

NFC AFRICA MINING PLC

REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2023

NFC AFRICA MINING PLC

(Incorporated in Zambia)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2023

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REPORT OF THE DIRECTORS

The Directors present their report and the financial statements for the year ended 31 December 2023.

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 22592

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\$110 900 386 (2022: US\$73 973 192). The after tax profit recorded for the year amounted to US\$77 794 415 (2022: US\$52 372 061) representing a growth in profitability of 48%. The Directors have not recommend any dividend pay-out in the current year (2022: US\$20 million).

Directors

The Directors who held office during the year were:

Mr. Li Zhanyan - Chairman, appointed on 27/02/2023

Mr.Huang Rongman

Mr.Pang Chunguang

Mr.Cheng Mingming

Mr.Mufingwe Ng'ambi

Mr.Cosmas Mwananshiku

Mr.Cui Hailiang

Mr.Yu lixian

Mr.Han Guang

Appointed on 23/10/2023

Mr.Xu Helin

Resigned on 27/02/2023

Key senior management

Chief Executive Officer

Mr. Han Guang

Chief Financial Officer

Mr.Li Chengguo

Head of Human Resource

Mr. Han Guang

Auditors

Deloitte & Touche

Plot 2374/B, Deloitte Square

Thabo Mbeki Road

Lusaka

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\$43 411 355 and comprised of:

	US\$
Capital work in progress	41 823 172
Mining plant, machinery and equipment	1 193 706
Motor vehicles	287 524
Land and Buildings	91 761
Office furniture and equipment	15 192
	<u>43 411 355</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:

	2023	2022
January	1995	1859
February	1984	1861
March	1988	1869
April	1962	1875
May	1965	1874
June	1956	1896
July	1981	1889
August	1984	1901
September	1987	1920
October	1978	1959
November	1982	1982
December	1981	1997

The total remuneration paid in respect of the above employees was US\$26 690 876 (2022: US\$24,816,109).

Exports

The value of exports during the year amounted to US\$619 820 113 (2022: US\$548,458,787).

Research and development

The Company engaged in research and development activities relating to optimisation of efficient recovery of pillars at the Southeast ore body 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.

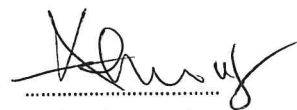
Gifts and donations

During the financial year, donations to charitable causes in the aggregate sum of **US\$320 973** (2022: US\$220,946) 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.

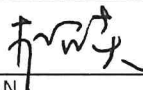

The Directors are of the opinion that the financial statements set out on pages 7 to 37 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with International Financial Reporting Standards, and the Companies Act, 2017. The Directors 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.

The Directors have made an assessment of the ability of the Company to continue as a going concern and have no reason to believe that the business will not be a going concern.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework described above.

Approval of the financial statements:

The financial statements of NFC Africa Mining Plc, set out on pages 7 to 37 were approved by the Board of Directors on _____ and signed on its behalf by:

)	
LI ZHANYAN)	
)	
)	DIRECTORS
)	
)	
HAN GUANG)	

INDEPENDENT AUDITOR'S REPORT

To the shareholders 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 37, which comprise the statement of financial position as at 31 December 2023, 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 material accounting policy information.

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 2023, 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 officer 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



Alice Jere Tembo

Audit Partner

PC No: AUD/F000433

Date: 28/03/2024

NFC AFRICA MINING PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2023

US\$

	NOTES	2023	2022
Metal sales	6	619 820 114	548 458 787
Mineral royalty tax		<u>(42 313 017)</u>	<u>(47 328 505)</u>
		577 507 097	501 130 282
Cost of sales		<u>(408 464 122)</u>	<u>(374 901 198)</u>
Gross profit		169 042 975	126 229 084
Other gains and losses	7	(7 158 257)	(1 894 749)
Other income	8	12 046 121	10 211 997
Investment revenue	9	1 579 734	3 011 648
Finance costs	10	(36 345 271)	(28 866 883)
Administration expenses		(27 743 555)	(30 135 510)
Other operating expenses		<u>(521 361)</u>	<u>(4 582 394)</u>
Profit before tax	11	110 900 386	73 973 192
Income tax expense	12	<u>(33 105 971)</u>	<u>(21 601 131)</u>
Profit for the year and total comprehensive income		<u>77 794 415</u>	<u>52 372 061</u>
Earnings per share (cents)	28	<u>864</u>	<u>582</u>

NFC AFRICA MINING PLC

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2023

US\$

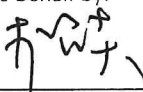

	Share capital	Amounts pending allotment of shares	Retained earnings	Total
Balance at 1 January 2022	9 000 001	37 452 928	118 272 338	164 725 267
Profit for the year	-	-	52 372 061	52 372 061
Dividends paid during the year (Note 29)	-	-	(20 000 000)	(20 000 000)
Balance at 31 December 2022	9 000 001	37 452 928	150 644 399	197 097 328
Profit for the year	-	-	77 794 415	77 794 415
Balance at 31 December 2023	9 000 001	37 452 928	228 438 814	274 891 743

NFC AFRICA MINING PLC

STATEMENT OF FINANCIAL POSITION
at 31 December 2023

US\$		2023	2022
Assets	Notes		
<i>Non-current assets</i>			
Property, plant and equipment	13	765 015 954	789 935 779
Intangible assets	14	397 539	557 474
Investments available for sale	15	540 100	540 100
Total non current assets		765 953 593	791 033 353
<i>Current assets</i>			
Inventories	16	71 597 426	100 374 350
Trade and other receivables	17	27 165 214	6 584 745
Amounts due from related companies	23	60 713 807	26 219 166
Cash and bank balances		28 512 653	48 521 772
Current tax assets	12	-	2 061 078
Total current assets		187 989 100	183 761 111
Total assets		953 942 693	974 794 464
Equity and liabilities			
<i>Capital and reserves</i>			
Share capital	18	9 000 001	9 000 001
Retained earnings		228 438 814	150 644 399
Amounts pending allotment of shares	19	37 452 928	37 452 928
Total equity		274 891 743	197 097 328
<i>Non current liabilities</i>			
Loans due to related parties	23	122 000 000	230 000 000
Environmental restoration provision	20	6 720 631	6 828 860
Bank loans	21	-	45 000 000
Deferred tax liabilities	12	83 599 130	56 201 183
Total non current liabilities		212 319 761	338 030 043
<i>Current liabilities</i>			
Trade payables		81 714 207	105 702 902
Other payables	22	47 875 578	39 136 084
Short term portion of loans due to related parties	23	320 000 000	282 000 000
Amounts due to related companies	23	13 786 611	12 828 107
Current tax liabilities	12	3 354 793	-
Total current liabilities		466 731 189	439 667 093
Total liabilities		679 050 950	777 697 136
Total equity and liabilities		953 942 693	974 794 464

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 37 were approved by the Board of Directors on and were signed on its behalf by:

)	
LI ZHANYAN)	
)	DIRECTORS
HAN GUANG)	

NFC AFRICA MINING PLC

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

US\$

	Notes	2023	2022
Cash flows from operating activities			
Profit after tax		77 794 415	52 372 061
Adjustments for:			
Depreciation	13	66 809 754	65 060 012
Write down of inventory - stock obsolescence and net realisable adjustment	16	23 100	4 280 791
Exchange loss on taxation	12	719 248	2 091 425
Income tax expense	12	33 105 971	21 601 131
Interest expense	10	35 897 305	28 540 170
Environmental restoration provision charged to profit and loss	20	447 966	326 713
Dividends received	9	(1 500 000)	(3 000 000)
Amortisation of intangible assets	14	159 935	119 894
Loss on disposal of property, plant and equipment		231 178	146 591
Interest income	9	(79 734)	(11 648)
		<u>213 609 138</u>	<u>171 527 140</u>
<i>Movements in working capital:</i>			
Decrease (increase) in inventories		28 753 824	(43 350 197)
(Increase) decrease in trade, intercompany and other receivables		(55 075 110)	42 066 381
(Decrease) increase in current liabilities excluding current tax liabilities and short term portion of loans		<u>(14 290 697)</u>	<u>14 356 915</u>
Cash generated by operations		<u>172 997 155</u>	<u>184 600 239</u>
Income tax paid	12	<u>(1 011 401)</u>	<u>(8 860 623)</u>
Net cash generated by operating activities		<u>171 985 754</u>	<u>175 739 616</u>
Cash flows from investing activities			
Expenditure on property, plant and equipment	13	(43 411 355)	(36 717 672)
Transfer to cost of sales from property, plant and equipment**	13	734 053	1 180 055
Dividends received	9	1 500 000	3 000 000
Interest received		<u>79 734</u>	<u>11 648</u>
Net cash used in investing activities		<u>(41 097 568)</u>	<u>(32 525 969)</u>
Cash flows from financing activities			
Proceeds from borrowings	22,23	40 000 000	250 000 000
Loans repaid	22,23	(155 000 000)	(381 633 333)
Dividends paid	29	-	(20 000 000)
Interest paid		<u>(35 897 305)</u>	<u>(28 540 170)</u>
Net cash used in financing activities		<u>(150 897 305)</u>	<u>(180 173 503)</u>
Net decrease in cash and cash equivalents		(20 009 119)	(36 959 856)
Cash and cash equivalents at beginning of the year		<u>48 521 772</u>	<u>85 481 628</u>
Cash and cash equivalents at end of the year		<u><u>28 512 653</u></u>	<u><u>48 521 772</u></u>
Comprising:			
Cash and bank balances		<u><u>28 512 653</u></u>	<u><u>48 521 772</u></u>

** Non-cash items

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023

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 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

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

The Company has adopted the amendments to IAS 1 for the first time in the current year. 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.

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

The Company has adopted the amendments to IAS 12 for the first time in the current year. 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 profit nor taxable profit.

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.

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

The Company has adopted the amendments to IAS 8 for the first time in the current year. 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

2. ADOPTION OF NEW AND REVISED STANDARDS (CONT'D)

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>
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Amendments to IAS 1	<i>Classification of Non-current liabilities with Covenants</i>
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The Directors do not expect that the adoption of the Standard listed above will have a material impact on the financial statements of the Company in future periods.

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

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or non-current 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—Non-current Liabilities with Covenants*

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described below, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future period if the revision affects both current and future periods.

3.1 Income taxes

The Company's current tax liability of US\$3.4 million relates to management's judgement of the estimated amount of tax payable on the open tax computations where liabilities remain to be agreed with the Zambia Revenue Authority. The Company evaluates uncertain tax items, where a tax item is subject to interpretation and remains to be agreed. Principally the uncertain tax items for which a provision is made, relate to the interpretation of tax legislation regarding the treatment of disallowed and allowable expenses for transactions that have been entered into the normal course of business. Provisions established for uncertain items are made using a best estimate of the tax expected to be paid based on a qualitative assessment of all relevant information.

Due to the uncertainty associated with such tax items, it is possible that at a future date, on conclusion of the open matters, the final outcome may vary significantly.

3.2 Estimate of assets lives, residual values and depreciation methods

Property, plant and equipment are depreciated over their useful life taking into account residual values. Useful lives and residual values are assessed annually. Useful lives are affected by technology innovations, estimated life of the mine, maintenance programmes and future productivity. In determining the depreciable amount, management makes certain assumptions with regard to the residual value of assets based on the expected estimated amount that the company would currently obtain from the disposal of the asset, after deducting the estimated cost of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. If an asset is expected to be abandoned the residual value is estimated at zero. The estimation of the useful life of the asset is a matter of judgement and in determining the useful life of items of property, plant and equipment that is depreciated, management considers the expected usage of assets, expected physical wear and tear, legal or similar limits of assets such as mineral rights as well as obsolescence. This estimate is further impacted by management's best estimation of proved and probable copper ore reserves and the expected future life of each of the mine assets.

3.3 Restoration, rehabilitation and environmental costs

The provisions for environmental rehabilitation and decommissioning costs are calculated using management's best estimate of the costs to be incurred based on the entity's environmental policy, taking into account current technological, environmental and regulatory requirements discounted to a present value. The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes and changes in discount rates (7.14% (2022: 5.11%)). Additionally, future changes to environmental laws and regulations and Life of Mine estimates could affect the carrying amount of this provision. These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for the mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

4. ACCOUNTING POLICIES

4.1 Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards and the Zambian Companies Act, 2017.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.2 Basis of presentation of the financial statements (cont'd)

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 Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business. During the year the Company had a net profit of US\$77.8 million (2022:US\$52.4 million) and as of that date the current liabilities exceeded current assets by US\$278.7 million (2022:US\$255.9 million). Included in the current liabilities is US\$333.8 million (2022:US\$294.8 million) due to related parties.

The Directors have considered the Company's cashflow forecasts for the period to 31 December 2024, including the outlook for commodity prices, production levels from the Company's operations, the principal repayments due under Company's debt facilities and its future capital requirements.

The Company meets its day to day working capital requirements through a combination of extended credit from related companies and third parties. The continued existence of the Company is dependent upon continuing support from related companies, third parties and future income streams from the business.

The Directors expect the Company to continue to benefit from the continuing support of related companies and third parties in the foreseeable future. On that basis, the Directors consider the use of a going concern basis of accounting to prepare the financial statements to be appropriate.

4.4 Revenue recognition

The Company recognises revenue from the following major sources:

- Sale of copper cathodes
- Sale of copper blister

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. The majority of the entity's sale of copper cathodes and concentrates allow for price adjustments based on the market price at the end of the relevant Quotation Period (QP) stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.4 Revenue recognition (cont'd)

The revenue is measured at the amount to which the Company expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e, the forward price, and a corresponding related party receivable is recognised. For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced related party receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced related party receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition until the date of settlement. These subsequent changes in fair value are recognised on the face of statement of profit or loss and other comprehensive income in each period as part of other gains and losses. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for copper.

Sales of copper cathodes

Revenue of copper cathodes 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

Sales of copper blister

Revenue of copper cathodes 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

4.5 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:

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

Expenditure on assets under construction is initially shown as capital work in progress and is transferred to the relevant class of assets when commissioned.

Capital work in progress is not depreciated and is carried at cost less impairment.

4.6 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

4.7 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.7 Impairment of tangible and intangible assets (cont'd)

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.

4.8 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.

4.9 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.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (where the time value of money is material).

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.

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 cashflows estimated to settle the present obligation, its carrying amount is the present value of those cashflows (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.

4.10 Translation of foreign currencies

The financial statements of the Company are not presented in the currency of the primary environment in which the entity operates. For the purpose of the financial statements, the results and financial position of the Company are expressed in United States Dollars, which is the functional currency of the Company and the presentation currency for the financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.10 Translation of foreign currencies (cont'd)

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

4.11 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 marketplace.

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:

- 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (cont'd)

*Financial assets (cont'd)**(i) Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

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.

Impairment of financial assets

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (cont'd)

Financial assets (cont'd)

Foreign exchange gains and losses (cont'd)

Impairment of financial assets (cont'd)

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

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:

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (cont'd)

Financial assets (cont'd)

(i) Significant increase in credit risk (cont'd)

- (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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (cont'd)

Financial assets (cont'd)

(v) *Measurement and recognition of expected credit losses (cont'd)*

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.

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

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

4 ACCOUNTING POLICIES (CONT'D)

4.11 Financial instruments (cont'd)

Financial liabilities and equity

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.

4.12 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

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.

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

4.13 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.

4.14 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

4. ACCOUNTING POLICIES (CONT'D)

4.15 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 arising from the installation of plant and other site preparation work, discounted to net present value, are provided for and a corresponding amount is capitalised at the start of each project, as soon as the obligation to incur such costs arises. These costs are charged to the profit or loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbances and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the life of the asset to which it relates. The unwinding of the discount is shown as a financing cost in the profit or loss.

Cost for restoration of subsequent site damage which is caused on an ongoing basis during production are provided for at their net values and charged to the statement of comprehensive income as extraction progresses. Where the cost of site restoration are not anticipated to be material, they are expensed as incurred.

4.16 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.

4.17 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.

4.18 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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

5 RISK MANAGEMENT POLICIES (CONT'D)

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\$

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 line.

Copper anode	619 820 114	548 458 787
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7. OTHER GAINS AND LOSSES

Net foreign exchange losses	7 158 257	1 894 749
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8. OTHER INCOME

Sale of electricity, fuel, stones, sand, materials and spare parts	9 126 003	7 904 458
Sundry income	2 786 093	2 264 794
Rental income	134 025	42 745
	<u>12 046 121</u>	<u>10 211 997</u>

9. INVESTMENT REVENUE

Dividends received	1 500 000	3 000 000
Bank interest income	79 734	11 648
	<u>1 579 734</u>	<u>3 011 648</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$	2023	2022
10. FINANCE COSTS		
Interest on loans	35 845 754	28 469 966
Unwinding of discount on environmental provision	447 966	326 713
Bank charges	51 551	70 204
	<u>36 345 271</u>	<u>28 866 883</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 .		
11. PROFIT BEFORE TAX		
Profit before tax is stated after crediting:		
Interest income	79 734	11 648
Reversal of loss allowance on receivables	<u>65 189</u>	<u>124 260</u>
and after charging:		
Cost of inventories recognised as an expense	98 274 622	96 787 250
Depreciation	66 809 754	65 060 012
Staff costs	26 690 876	20 856 196
Net foreign exchange losses	7 158 257	1 894 749
Pension costs	3 076 542	3 595 737
Directors' remuneration as: - Managers of the Company	451 880	364 176
- Directors of the Company	6 494	14 784
Gifts and donations	320 973	220 946
Amortisation of intangible asset	159 935	119 894
Write downs of inventories - provision for obsolescence	<u>23 099</u>	<u>4 280 791</u>
12. TAXATION		
12.1 Income tax expense		
Current tax	5 708 024	46 982
Deferred tax expense (12.3)	<u>27 397 947</u>	<u>21 554 149</u>
	<u>33 105 971</u>	<u>21 601 131</u>
<i>Reconciliation of tax charge</i>		
Profit before tax	<u>110 900 386</u>	<u>73 973 192</u>
Taxation at 30%	<u>33 270 116</u>	<u>22 191 958</u>
<i>Permanent differences:</i>		
Non cash benefits	177 621	134 256
Non deductible expenses	220 123	239 048
ITV on disposal over NBV on disposals	(65 252)	(43 977)
Initial allowance on industrial buildings	-	(12 674)
Tax rate reconciliation on the 15% on dividend income	(450 000)	(900 000)
Adjustment on prior year tax losses	(6 430)	-
Tax rate reconciliation on the 35% interest income	<u>(40 207)</u>	<u>(7 480)</u>
	<u>(164 145)</u>	<u>(590 827)</u>
Actual tax charge	<u>33 105 971</u>	<u>21 601 131</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

12. TAXATION (CONT'D)

2023

2022

Tax losses

Subject to agreement with the Zambia Revenue Authority, tax losses of approximately US\$57.6 million (2022: US\$76.7 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	27 929 731	27 929 731
2020 tax losses to expire in 2030	48 800 272	48 800 272
Tax losses utilised during the year	(19 094 333)	-
	<u>57 635 670</u>	<u>76 730 003</u>

12.2 Current tax liabilities (assets)

(Receivable) payable in respect of prior years	(2 061 078)	4 661 138
Payable in respect of the year	5 708 024	46 982
Exchange losses (gains)	719 248	2 091 425
Paid during the year	(1 011 401)	(8 860 623)
	<u>3 354 793</u>	<u>(2 061 078)</u>

12.3 Deferred tax

Analysis of deferred tax:

Year ended 31 December 2023

	At beginning of the year	Movement for the year	At end of the year
Property, plant and equipment	89 648 139	19 539 040	109 187 179
Environmental restoration provision	(2 048 658)	1 097 007	(951 651)
Other provisions	(4 828 014)	90 814	(4 737 200)
Interest expense restriction	(3 748 926)	2 711 001	(1 037 925)
Net unrealised exchange gains (losses)	191 213	(1 696 880)	(1 505 667)
Tax losses	(23 012 571)	5 656 965	(17 355 606)
	<u>56 201 183</u>	<u>27 397 947</u>	<u>83 599 130</u>

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
Environmental restoration provision	(1 127 233)	(921 425)	(2 048 658)
Other 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>

NFC AFRICA MINING PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

US\$

13. 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 2022	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 inventory	-	-	-	-	(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
Additions-direct	91 761	1 193 706	287 524	15 192	41 823 172	43 411 355
Adjustment to restoration asset	-	(556 195)	-	-	-	(556 195)
Reclassifications	3 775 133	29 526 824	392 355	51 766	(33 746 078)	-
Transfers to cost of sales*	-	-	-	-	(734 053)	(734 053)
Disposals	-	(18 994 924)	(796 759)	-	-	(19 791 683)
Balance at 31 December 2023	233 267 210	1 028 103 015	7 490 453	1 725 204	50 293 102	1 320 878 984
Depreciation and impairment						
Balance at 1 January 2022	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
Charge for the year	6 855 150	59 214 721	692 109	47 774	-	66 809 754
Eliminated in respect of disposals	-	(18 763 746)	(796 759)	-	-	(19 560 505)
Balance at 31 December 2023	88 177 626	458 425 094	6 028 739	1 593 938	1 637 633	555 863 030
Carrying amounts						
As at 31 December 2023	145 089 584	569 677 921	1 461 714	131 266	48 655 469	765 015 954
As at 31 December 2022	148 077 840	598 959 485	1 473 944	112 082	41 312 428	789 935 779

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 2023 (Cont'd)

US\$	2023	2022
14. INTANGIBLE ASSETS		
At beginning of the year	557 474	377 060
Additions during the year	-	300 308
Amortisation during the year	(159 935)	(119 894)
At end of the year	<u>397 539</u>	<u>557 474</u>
The amortisation period for the purchased software is 10 years.		
15. AVAILABLE FOR SALE INVESTMENTS		
At cost:	Principal activity	Place of operation
Sino Metals Leach Zambia Limited	Copper processing	Chambishi
		540 000
Zambia China Economic Trade Corporation Zone	Development of Chambishi Economic Zone	Chambishi
		100
		<u>540 100</u>
		<u>540 100</u>
The Company holds a 15% interest in the ordinary shares of Sino Metals Leach Zambia Limited and a 5% interest in Zambia China Economic Trade Corporation Zone (ZCCZ).		
As there is no reliable measure of their fair values, the shares have been recorded at cost.		
16. INVENTORIES		
Metal stocks	45 098 787	70 144 461
Consumable stores	38 684 951	42 402 383
Sand and stones	18 539	9 257
	83 802 277	112 556 101
Provision for obsolete stocks	(12 204 851)	(12 181 751)
	<u>71 597 426</u>	<u>100 374 350</u>
The cost of inventory recognised as an expense during the year was US\$98 274 622 (2022:US\$96 787 250). The cost of inventories recognised as an expense includes nil (2022:nil) in respect of write-downs of inventory to net realisable value.		
17. TRADE AND OTHER RECEIVABLES		
Value Added Tax recoverable	26 046 867	4 012 386
Trade receivables	1 783 079	2 212 655
Sundry receivables	846 392	63 818
Prepayments	309 705	2 562 253
	28 986 043	8 851 112
Loss allowance	(1 820 829)	(2 266 367)
	<u>27 165 214</u>	<u>6 584 745</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$	2023	2022
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17. TRADE AND OTHER RECEIVABLES (Cont'd)

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 Company measures 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	(2 266 367)	(2 687 106)
Amounts recovered	445 538	420 739
	(1 820 829)	(2 266 367)

18. SHARE CAPITAL**Authorised**

33,000,001 ordinary shares of US\$1 each	33 000 001	33 000 001
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Issued and fully paid

9,000,001 ordinary shares of US\$1 each	9 000 001	9 000 001
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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.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

20. ENVIRONMENTAL RESTORATION PROVISION

	2023	2022
At beginning of the year	6 828 860	3 757 445
(Decrease) increase in provision	(556 195)	2 744 702
Charged to the statement of profit or loss	447 966	326 713
At end of the year	<u>6 720 631</u>	<u>6 828 860</u>

The costs of decommissioning and reclamation of mines and processing facilities for NFC Africa Mining Plc are based on the current obligations under the Mines and Safety Department legislation governing closure and rehabilitation. The provision represents the discounted values of the estimated costs to decommission and reclaim the mines based on the current estimated life of mine for each deposit.

The liability usually becomes payable after the end of the useful life of each mine. Uncertainties in estimating these costs include potential changes in regulatory requirements, decommissioning and reclamation alternatives, the levels of discount rates and the estimated timing of closure and decommissioning.

In order to reflect current market assessments of the time value of money and the risks specific to the liability, the present value of these provisions has been calculated using the discount rate of 7.14% (2022:5.11%). The carrying value of the closure provisions is sensitive to the estimates and assumptions used in its measurement. If the discount rate of 7.14% (2022:5.11%) had been 1% higher than management's estimate, the Company would have decreased the provision by US\$536 521 (2022:US\$106 528). On the other hand, if the discount rate had been 1% lower than management's estimate, the Company would have increased the current provision by US\$591 937 (2022:US\$1 426 921).

21. BANK LOANS

At beginning of the year	45 000 000	366 633 333
Repayments	<u>(45 000 000)</u>	<u>(321 633 333)</u>
	<u>-</u>	<u>45 000 000</u>
<i>Disclosed as:</i>		
Non-current	<u>-</u>	<u>45 000 000</u>

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 was denominated in United States Dollars and was guaranteed by the holding company China Nonferrous Mining Corporation (CNMC) and carried interest at 3 month Libor + 1.45% per annum. The loan has been repaid in the current year.

22. OTHER PAYABLES

Sundry payables and accruals	30 235 948	21 206 754
Deferred revenue*	11 672 229	12 776 237
Payroll accruals	<u>5 967 401</u>	<u>5 153 093</u>
	<u>47 875 578</u>	<u>39 136 084</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. The movement during the year was as follows:

Opening amount	12 776 237	13 644 219
Amortisation	<u>(1 104 008)</u>	<u>(867 982)</u>
Closing amount	<u>11 672 229</u>	<u>12 776 237</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

23. RELATED PARTY TRANSACTIONS

2023

2022

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 has control of 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	60 088 655	25 193 262
Sino-Metal Leach Zambia Ltd incorporated in Zambia	Fellow subsidiary	561 317	463 790
15th MCC African Construction and Trade Ltd incorporated in Zambia	Fellow subsidiary	40 273	108 228
Chambishi Copper Smelter Limited, incorporated in Zambia	Fellow subsidiary	20 150	28 664
CNMC Luanshya Copper Mines Plc incorporated in Zambia	Fellow subsidiary	2 268	-
GLY Zambia Geological Exploration C. Ltd incorporated in Zambia	Fellow subsidiary	1 144	-
CNMC Congo Mining Company, incorporated in the Democratic Republic of Congo	Fellow subsidiary	-	267 865
CNMC International Trade South Africa (Pty) Ltd incorporated in Republic of South Africa	Fellow subsidiary	-	152 937
China Nonferrous Zambia Geological Exploration C. Ltd incorporated in Zambia	Fellow subsidiary	-	4 420
		<u>60 713 807</u>	<u>26 219 166</u>

Amounts due to related parties

	Nature of relationship		
Chambishi Copper Smelter Limited, incorporated in Zambia	Fellow subsidiary	8 377 228	7 812 943
15th MCC African Construction and Trade Ltd incorporated in Zambia	Fellow subsidiary	1 872 688	1 791 417
CNMC International Trade Ltd, incorporated in China	Fellow subsidiary	1 870 971	2 034 124
Sinozam Friendship Hospital, incorporated in Zambia	Fellow subsidiary	1 379 970	675 690
GLY Zambia Geological Exploration incorporated in Zambia	Fellow subsidiary	285 754	390 297
CNMC International Trade South Africa (Pty) Ltd incorporated in Republic of South Africa	Fellow subsidiary	-	123 636
		<u>13 786 611</u>	<u>12 828 107</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

(b) Loans due to related parties	2023	2022		
At beginning of the year	512 000 000	322 000 000		
Additions during the year	40 000 000	250 000 000		
Repaid during the year	(110 000 000)	(60 000 000)		
At end of the year	442 000 000	512 000 000		
Disclosed as:				
Current	320 000 000	282 000 000		
Non-current	122 000 000	230 000 000		
	442 000 000	512 000 000		
	At beginning of the year	Additions	Repayments	End of the year
The loans are due to:				
China Nonferrous Mining Corporation Limited	462 000 000	-	(90 000 000)	372 000 000
CNMC Luanshya Copper Mines Plc	50 000 000	20 000 000	-	70 000 000
Chambishi Copper Smelter Limited	-	20 000 000	(20 000 000)	-
	512 000 000	40 000 000	(110 000 000)	442 000 000

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 2026. The second instalment of US\$37.9 million was drawn on 7 September 2012 and is repayable in one instalment on 7 September 2026. The first and second draw downs of US\$72 million are unsecured and carry interest at 4.5% per annum.

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 the balance of US\$30 million was made during the year and the loan has since been fully paid.

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 3M SOFR + 1% per annum. US\$60 million has been repaid in the current year and the balance 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 3months 3M SOFR + 1.5% per annum on drawn date. The loan is repayable on 8 December 2024.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

23. RELATED PARTY TRANSACTIONS (Cont'd)

2023

2022

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

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 carries interest of 4.0%. The repayment date has been extended to 23 July 2025 from 23 July 2023.

The additional US\$20 million loan from CNMC Luanshya was drawn on 5 June 2023, is unsecured and carries interest of 4.0%. The loan is repayable on 5 June 2024.

(c) Purchases of goods and services

	Nature of relationship		
Chambishi Copper Smelter Ltd	Fellow subsidiary	45 594 202	32 642 576
CNMC International Trade Ltd	Fellow subsidiary	8 898 714	13 977 568
15th MCC African Construction and Trade Ltd	Fellow subsidiary	2 183 998	1 530 432
CNMC International Trade South Africa (Pty) Ltd	Fellow subsidiary	1 465 177	507 234
GLY Zambia Geological Exploration	Fellow subsidiary	1 294 981	
CNMC Luanshya Copper Mines Plc	Fellow subsidiary	19 656	
China NonFerrous Zambia Geological Exploration C. Limited	Fellow subsidiary	-	1 350 284
		<u>59 456 728</u>	<u>50 008 094</u>

(d) Sales of goods and services

Kingsai Limited	Fellow subsidiary	619 820 114	548 458 787
Sino Metal Leach Zambia Limited	Fellow subsidiary	6 905 532	5 608 391
15th MCC African Construction and Trade Ltd	Fellow subsidiary	232 066	221 037
Chambishi Copper Smelter Limited	Fellow subsidiary	44 334	65 880
		<u>627 002 046</u>	<u>554 354 095</u>

(e) Compensation of key management personnel

Salaries and short term benefits	<u>451 880</u>	<u>364 176</u>
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24. 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 2023 and 2022.

25. CAPITAL COMMITMENTS

Authorised and contracted for	<u>6 826 400</u>	<u>11 883 210</u>
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The capital commitments will be financed by borrowings and internally generated funds.

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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

US\$ 2023 2022

26. FINANCIAL INSTRUMENTS (CONT'D)

(i) Capital risk management (cont'd)

The capital structure of the Company consists of debt, which includes the borrowings disclosed in notes 22 and 23, 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.

The gearing ratio at the year end was as follows:

Debt (i)	442 000 000	557 000 000
Cash and cash equivalents	(28 512 653)	(48 521 772)
Net debt	413 487 347	508 478 228
Equity (ii)	274 891 743	197 097 328
Net ratio	100%	100%

(i) Debt is defined as long term borrowings, as detailed in notes 22 and 23.

(ii) Equity includes all capital and reserves of the Company.

(ii) Categories of financial instruments

Financial assets

Amortised cost

Bank and cash balances	28 512 653	48 521 772
Amounts due from related parties	60 713 807	26 219 166
Trade and other receivables	808 642	2 276 473
Investments in equity instruments	540 100	540 100
	90 575 202	77 557 511

Financial liabilities

Amortised at cost

Loans due to related parties	442 000 000	512 000 000
Trade and other payables	123 622 492	139 685 893
Amounts due to related parties	13 786 611	12 828 107
Bank loans	-	45 000 000
	579 409 103	57 828 107

(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	28 512 653	48 521 772
Amounts due from related parties	60 713 807	26 219 166
Trade and other receivables	808 642	2 276 473
	90 035 102	77 017 411

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

US\$ 2023 2022

26. FINANCIAL INSTRUMENTS (CONT'D)

(iii) Credit 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	124 787	27 311 719
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Assets

Zambian Kwacha	1 201 896	30 144 749
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At 31 December 2023, 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 US\$0.11 million higher/lower (2022: US\$0.28 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 2023, an increase/decrease of 50 basis points would have resulted in an decrease/increase in profit before tax of US\$2.2 million (2022: US\$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 2023

	Effective interest rate			Total
	%	1 - 3 months	1 - 5 years	
Assets				
Bank and cash balances	-	28 512 653	-	28 512 653
Trade and other receivables	-	808 642	-	808 642
Amounts due from related parties	-	60 713 807	-	60 713 807
	-	90 035 102	-	90 035 102

NFC AFRICA MINING PLC

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2023 (Cont'd)

US\$

26. FINANCIAL INSTRUMENTS (CONT'D)
(vii) Liquidity risk management (Cont'd)
Year ended 31 December 2023

	Effective interest rate %	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Total
Liabilities						
CNMC Limited	5.750	-	-	-	372 000 000	372 000 000
CNMC luanshya copper mines PLC	4.000	-	-	20 000 000	-	20 000 000
Trade and other payables	-	-	123 622 492	-	-	123 622 492
Amounts due to related parties	-	-	13 786 611	-	-	13 786 611
		-	137 409 103	20 000 000	372 000 000	529 409 103

Year ended 31 December 2022

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

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

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 2023				
	Level 1	Level 2	Level 3	Total
Financial assets				
Trade and other receivables	-	-	808 642	808 642
Amounts due from related parties	-	-	60 713 807	60 713 807
	-	-	61 522 449	61 522 449
Financial liabilities				
Loans due to related parties	-	-	442 000 000	442 000 000
Trade and other payables	-	-	123 622 492	123 622 492
Amounts due to related parties	-	-	13 786 611	13 786 611
	-	-	579 409 103	579 409 103

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2023 (Cont'd)

US\$

27. FAIR VALUE MEASUREMENTS (CONT'D)

	Fair value hierarchy as at 31 December 2022			
	Level 1	Level 2	Level 3	Total
Financial assets				
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	-	45 000 000	-	45 000 000
Loan due to a related party	-	50 000 000	462 000 000	512 000 000
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

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.

	2023	2022
28. BASIC EARNINGS PER SHARE		
	Cents per share	Cents per share
From continuing operations	<u>864</u>	<u>582</u>
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	<u>77 794 415</u>	<u>52 372 061</u>
Weighted average number of ordinary shares for purposes of basic earnings per share	<u>9 000 001</u>	<u>9 000 001</u>

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 was declared by the Board on 25 April 2022 from profits accrued during the financial year ended 31 December 2021. The dividend was paid in the prior year.

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.