022

US\$

		2022	2021
Assets			
<i>Non-current assets</i>	Notes		
Property, plant and equipment	12	789 935 779	817 160 371
Intangible assets	22	557 474	377 060
Investments	15	540 100	540 100
Total non current assets		791 033 353	818 077 531
<i>Current assets</i>			
Inventories	16	100 374 350	61 304 944
Trade and other receivables	17	6 584 745	2 815 617
Amounts due from related companies	24	26 219 166	72 054 675
Cash and bank balances		48 521 772	85 481 628
Current tax assets	11	2 061 078	-
Total current assets		183 761 111	221 656 864
Total assets		974 794 464	1 039 734 395
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital			
Retained earnings	18	9 000 001	9 000 001
Amounts pending allotment of shares	19	150 644 399	118 272 338
Total equity		37 452 928	37 452 928
<i>Non current liabilities</i>			
Loans due to related parties	24	230 000 000	267 000 000
Environmental restoration provision	20	6 828 860	3 757 445
Bank loans	25	45 000 000	366 633 333
Deferred tax liabilities	11	56 201 183	34 647 034
Total non current liabilities		338 030 043	672 037 812
<i>Current liabilities</i>			
Trade payables		105 702 902	87 934 200
Other payables	21	39 136 084	33 518 216
Short term portion of loans due to related parties	24	282 000 000	55 000 000
Amounts due to related companies	24	12 828 107	21 857 762
Current tax liabilities	11	-	4 661 138
Total current liabilities		439 667 093	202 971 316
Total liabilities		777 697 136	875 009 128
Total equity and liabilities		974 794 464	1 039 734 395

The responsibilities of the Company's Directors with regard to the preparation of the financial statements are set out on page 4. The financial statements on pages 7 to 38 were approved by the Board of Directors on and were signed on its behalf by:


 LI ZHANYAN)
)

 CUI HAILIANG)
) DIRECTORS

STATEMENT OF CASH FLOWS
for the year ended 31 December 2022

US\$

	Notes	2022	2021
Cash flows from operating activities			
Profit after tax		52 372 061	120 937 847
Adjustments for:			
Depreciation	12	65 060 012	56 266 584
Exchange loss (gain) on taxation	11	2 091 425	(327 916)
Income tax expense	11	21 601 131	67 360 124
Interest expense	14	28 540 170	31 978 971
Environmental restoration provision charged to profit and loss	20	326 713	102 089
Dividends received	10	(3 000 000)	(6 152 312)
Amortisation of intangible assets	22	119 894	99 873
Loss on disposal of property, plant and equipment		146 591	6 676 212
Interest income	10	(11 648)	(13 520)
		<u>167 246 349</u>	<u>276 927 952</u>
<i>Movements in working capital:</i>			
Increase in inventories		(39 069 406)	(19 746 379)
Decrease (increase) in receivables		42 066 381	(37 514 552)
Increase in current liabilities excluding current tax liabilities and short term portion of loans		<u>14 356 915</u>	<u>8 620 334</u>
Cash generated by operations		<u>184 600 239</u>	<u>228 287 355</u>
Income tax paid	11	(8 860 623)	(7 147 232)
Net cash generated by operating activities		<u>175 739 616</u>	<u>221 140 123</u>
Cash flows from investing activities			
Expenditure on property, plant and equipment	12	(36 717 672)	(92 832 581)
Transfer to cost of sales from property, plant and equipment**	12	1 180 055	43 949 868
Reclassifications to inventory**	12	-	18 708 671
Dividends received	10	3 000 000	6 152 312
Proceeds from disposal of property, plant and equipment		-	61 017
Interest received		11 648	13 520
Proceeds from disposal of available for sale investment		-	1 348
Net cash used in investing activities		<u>(32 525 969)</u>	<u>(23 945 845)</u>
Cash flows from financing activities			
Proceeds from borrowings	24,25	250 000 000	560 000 000
Loans repaid	24,25	(381 633 333)	(673 256 436)
Dividends paid	29	(20 000 000)	-
Interest paid		(28 540 170)	(31 978 971)
Net cash utilized in financing activities		<u>(180 173 503)</u>	<u>(145 235 407)</u>
Net decrease in cash and cash equivalents		(36 959 856)	51 958 871
Cash and cash equivalents at beginning of the year		<u>85 481 628</u>	<u>33 522 757</u>
Cash and cash equivalents at end of the year		<u>48 521 772</u>	<u>85 481 628</u>
Comprising:			
Cash and bank balances		<u>48 521 772</u>	<u>85 481 628</u>

** Non-cash items

1. General information

NFC Africa Mining Plc is a public company incorporated in Zambia. The address of the registered office and principal place of business are disclosed in the Directors Report on page 1. The principal activity of the Company continued to be the mining of copper and exploration for other base and precious metals.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.1 New and amended IFRS Accounting Standards that are effective for the current year

In the current year, the Company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 16 Property, Plant and Equipment—Proceeds before Intended Use

The Company has adopted the amendments to IAS 16 for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The Company has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Company has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to the standard below.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

2.2 New and revised IFRS Accounting Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Accounting Standards that have been issued but are not yet effective.

Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1 and IFRS	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods.

2. ADOPTION OF NEW AND REVISED STANDARDS

2.2 New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 1 *Presentation of Financial Statements—Classification of Liabilities as Current or Non-current*

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted. The IASB is currently considering further amendments to the requirements in IAS 1 on classification of liabilities as current or non-current, including deferring the application of the January 2020 amendments.

The Directors of the Company anticipate that the application of these amendments may have an impact on the Company's financial statements in future periods.

Amendments to IAS 1 *Presentation of Financial Statements and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies**

The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*

The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:

- A change in accounting estimate that results from new information or new developments is not the correction
- The effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The Board added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The Board has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 DECEMBER 2022 (Cont'd)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

2.2 New and revised IFRS Accounting Standards in issue but not yet effective (Continued)

Amendments to IAS 12 Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The Board also adds an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:

- A deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
 - Right-of-use assets and lease liabilities
 - Decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset
- The cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The Directors of the Company anticipate that the application of these amendments may not have an impact on the Company's financial statements in future periods should such transactions arise.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

3.1 Estimate of assets lives, residual values and depreciation methods

Property, plant and equipment are depreciated over their useful lives taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by technology innovations, maintenance programmes and future productivity. Future market conditions determine the residual values. Depreciation is calculated on straight line basis which may not represent the actual usage of the assets.

3.2 Income taxes

The Company is subject to income taxes in Zambia. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognises liabilities for anticipated tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the period in which such determination is made.

3.3 Restoration, rehabilitation and environmental costs

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production of a mine. Costs are discounted to present value estimate of the amount required to settle the liability at the reporting date. The discount period is the life of the mine. Movements in the present value of the obligations are accounted for in the statement of comprehensive income as a cost (or income) under unwinding of discount. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimate or life of operations.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Statement of compliance

The financial statements have been prepared in accordance with operative International Financial Reporting Standards.

4.2 Basis of presentation of the financial statements

The financial statements have been prepared on the historical cost basis of accounting, except for certain financial instruments that are measured at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

These financial statements are presented in the functional currency, the United States Dollars.

4.3 Revenue recognition

The Company recognises revenue from the following major sources:

- Sale of copper anode
- Sale of copper concentrates

Revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a product or service to a customer.

Sale of copper anode

Revenue of copper anodes is recognised when control of goods has transferred being at the point the customer takes goods from the Company's premises. A receivable is recognised by the Company when goods have been collected by the customer as this represents the point in time at which the right to consideration becomes unconditional.

Sale of copper concentrates

Revenue for copper concentrates is recognised when control of goods has transferred being at the point when the Company delivers the goods at the customer's premises.

4.4 Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of property, plant and equipment in equal annual instalments over their estimated useful lives at the following annual rates, subject to a maximum life of mine of 30 years:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

4 SIGNIFICANT ACCOUNTING POLICIES

4.4 Property, plant and equipment (Cont'd)

Leasehold properties	4%
Motor vehicles	20%
Office equipment	33%
Mining equipment	20%
Mining works, plant and machinery	10%
Mineral property	Units-of-production
Mine development	Units-of-production

Capital work in progress is not depreciated.

4.5 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 22. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

4.6 Impairment of tangible and intangible assets

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use all assets are considered to be a single cash generating unit. 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 is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.7 Inventories

Concentrate stocks and copper anodes are valued at the lower of cost and estimated net realisable value. Cost represents average production cost and includes overhead and administration expenses. Net realisable value is determined after the deduction of anticipated realisation expenses.

Consumable stores are valued at the lower of cost and estimated net realisable value. Cost is determined on a standard cost basis. A provision is made for excess, slow moving and obsolete items. Net realisable value takes into account all further costs to completion and all directly related costs to be incurred in selling and distribution.

4.8 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, where it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the obligation can be made.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.8 Provisions (Cont'd)

The amount of the provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the time value of money is material).

When some or all the economic benefits required to settle the obligation are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that the reimbursement will be received and the amount of the receivable can be measured reliably.

4.9 Translation of foreign currencies

Transactions denominated in currencies other than the US Dollar are translated into United States Dollar at the rates of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in other currencies are translated into Dollar at the rates of exchange ruling at the reporting date. Gains and losses arising on translation are included in the profit or loss in the year in which they arise.

4.10 Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

Financial assets (Cont'd)

Classification of financial assets (Cont'd)

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and effective interest method

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), 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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Company recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition.

The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired. Interest income is recognised in profit or loss.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically;

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss;
- for debt instruments measured at FVTOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss. Other exchange differences are recognised in other comprehensive income in the investments revaluation reserve;
- for financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss; and
- for equity instruments measured at FVTOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

4 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

Financial assets (Cont'd)

Foreign exchange gains and losses (Cont'd)

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Impairment of financial assets

The Company always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Company's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Company's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligation.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(i) *Significant increase in credit risk (Cont'd)*

Irrespective of the outcome of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

(ii) *Definition of default*

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Irrespective of the above analysis, the Company considers that default has occurred when a financial asset is more than 90 days past due unless the Company has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) *Credit-impaired financial assets*

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- (e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) *Write-off policy*

The Company writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the trade receivables has crossed the law of limitation period past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

Financial assets (Cont'd)

Impairment of financial assets (Cont'd)

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate.

The Company recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

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 entity. 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 measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Company has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity

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 arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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 recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.10 Financial instruments (Cont'd)

Financial liabilities and equity (Cont'd)

Financial liabilities (Cont'd)

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 (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 financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'other gains and losses' line item in profit or loss.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax as follows:

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 profit or loss because it excludes items of income or expense that are taxable or deductible in the other years and it further excludes items that are neither taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the reporting date.

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. 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 and assets 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.

Deferred tax liabilities are recognised on surpluses arising from the revaluation of property, plant and equipment.

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.11 Taxation (Cont'd)

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.

4.12 Retirement benefit plans

The Company contributes to National Pension Scheme Authority, a defined contribution scheme, for its eligible employees. Membership is compulsory and monthly contributions by both employer and employees are made.

A defined contribution scheme is a pension plan under which the company pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

Employees on fixed term contracts are entitled to end of contract gratuity. Provision is made for past service on the basis of present conditions and earnings.

4.13 Deferred development expenditure

Expenditure incurred in preparing the mine for commercial production is capitalised to the extent that such expenditure is expected to have future benefits. The expenditure is amortised on a straight line basis from the commencement of commercial production over the estimated life of the mine.

4.14 Environmental restoration

Environment and restoration costs represent the Company's estimate of environmental costs incurred during production and after production has ceased to restore the local area and mine areas to an environmentally acceptable level. By nature of the production process, little or no discretion is availed to avoid the future sacrifice of resources to perform restoration activities.

Environment and restoration costs are discounted to present value estimate of the amount required to settle the liability at the reporting date. The discount period is the life of the mine. Movements in the present value of the obligations are accounted for in the statement of comprehensive income as a cost (or income) under unwinding of discount.

4.15 Government grants

Government grants are not recognised until there is reasonable assurance that the Company will comply with the conditions attaching to them and that the grant will be received.

Government grants are recognised in profit or loss on a systematic basis over the period in which the Company recognises as expenses the related costs for which the grant are intended to compensate. Specifically, government grants whose primary condition is that the Company should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful life of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of the government loan at a below-market rate of interest is treated as a government grant, measured as a difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

4.16 Cash dividend

The Company recognises a liability to pay a dividend when the distribution is authorised, and the distribution is no longer at the discretion of the Company. A distribution is authorised when it is approved by the shareholders and a corresponding amount is recognised directly in equity.

4.17 Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

5 RISK MANAGEMENT POLICIES

In the normal course of its operations the Company is exposed to commodity price, currency, interest rates, liquidity and credit risk. In order to manage these risks, the Company has developed a comprehensive risk management process to facilitate control and monitoring of these risks.

5.1 Interest rate risk

Fluctuations in interest rates impact on the value of short-term investment and financing activities, giving rise to interest rate risk.

In the normal course of business, the Company receives cash proceeds from its operations and is required to fund working capital and capital expenditure requirements. The cash is managed to ensure that funds are invested to maximise returns whilst ensuring that capital is safeguarded to the maximum extent by only investing with top financial institutions.

5.2 Fair value risk

Fair value is the amount at which assets and liabilities can be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, where one exists. The estimated fair values of assets and liabilities have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to estimate fair values. Accordingly, the estimates are not necessarily indicative of the amounts the Company could realise in a current market exchange. The carrying amounts of the assets and liabilities approximate their fair values.

5.3 Operational risk

All policies, procedures and limits are properly documented in each department within the Company and updated occasionally to take account of the changes to internal controls, procedures and limits.

5.4 Strategic risk

The Company's strategic plan is comprehensive in all aspects with particular emphasis on compliance with legal and market conditions and senior management effectively communicates the plan to all staff levels and allocates resources in line with the laid down procedures.

US\$

2022

2021

6. REVENUE

The company derives its revenue from contracts with customers for the transfer of goods at a point in time in the following major product lines.

Copper anode

548 458 787620 779 448

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$	2022	2021
7. PROFIT BEFORE TAX		
Profit before tax is stated after crediting:		
Reversal of loss allowance on receivables	124 260	-
Interest income	11 648	13 520
Net foreign exchange gains	-	713 869
and after charging:		
Cost of inventories recognised as an expense	96 787 850	68 695 250
Depreciation	65 060 012	65 060 012
Staff costs	20 856 196	18 200 060
Write downs of inventories	4 280 791	325 707
Pension costs	3 595 737	1 444 290
Net foreign exchange losses	1 894 749	-
Directors' remuneration as managers of the Company	364 176	368 563
Gifts and donations	220 946	2 329
Amortisation of intangible asset	119 894	99 873
Loss allowance on receivables	-	182 644
8. OTHER GAINS AND LOSSES		
Net foreign exchange (losses) gains	(1 894 749)	713 869
9. OTHER INCOME		
Sale of electricity, fuel, stones, sand, materials and spare parts	7 904 458	12 198 701
Sundry income	2 264 794	2 187 310
Rental income	42 745	66 245
	<u>10 211 997</u>	<u>14 452 256</u>
10. INVESTMENT REVENUE		
Dividends received	3 000 000	6 152 312
Bank interest income	11 648	13 520
	<u>3 011 648</u>	<u>6 165 832</u>
11. INCOME TAX		
Current tax	46 982	13 547 263
Deferred tax expense	21 554 149	53 812 861
	<u>21 601 131</u>	<u>67 360 124</u>
<i>Included under current (assets) liabilities:</i>		
Payable (receivable) in respect of prior years	4 661 138	(1 410 977)
Payable in respect of the year	46 982	13 547 263
Exchange losses (gains)	2 091 425	(327 916)
Paid during the year	(8 860 623)	(7 147 232)
	<u>(2 061 078)</u>	<u>4 661 138</u>
<i>Reconciliation of tax charge</i>		
Profit before tax	<u>73 973 192</u>	<u>188 297 971</u>
Taxation at 30%	<u>22 191 958</u>	<u>56 489 391</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$

11. INCOME TAX (CONT'D)

Permanent differences:

	2022	2021
Mineral Royalty tax	-	16 637 537
Non cash benefits	134 256	108 588
Non deductible expenses	239 048	2 220 804
ITV on disposal over NBV on disposals	(43 977)	(5 277 794)
Initial allowance on industrial buildings	(12 674)	(709 993)
Tax rate reconciliation on rental income	-	(13 249)
Tax rate reconciliation on the 15% on dividend income	(900 000)	(1 845 694)
Tax rate reconciliation on the 35% interest income	(7 480)	676
Balancing charge	-	(250 141)
	<u>(590 827)</u>	<u>10 870 734</u>
Actual tax charge (credit)	<u>21 601 131</u>	<u>67 360 125</u>

Subject to agreement with the Zambia Revenue Authority, tax losses of approximately US\$76.7 million (2021: US\$47.4 million) are available to be carried forward up to a maximum of ten years from the year in which they were incurred for set off against future taxable profits from the same source. These losses arose from the following financial periods:

2022 tax losses to expire in 2032	27 908 296	-
2020 tax losses to expire in 2030	48 800 272	63 534 756
2019 tax losses to expire in 2029	-	28 974 513
2016 tax losses to expire in 2026	-	1 297 943
Tax losses utilised during the year	-	(46 365 111)
	<u>76 708 568</u>	<u>47 442 101</u>

Deferred tax

Analysis of deferred tax:

Year ended 31 December 2022

	At beginning of the year	Movement for the year	At end of the year
Property, plant and equipment	53 978 441	35 669 698	89 648 139
Deferred development expenditure	(1 127 233)	(921 425)	(2 048 658)
Provisions	(3 638 641)	(1 189 373)	(4 828 014)
Interest expense restriction	-	(3 748 926)	(3 748 926)
Net unrealised exchange (losses) gains	40 724	150 489	191 213
Tax losses	(14 606 257)	(8 406 314)	(23 012 571)
	<u>34 647 034</u>	<u>21 554 149</u>	<u>56 201 183</u>

Year ended 31 December 2021

	At beginning of the year	Movement for the year	At end of the year
Property, plant and equipment	22 013 687	31 964 754	53 978 441
Deferred development expenditure	(7 614 534)	6 487 301	(1 127 233)
Provisions	(3 938 370)	299 729	(3 638 641)
Net unrealised exchange losses	(1 484 446)	1 525 170	40 724
Tax losses	(28 142 164)	13 535 907	(14 606 257)
	<u>(19 165 827)</u>	<u>53 812 861</u>	<u>34 647 034</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

12. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings	Mining plant, machinery and equipment	Motor vehicles	Office furniture and equipment	Capital work in progress	Total
Balance at 1 January 2021	203 253 603	1 086 557 342	9 712 704	1 539 571	132 916 687	1 433 979 907
Additions-direct	-	7 634 272	750 857	-	84 447 452	92 832 581
Adjustment to restoration asset	-	1 516 016	-	-	-	1 516 016
Reclassifications	23 480 800	71 072 461	-	-	(94 553 261)	-
Capitalised income	-	-	-	-	-	-
Transfers to inventory	-	-	-	-	-	-
Transfers to cost of sales*	-	-	-	-	(18 708 671)	(18 708 671)
Disposals	-	(201 003 249)	(2 678 702)	-	(43 949 868)	(43 949 868)
Balance at 31 December 2021	226 734 403	965 776 842	7 784 859	1 539 571	60 152 339	1 261 988 014
Additions-direct	-	2 050 552	70 499	-	34 596 621	36 717 672
Adjustment to restoration asset	-	2 744 702	-	-	-	2 744 702
Reclassifications	2 726 630	47 081 459	391 772	118 675	(50 318 536)	-
Transfers to intangible assets	-	-	-	-	(300 308)	(300 308)
Transfers to cost of sales*	-	-	-	-	(1 180 055)	(1 180 055)
Disposals	(60 717)	(719 951)	(639 797)	-	-	(1 420 465)
Balance at 31 December 2022	229 400 316	1 016 933 604	7 607 333	1 658 246	42 950 061	1 298 549 560
Depreciation and impairment						
Balance at 1 January 2021	65 560 144	497 579 424	7 600 202	1 381 854	13 384 156	585 505 780
Charge for the year	5 861 421	49 345 355	902 091	157 717	-	56 266 584
Reclassifications	3 152 387	8 594 136	-	-	(11 746 523)	-
Eliminated in respect of disposals	-	(194 446 805)	(2 497 916)	-	-	(196 944 721)
Balance at 31 December 2021	74 573 952	361 072 110	6 004 377	1 539 571	1 637 633	444 827 643
Charge for the year	6 808 074	57 476 536	768 809	6 593	-	65 060 012
Eliminated in respect of disposals	(59 550)	(574 527)	(639 797)	-	-	(1 273 874)
Balance at 31 December 2022	81 322 476	417 974 119	6 133 389	1 546 164	1 637 633	508 613 781
Carrying amounts						
As at 31 December 2022	148 077 840	598 959 485	1 473 944	112 082	41 312 428	789 935 779
As at 31 December 2021	152 160 451	604 704 732	1 780 482	-	58 514 706	817 160 371

In the opinion of the Directors, the amounts at which the property, plant and equipment are stated are not in excess of those recoverable from their future use.

* Transfers to cost of sales relates to project items that were expensed during the year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$

13. Capital commitments

	2022	2021
Authorised and contracted for	<u>11 883 210</u>	<u>50 881 485</u>
The capital commitments will be financed by borrowings and internally generated funds.		

14. FINANCE COSTS

Interest on loans	28 469 966	31 911 105
Unwinding of discount on environmental provision	326 713	102 089
Bank charges	70 204	67 866
	<u>28 866 883</u>	<u>32 081 060</u>

Borrowing costs arose from funds borrowed from China Nonferrous Mining Corporation Limited, CNMC Luanshya Copper Mines Plc and China Construction Bank carrying interest at 5.75%, 4% and 1.63% respectively.

15. Available for sale investments

At cost:	Principal activity	Place of operation		
Sino Metals Leach Zambia Limited	Copper processing	Chambishi	540 000	540 000
Zambia China Economic Trade Corporation Zone	Development of Chambishi Economic Zone	Chambishi	<u>100</u>	<u>100</u>
			<u>540 100</u>	<u>540 100</u>

The Company holds 5% interest in Zambia China Economic Trade Corporation Zone (ZCCZ) and a 15% interest in the ordinary shares of Sino Metals Leach Zambia Limited.

As there is no reliable measure of their fair values, the shares have been recorded at cost.

On 31 December 2021, the board resolved to dispose of its interest in Green Home Farm Limited, a company involved in farming and general trading.

16. Inventories

Metal stocks	70 144 461	34 217 544
Consumable stores	42 402 383	34 988 360
Sand and stones	9 257	-
	<u>112 556 101</u>	<u>69 205 904</u>
Provision for obsolete stocks	<u>(12 181 751)</u>	<u>(7 900 960)</u>
	<u>100 374 350</u>	<u>61 304 944</u>

The value of inventories expensed during the year was US\$96,787,250 (2021: US\$ 68,695,250).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$	2022	2021
17. TRADE AND OTHER RECEIVABLES		
Vat recoverable	4 012 386	-
Prepayments	2 562 253	2 588 339
Trade receivables	2 212 655	2 232 153
Sundry receivables	<u>63 818</u>	<u>682 231</u>
	8 851 112	5 502 723
Loss allowance	<u>(2 266 367)</u>	<u>(2 687 106)</u>
	<u>6 584 745</u>	<u>2 815 617</u>

The collectability of other receivables is assessed at the reporting date and specific allowances are made for any doubtful receivables based on a review of all outstanding amounts at the period end. Loss allowance are written off during the period in which they are identified.

The entity measure the loss allowance for trade and other receivables by performing a detailed assessment of specific trade debtors focusing on those with long overdue amounts and those where there are indicators of potential default. In determining the provision amount for specific trade debtors, management considers the past default experience of the debtor and an analysis of the debtor's current financial position, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The Company's historical credit loss experience does not show significantly different loss patterns for the various customer segments. Therefore, the grouping of trade receivables is not disaggregated into further risk profiles other than days past due. The loss rates are derived using the Company's own historical credit loss experience and are based on the payment profiles of collections over a period of 90 days. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

There has been no changes in the estimation techniques or significant assumptions made during the current reporting period.

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. None of the trade receivables that have been written off is subject to enforcement activities.

Set out below is the movement in the allowance for expected credit losses of trade and other receivables:

At beginning of the year	(2 687 106)	(2 848 597)
Amounts recovered	<u>420 739</u>	<u>161 491</u>
At the end of the year	<u>(2 266 367)</u>	<u>(2 687 106)</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$	2022	2021
18. SHARE CAPITAL		
Authorised		
33,000,001 ordinary shares of US\$1 each	<u>33 000 001</u>	<u>33 000 001</u>
Issued and fully paid		
9,000,001 ordinary shares of US\$1 each	<u>9 000 001</u>	<u>9 000 001</u>
19. AMOUNTS PENDING ALLOTMENT OF SHARES		
The amounts represent funds received from the holding company for the purchase of additional shares in the Company. The amounts will be converted into share capital after the necessary resolutions and other legal formalities for increasing the issued and authorised share capital of the Company have been completed.		
20. ENVIRONMENTAL RESTORATION PROVISION		
At beginning of the year	3 757 445	2 139 340
Increase in provision	2 744 702	1 516 016
Charged to the statement of profit or loss	<u>326 713</u>	<u>102 089</u>
At end of the year	<u>6 828 860</u>	<u>3 757 445</u>
The Company is required, under mining regulations, to pay 2% of the estimated restoration costs into an Environmental Protection Fund (EPF) which is administered by the Government of the Republic of Zambia (GRZ). The regulations also require that the balance (98%) of the estimated restoration costs be secured using instruments such as a bank guarantee or letter of credit. The Company is yet to arrange for the required security.		
The estimated environmental and restoration costs were discounted using a rate of 4.5043% (2021: 4.0434%).		
21. OTHER PAYABLES		
Sundry payables and accruals	21 206 754	13 717 998
Deferred revenue*	12 776 237	13 644 219
Payroll accruals	5 153 093	5 056 887
VAT payable	<u>-</u>	<u>1 099 112</u>
	<u>39 136 084</u>	<u>33 518 216</u>
*Deferred revenue represents grants received from the Government of the People's Republic of China which is amortised to match the cost it is meant to compensate.		
22. INTANGIBLE ASSETS		
At beginning of the year	377 060	476 933
Additions during the year	300 308	-
Amortisation during the year	<u>(119 894)</u>	<u>(99 873)</u>
At end of the year	<u>557 474</u>	<u>377 060</u>

The amortisation period is 10 years.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$

2022

2021

23. CONTINGENT LIABILITIES

The Company is involved in various claims and lawsuits incidental to its business. In the opinion of management, these claims and lawsuits in the aggregate will not have material adverse effect on the financial statements.

Other than the above, there were no known material contingent liabilities at 31 December 2022 and 2021.

24. RELATED PARTY TRANSACTIONS

The immediate holding company is China Nonferrous Mining Holdings Limited (CNMH), a company incorporated in the People's Republic of China.

CNMH owns 85% of the Company's shares and controls the Company. The remaining 15% of the shares is owned by ZCCM Investments Holdings Plc, incorporated in the Republic of Zambia.

The Company's ultimate holding company is China Nonferrous Metal Mining Corporation (CNMC), incorporated in the People's Republic of China.

The Company in the ordinary course of business enters into various purchase and sales transactions with related entities. These transactions are under terms that are no less favourable than those arranged with third parties.

The Company during the year ended entered into the following transactions with related parties

(a) Trading and other short term balances

Amounts due from related parties

	Nature of relationship		
Kingsail Limited incorporated in China	Fellow subsidiary	25 193 262	71 232 651
Sino-Metal Leach Zambia Ltd incorporated in Zambia	Fellow subsidiary	463 790	460 083
CNMC Congo Mining Company, incorporated in the Democratic Republic of Congo	Fellow subsidiary	267 865	267 911
CNMC International Trade South Africa (Pty) Ltd incorporated in Republic of South Africa	Fellow subsidiary	152 937	-
15th MCC African Construction and Trade Ltd incorporated in Zambia	Fellow subsidiary	108 228	46 096
Chambishi Copper Smelter Limited, incorporated in Zambia	Fellow subsidiary	28 664	43 662
China Nonferrous Zambia Geological Exploration C. incorporated in Zambia	Fellow subsidiary	4 420	4 002
CNMC International Company, incorporated in the People Republic of China	Fellow subsidiary	-	270
		<u>26 219 166</u>	<u>72 054 675</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$

24. RELATED PARTY TRANSACTIONS (Cont'd)

(a) Trading and other short term balances (Cont'd)

2022

2021

Amounts due to related parties

	Nature of relationship		
Chambishi Copper Smelter Limited, incorporated in Zambia	Fellow subsidiary	7 812 943	12 114 890
CNMC International Trade Ltd, incorporated in China	Fellow subsidiary	2 034 124	5 179 991
15th MCC African Construction and Trade Ltd incorporated in Zambia	Fellow subsidiary	1 791 417	2 692 770
Sinozam Friendship Hospital, incorporated in Zambia	Fellow subsidiary	675 690	976 320
GLY Zambia Geological Exploration incorporated in Zambia	Fellow subsidiary	390 297	889 204
CNMC International Trade South Africa (Pty) Ltd incorporated in Republic of South Africa	Fellow subsidiary	123 636	4 587
		<u>12 828 107</u>	<u>21 857 762</u>

(b) Loans due to related parties

At beginning of the year	322 000 000	336 409 769
Additions during the year	250 000 000	160 000 000
Repaid during the year	(60 000 000)	(174 409 769)
At end of the year	<u>512 000 000</u>	<u>322 000 000</u>
Disclosed as:		
Current	282 000 000	55 000 000
Non-current	<u>230 000 000</u>	<u>267 000 000</u>
	<u>512 000 000</u>	<u>322 000 000</u>

The loans are due to:	At beginning of the year	Additions	Repayments	End of the year
China Nonferrous Mining Corporation Limited	322 000 000	200 000 000	(60 000 000)	462 000 000
CNMC Luanshya Copper Mines Plc	-	50 000 000	-	50 000 000
	<u>322 000 000</u>	<u>250 000 000</u>	<u>(60 000 000)</u>	<u>512 000 000</u>

China Nonferrous Mining Corporation Limited

The loan from China Nonferrous Mining Corporation Limited (CNMC Limited), denominated in US Dollars, was drawn in instalments.

The first instalment of US\$34.1 million was drawn on 19 July 2012 and is repayable in one instalment on 19 July 2023. The second instalment of US\$37.9 million was drawn on 7 September 2012 and is repayable in one instalment on 7 September 2023. The first and second draw downs of US\$72 million are unsecured and carry interest at 4.5% per annum.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

24. RELATED PARTY TRANSACTIONS (Cont'd)

2022

2021

(b) Loans due to related parties (Cont'd)

China Nonferrous Mining Corporation Limited (Cont'd)

The third instalment of US\$ 30 million was drawn on 15 September 2019, the fourth instalment of US\$ 5 million was drawn on 5 October 2019, the fifth instalment of US\$20 million was drawn on 5 December 2019, the sixth instalment of US\$35 million loan was drawn on 23 September 2020. The loan is denominated in United States Dollars, unsecured and carry interest at 6% per annum. The third to sixth instalments are repayable in instalments beginning 3 years from the drawn down date. A repayment of US\$60 million was made during the year.

The seventh instalments of US\$160 million from CNMC Limited received on 20 December 2021, the eighth instalment of US\$70 million was drawn on 28 June, 2022. The loan is denominated in United States Dollars, unsecured and carry interest at 3 months LIBOR + 4% per annum. The loan is repayable on 17 December, 2024.

The ninth instalment of US\$99 million was drawn on 08 December, 2022, the tenth instalment of US\$31 million was drawn on 19 December, 2022. The loan is denominated in United States Dollars, unsecured and carry interest at 3 months LIBOR + 1.5% per annum on drawn date. The loan is repayable in instalments beginning 1 year from the drawn down date.

CNMC Luanshya Copper Mines Plc

The loan from CNMC Luanshya copper mines PLC, denominated in US Dollars, was drawn on 28 November, 2022, is unsecured and carried interest of 4.0%. The loan is repayable on 23 July 2023.

(c) Purchases of goods and services

Chambishi Copper Smelter Ltd	32 642 576	37 138 718
CNMC International Trade Ltd	13 977 568	8 119 971
China NonFerrous Zambia Geological Exploration C. Limited	1 350 284	2 541 963
15th MCC African Construction and Trade Ltd	1 530 432	1 861 388
CNMC International Trade South Africa (Pty) Ltd	507 234	1 619 189
	<u>50 008 094</u>	<u>51 281 229</u>

(d) Sales of goods and services

Kingsai Limited	548 458 787	620 779 448
Sino Metal Leach Zambia Limited	5 608 391	6 086 345
15th MCC African Construction and Trade Ltd	221 037	101 647
Chambishi Copper Smelter Limited	65 880	100 217
	<u>554 354 095</u>	<u>627 067 657</u>

(e) Compensation of key management personnel

Salaries and short term benefits	<u>364 176</u>	<u>368 563</u>
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NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

25. LOANS

	2022	2021
At beginning of the year		
Additions	366 633 333	465 480 000
Repayments	-	400 000 000
	(321 633 333)	(498 846 667)
	<u>45 000 000</u>	<u>366 633 333</u>
<i>Disclosed as:</i>		
Non-current		
	<u>45 000 000</u>	<u>366 633 333</u>

Bank of China

A US\$100 million twelve month loan facility drawn on 19 February 2020. The loan, denominated in US Dollars, is guaranteed by the ultimate holding company China Nonferrous Mining Corporation (CNMC) and carries interest at 3 month Libor + 2.3%. The Libor rate as at 31 December 2020 was 0.22871% and the loan was repaid on 18 February 2021.

Additional loans of US\$100 million was obtained from Bank of China, the first instalment of US\$80 million was received on 17 June 2021 and the second instalment of US\$20million was received on 28 July 2021. The loan is denominated in United States Dollars, is guaranteed by the holding company China Nonferrous Mining Corporation (CNMC) and carry interest at 3 month Libor + 2.0% per annum. The amount has been repaid in the current year.

China Construction Bank

A loan amounting to US\$300 million was obtained from China Construction Bank, the first instalment of US\$115 million was received on 4 February 2021 and the second instalment of US\$185 million was received on 22 March 2021. The loan is denominated in United States Dollars, is guaranteed by the holding company China Nonferrous Mining Corporation (CNMC) and carries interest at 3 month Libor + 1.45% per annum. The loan is repayable 3 years from its utilisation date.

26. FINANCIAL INSTRUMENTS

(i) Capital risk management

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 24 and 25, cash and cash equivalents, issued capital, amounts pending allotment of shares and retained earnings.

The Directors review the capital structure. As part of the review, the Directors consider the cost of capital and the risk associated with each class of capital.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

2022

2021

26. FINANCIAL INSTRUMENTS (CONT'D)

(i) Capital risk management (Cont'd)

The gearing ratio at the year end was as follows:

Debt (i)	557 000 000	688 633 333
Cash and cash equivalents	(48 521 772)	(85 481 628)
Net debt	508 478 228	603 151 705
Equity (ii)	197 097 328	164 725 267
Net ratio	100%	100%

(i) Debt is defined as long term borrowings, as detailed in notes 24 and 25.

(ii) Categories of financial instruments

*Financial assets**Amortised cost*

Bank and cash balances	48 521 772	85 481 628
Amounts due from related parties	26 219 166	72 054 675
Trade and other receivables	2 276 473	583 464
Investments in equity instruments	540 100	540 100

*Financial liabilities**Amortised at cost*

Bank loans	45 000 000	366 633 333
Loans due to related parties	512 000 000	322 000 000
Trade and other payables	139 685 893	101 652 198
Amounts due to related parties	12 828 107	21 857 762
	709 514 000	812 143 293

(iii) Credit risk management

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in a financial loss to the Company. The Company has adopted a policy of only dealing with credit-worthy counter-parties. The credit risk on liquid funds is limited because counterparties are banks with high credit ratings.

The Company's maximum exposure to credit risk is analysed below:

Bank and cash balances	48 521 772	85 481 628
Amounts due from related parties	26 219 166	72 054 675
Trade and other receivables	2 276 473	583 464
	77 017 411	158 119 767

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

2022

2 021

26. FINANCIAL INSTRUMENTS (CONT'D)

(iv) Foreign currency risk management (Cont'd)

The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Zambian Kwacha. The Finance Department is responsible for hedging the net position in each currency.

The Company's exposure as at the end of the year is as follows:

Liabilities

Zambian Kwacha

27 311 719

5 206 637

Assets

Zambian Kwacha

30 144 749

6 196 345

At 31 December 2022, if the Dollar had weakened/strengthened by 10% against the Kwacha with all other variables held constant, pre tax profit for the year would have been **\$0.28 million** higher/lower (2021:\$0.099 million higher/lower), mainly as a result of Kwacha payables, receivables and bank balances.

(v) Interest rate risk management

The Company's only interest bearing assets are short term bank deposits and related party loans but the Company has borrowings at floating rates. At 31 December 2022, an increase/decrease of 50 basis points would have resulted in an decrease/increase in profit before tax of **\$27.85 million** (2021: \$3.44 million increase/decrease).

(vi) Liquidity risk management

The Company manages liquidity risk by maintaining adequate reserves and banking facilities and by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and liabilities based on the undiscounted contractual maturities of the financial assets and liabilities.

Year ended 31 December 2022

	Effective interest rate			Total
	%	1 - 3 months	1 - 5 years	
Assets				
Bank and cash balances	-	48 521 772	-	48 521 772
Trade and other receivables	-	2 276 473	-	2 276 473
Amounts due from related parties	-	26 219 166	-	26 219 166
	-	77 017 411	-	77 017 411

NFC AFRICA MINING PLC

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022(Cont'd)

US\$

26. FINANCIAL INSTRUMENTS (CONT'D)

(vii) Liquidity risk management (Cont'd)

Year ended 31 December 2022

	Effective interest rate %	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities						
China Construction Bank	1.630	-	-	-	45 000 000	45 000 000
CNMC Limited	5.750	-	-	232 000 000	230 000 000	462 000 000
CNMC luanshya copper mines PLC	4.000	-	-	50 000 000	-	50 000 000
Trade and other payables	-	-	139 685 893	-	-	139 685 893
Amounts due to related parties	-	-	12 828 107	-	-	12 828 107
		-	152 514 000	282 000 000	275 000 000	709 514 000

Year ended 31 December 2021

Assets

Bank and cash balances	-	-	-	85 481 628	-	85 481 628
Trade and other receivables	-	-	-	2 815 617	-	2 815 617
Amounts due from related parties	-	-	-	72 054 675	-	72 054 675
	-	-	-	160 351 920	-	160 351 920

Liabilities

China Construction Bank	1.400	-	-	-	266 633 333	266 633 333
CNMC Limited	4.500	-	-	55 000 000	267 000 000	322 000 000
Bank Of China	2.000	-	-	-	100 000 000	100 000 000
Trade and other payables	-	-	101 652 198	-	-	101 652 198
Amounts due to related parties	-	-	21 857 762	-	-	21 857 762
	-	-	123 509 960	55 000 000	633 633 333	812 143 293

27. FAIR VALUE MEASUREMENTS

The Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the financial statements approximate their fair values.

Fair value hierarchy as at 31 December 2022

Financial assets

	Level 1	Level 2	Level 3	Total
Trade and other receivables	-	-	2 276 473	2 276 473
Amounts due from related parties	-	-	26 219 166	26 219 166
	-	-	28 495 639	28 495 639

Financial liabilities

Bank loans	-	95 000 000	-	95 000 000
Loans due to related parties	-	-	462 000 000	462 000 000
Trade and other payables	-	-	139 685 893	139 685 893
Amounts due to related parties	-	-	12 828 107	12 828 107
	-	95 000 000	614 514 000	709 514 000

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2022 (Cont'd)

US\$

27. FAIR VALUE MEASUREMENTS (CONT'D)

Fair value hierarchy as at 31 December 2021				
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other receivables	-	-	583 464	583 464
Amounts due from related parties	-	-	72 054 675	72 054 675
	-	-	72 638 139	72 638 139
Financial liabilities				
Loans	-	366 633 333	-	366 633 333
Loan due to a related party	-	-	322 000 000	322 000 000
Trade and other payables	-	-	101 652 198	101 652 198
Amounts due to related parties	-	-	21 857 762	21 857 762
	-	366 633 333	445 509 960	812 143 293

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

	2022	2021
28. BASIC EARNINGS PER SHARE		
	Cents per share	Cents per share
From continuing operations	582	1 344
The earnings and weighted average number of ordinary shares used in the calculation of basic loss earnings per share are as follows:		
Profit used in the calculation of basic earning per share	52 372 061	120 937 847
Weighted average number of ordinary shares for purposes of basic earnings per share	9 000 001	9 000 001

29. DIVIDENDS

Dividends are recognised in the period in which the dividends are declared. These dividends are recorded and disclosed as dividends paid in the statement of changes in equity and classified as cashflow from financing activities in the statement of cashflows. Dividends proposed or declared subsequent to the date of the statement of financial position are not recognised, but are disclosed in the notes to the financial statements.

A cash dividend of US\$20,000,000 share was declared by the board on 25 April 2022 from profits accrued during the financial year ended 31 December 2021. The dividend was paid before year end.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2022 (Cont'd)

US\$

30 EVENTS AFTER REPORTING DATE

No significant events have occurred since the end of the financial year that could have a major impact on the results of the operations and financial position of NFC Africa Mining Plc.
