

FQM TRIDENT LIMITED

COMPANY REGISTRATION NUMBER 120060064262

ANNUAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

Table of contents	Page
Directors' report	1-3
Statement of Directors' responsibilities	4
Independent auditor's report	5-7
Annual financial statements:	
Statement of profit or loss and other comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the annual financial statements	12 - 53

The Directors submit their report together with the audited annual financial statements for the year ended 31 December 2023, which disclose the state of affairs and performance of FQM Trident Limited (the "Company").

Principal activities

FQM Trident Limited owns five large-scale mining licences covering an area of approximately 950km² in aggregate, being licence numbers 15868-HQ-LML, 15869-HQ-LML, 15870-HQ-LML, 15871-HQ-LML and 15872-HQ-LML (together the "Trident Project" located in the North-Western Province of Zambia). The licences allow for the mining of copper, cobalt, nickel, gold, platinum group metals (PGMs), silver, iron, and selenium and the exploration for all minerals.

The ore mining for 2023 consisted predominantly of primary sulphide ore (1%), as well as secondary sulphide ore (99%), which was processed at the Sentinel processing plant.

During the year, the Enterprise nickel mine activities increased with first ore recovery mined in February 2023 and first nickel concentrate produced in May 2023, while the first nickel sales were in July 2023.

In the opinion of the Directors, all the activities of the Company substantially fall within the mining industry.

Share capital and beneficial owners

The authorised share capital of the Company remained unchanged at 11,091,534 ordinary "A" shares of ZMK1 each. The issued and fully paid-up share capital remained at 11,091,534 ordinary "A" shares of ZMK1 each.

The Company shareholding and beneficial ownership is represented as follows:

Name of shareholder	Number of shares held	Percentage of shareholding	Beneficial Owner(s)
Kiwara Resources Limited	11,091,533	99.99999%	None as ultimate parent company is an entity and not a natural person
Godwin Mooba Beene	1	0.00001%	Godwin Mooba Beene
	11,091,534	100.00000%	

There were no changes in the beneficial owners during the year.

Results and dividends

	2023 US\$'000	2022 US\$'000
Revenue	1,651,206	1,877,772
Profit for the year	189,369	342,951

The profit for the year has been added to retained earnings. The Directors do not recommend payment of a dividend for the year ended 31 December 2023 (2022: Nil).

Directors and remuneration

The Directors who held office during the year and to the date of this report were:

Name	Position	Nationality
Philip K R Pascall Chairman (up to 19 th September 2023)	Director	Australian
Rudi Badenhorst Chairman (appointed on 19 September 2023)	Director	South African
Arthur Matthias Pascall (Non-executive director)	Director	British
Godwin Mooba Beene (Non-executive director)	Director	Zambian
Hugh Edgar Carruthers (Non-executive director)	Director	British

During the year, the total Directors' remuneration for services rendered by Executive Directors and Non-Executive Directors was borne by other fellow subsidiaries (2022: Nil).

Interests register information

During the year, the Company officers (i.e. a Director, Company Secretary or Executive Officer of the Company) made declarations of interest in Company transactions and business as follows:

Mr. Rudi Badenhorst (Director) - 3 interests declared
Mr. Arthur Matthias Pascall (Director) - 1 interest declared
Mr. Hugh Edgar Carruthers (Director) - 1 interest declared
Dr. Godwin Mooba Beene (Director) - 6 interests declared

The interests' register, as required by the Companies Act, 2017 of Zambia, containing particulars of the above stated interests declared, is available for inspection at the Company's registered office.

Average number of employees and remuneration

The total remuneration of employees during the year amounted to US\$115.8 million (2022: US\$107.2 million) and the average number of employees was as follows:

Month	Number	Month	Number
January	3,739	July	3,945
February	3,776	August	3,990
March	3,797	September	4,064
April	3,833	October	4,085
May	3,886	November	4,126
June	3,913	December	4,133

The Company has policies and procedures to safeguard the occupational health, safety, and welfare of its employees.

Gifts and donations

During the year, the Company spent US\$3.98 million (2022: US\$3.70 million) on charitable events and activities. The expenditure for 2023 also includes US\$1.2 million (2022: US\$0.6 million) spent on community health and infrastructure.

Research and development

During the year, the Company spent US\$ 0.4 million (2022: US\$0.5 million) on research and development activities.

Exports

The Company exported copper anodes containing own copper and purchased gold as well as nickel concentrate containing nickel and cobalt to Switzerland as shown below.

	2023 US\$' 000	2022 US\$' 000
Own copper in anode	1,300,677	1,294,383
Purchased gold in anode	42,671	51,366
Own cobalt concentrates	560	-
Own nickel concentrates	32,582	-
	<u>1,376,490</u>	<u>1,345,749</u>

Property, plant and equipment

The Company purchased property, plant and equipment amounting to US\$328 million (2022: US\$291 million) during the year. In the opinion of the Directors, the carrying value of property, plant and equipment is not more than their recoverable amount.

Company Auditor and remuneration

The Auditor, PricewaterhouseCoopers Zambia, has indicated their willingness to continue in office and a resolution for their reappointment will be proposed at the next annual general meeting.

The Auditor's remuneration for the year was US\$159,800 (2022: US\$139,000) for audit services rendered to the Company. The Auditor did not render other services to the Company during the year.

Signed on behalf of the Board of Directors



Rudi Badenhorst
Director



Hugh Edgar Carruthers
Director

28th March 2024
Date

The Companies Act, 2017 of Zambia requires the Directors to prepare annual 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 Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia.

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

The Directors are of the opinion that the annual financial statements set out on pages 8 to 53 give a true and fair view of the state of the financial affairs of the Company and of its financial performance in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia. The Directors further report that they have implemented and adhered to the corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least twelve months from the date of these annual financial statements.

Signed on behalf of the Board of Directors.



Rudi Badenhorst
Director



Hugh Edgar Carruthers
Director

28th March 2024
Date



Independent auditor's report

To the Shareholders of FQM Trident Limited

Report on the audit of the annual financial statements

Our opinion

In our opinion, the annual financial statements give a true and fair view of the financial position of FQM Trident Limited (the "Company") as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) and the requirements of the Companies Act, 2017 of Zambia.

What we have audited

FQM Trident Limited's annual financial statements are set out on pages 8 to 53 and comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the annual financial statements, comprising material accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual financial statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Other information

The Directors are responsible for the other information. The other information comprises the Company's Annual Report but does not include the annual financial statements and our auditor's report thereon.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Report on the audit of the annual financial statements (continued)

Other information (continued)

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 annual financial statements

The Directors are responsible for the preparation of annual financial statements that give a true and fair view in accordance with IFRS as issued by the IASB and the requirements of the Companies Act, 2017 of Zambia, and for such internal control as the Directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual 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 annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual 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 annual 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 annual 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.
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Report on the audit of the annual financial statements (continued)

Auditor's responsibilities for the audit of the annual financial statements (continued)

- 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 annual 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 annual financial statements, including the disclosures, and whether the annual 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

The Companies Act, 2017 of Zambia

The Companies Act, 2017 of Zambia requires that in carrying out our audit of FQM Trident Limited, we report on whether:

- as required by section 259 (3)(a), there is a relationship, interest or debt which, ourselves, as the Company Auditor, have in the Company;
- as required by section 259 (3)(b), there are serious breaches by the Company's Directors, of corporate governance principles or practices contained in Sections 82 to 122 of Part VII of the Companies Act, 2017 of Zambia; and
- in accordance with section 250 (2), as regards loans made to a Company Officer (a director, company secretary or executive officer of the company), the Company does not state the:
 - particulars of any relevant loan made during the financial year to which the accounts apply, including any loan which was repaid during that year; or
 - amount of any relevant loan, whenever made, which remained outstanding at the end of the financial year.

In respect of the foregoing requirements, we have no matters to report.



PricewaterhouseCoopers
Chartered Accountants
Lusaka



Charity Mulenga
Practicing Certificate Number: AUD/F000945
Partner signing on behalf of the firm

29 March 2024

Statement of profit or loss and other comprehensive income

	Note	Year ended 31 December	
		2023	2022
		US\$' 000	US\$' 000
Revenue from contracts with customers	4	1,651,206	1,877,772
Cost of sales of goods		<u>(1,183,102)</u>	<u>(1,189,874)</u>
Gross profit		468,104	687,898
Other expenses	7	(21,785)	(23,204)
General and administrative expenses		<u>(98,857)</u>	<u>(87,461)</u>
Operating profit		347,462	577,233
Finance costs	8	(82,608)	(133,681)
Finance income	8	<u>30,352</u>	<u>49,988</u>
Profit before income tax		295,206	493,540
Income tax expense	9	<u>(105,837)</u>	<u>(150,589)</u>
Profit for the year		189,369	342,951
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>189,369</u>	<u>342,951</u>

Notes on pages 12 to 53 form an integral part of these annual financial statements.

Statement of financial position

		As at 31 December	
	Notes	2023	2022
		US\$' 000	US\$' 000
ASSETS			
Non-current assets			
Property, plant and equipment	10	2,438,352	2,392,308
Right of use assets	11	587	1,760
VAT receivable	12	259,906	249,543
Fuel duties receivable	13	-	6,703
Environmental protection fund	24	3,705	3,705
		<u>2,702,550</u>	<u>2,654,019</u>
Current assets			
Inventories	15	269,919	248,160
Trade and other receivables	16	274,007	246,320
Cash and cash equivalents		31,260	4,437
		<u>575,186</u>	<u>498,917</u>
TOTAL ASSETS		<u><u>3,277,736</u></u>	<u><u>3,152,936</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners			
Share capital	17	1,010	1,010
Share premium	17	606,423	606,423
Retained earnings		1,293,247	1,103,878
Total equity		<u>1,900,680</u>	<u>1,711,311</u>
Non-current liabilities			
Borrowings	20	423,469	757,120
Asset retirement obligation	18	77,427	82,838
Lease liabilities	21	-	663
Deferred income tax liability	14	417,908	358,955
		<u>918,804</u>	<u>1,199,576</u>
Current liabilities			
Trade and other payables	19	214,825	153,848
Borrowings	20	238,017	57,878
Derivative financial instruments	22	4,783	12,684
Lease liabilities	21	612	1,135
Current income tax liability	9	15	16,504
		<u>458,252</u>	<u>242,049</u>
Total liabilities		<u>1,377,056</u>	<u>1,441,625</u>
TOTAL EQUITY AND LIABILITIES		<u><u>3,277,736</u></u>	<u><u>3,152,936</u></u>

Notes on pages 12 to 53 form an integral part of these annual financial statements.

The annual financial statements on pages 8 to 53 were authorised for issue by the Board of Directors on **28th March 2024** and were signed on its behalf by:



Rudi Badenhorst
Director



Hugh Edgar Carruthers
Director

Statement of changes in equity

	Share capital US\$' 000	Share premium US\$' 000	Retained earnings US\$' 000	Total equity US\$' 000
Year ended 31 December 2022				
At start of year	1,010	606,423	760,927	1,368,360
Comprehensive income:				
Profit for the year	-	-	342,951	342,951
Total comprehensive income for the year	-	-	342,951	342,951
At end of year	1,010	606,423	1,103,878	1,711,311
Year ended 31 December 2023				
At start of year	1,010	606,423	1,103,878	1,711,311
Comprehensive income:				
Profit for the year	-	-	189,369	189,369
Total comprehensive income for the year	-	-	189,369	189,369
At end of year	1,010	606,423	1,293, 247	1,900,680

Notes on pages 12 to 53 form an integral part of these annual financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2023 US\$' 000	2022 US\$' 000
Cash flows from operating activities			
Cash generated from operations	23	642,488	930,743
Income tax paid	9	(63,373)	(168,443)
Net cash inflow from operating activities		579,115	762,300
Cash flows on investing activities			
Purchase of property, plant and equipment	10	(326,997)	(269,173)
Proceeds from disposal of property, plant and equipment		464	35
Net cash outflow on investing activities		(326,533)	(269,138)
Cash flows on financing activities			
Interest paid on third party loans	20	(36,357)	(1,633)
Interest paid on related party loans	20	(33,781)	(60,752)
Repayment of third-party loans	20	-	(55,357)
Repayment of related party loans	20	(165,629)	(810,116)
Proceeds from third party loans	20	-	422,699
Proceeds from related party loans	20	11,249	14,396
Interest paid on lease liability	21	(55)	(105)
Principal lease repayment liability	21	(1,186)	(1,135)
Net cash outflow on financing activities		(225,759)	(492,003)
Net increase in cash and cash equivalents		26,823	1,159
Cash and cash equivalents at beginning of year		4,437	3,278
Cash and cash equivalents at end of year		31,260	4,437

Notes on pages 12 to 53 form an integral part of these annual financial statements.

Notes to the annual financial statements

1 General information

The Company is incorporated in Zambia under the Companies Act 2017, of Zambia as a private limited liability company and is domiciled in Zambia. The address of its registered office is:

C/O Choice Corporate Services Limited
P.O. BOX 32565
Lusaka, Zambia

2 Summary of material accounting policies

The principal accounting policies adopted in the preparation of these annual financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

(a) Basis of preparation

The annual financial statements are prepared in compliance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The annual financial statements are presented in United States Dollar (USD), rounded to the nearest thousand. In accordance with the Companies Act, 2017 of Zambia, the annual financial statements for the year ended 31 December 2023 have been approved for issue by the Directors.

The preparation of annual financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires the Directors to exercise judgement in the process of applying the Company's accounting policies. The areas involving higher degree of judgement or complexity, or where assumptions and estimates are significant to the annual financial statements are disclosed in Note 3.

Going concern

These annual financial statements have been prepared on a going concern basis. In making the assessment that the Company is a going concern, management have taken into account all available information about the future, which is at least, but is not limited to, twelve months from 31 December, 2023.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(b) Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Company

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023:

Number	Effective date	Executive summary
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	<p>The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators.</p> <p>Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period.</p> <p>Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less.</p> <p>For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.</p>

Notes to the annual financial statements (continued)

IFRS 17, Insurance contracts Amendments	Annual periods beginning on or after 1 January 2023 (Published June 2020)	In response to some of the concerns and challenges raised, the Board developed targeted amendments and a number of proposed clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and ease transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. Further detailed information is available at the following link: In Brief June 2020
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. For further details see In brief INT2023-10

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(b) Changes in accounting policy and disclosures (continued)

(ii) Forthcoming requirements

The following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 December 2023 and not early adopted by the Company.

Number	Effective date	Executive summary
Amendment to IAS 1, 'Presentation of Financial Statements' on Classification of Liabilities as Current or Non-current	Annual periods beginning on or after 1 January 2023(Published Jan 2020)	The amendment clarifies that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. A number of requirements are required to be met in conjunction with this amendment.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published May 2022)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions. For further details see In brief INT2022-16.
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. Earlier application is permitted. (Published February 2022)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(c) Functional currency and translation of foreign currencies

(i) Functional and presentation currency

Items included in the annual financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The annual financial statements are presented in United States dollars (US\$) which is the Company's functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss within 'other income or expenses'.

(d) Mineral properties and mine development costs

Exploration and evaluation costs are expensed in the period incurred. Property acquisition costs are capitalised. Development costs relating to specific properties are capitalised once management determines the property will be developed. A development decision is made based upon consideration of project economics, including future metal prices, reserves and resources, and estimated operating and capital costs. Capitalisation of costs incurred, and revenue received during production ceases when the property is capable of operating at levels intended by management. Property acquisition and mine development costs, including costs incurred during the production phase to increase future output by providing access to additional reserves, are deferred and depreciated on a units-of-production basis over the component of the reserves to which they relate.

(e) Property, plant and equipment

All categories of property, plant and equipment are initially recorded at cost and are subsequently stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced asset is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated using either the straight-line or units of production basis over the shorter of the estimated useful life of the asset or the life of mine. Depreciation is calculated as follows for major asset categories:

- Furniture and office equipment	15% - 33%
- Motor vehicles	25%
- Infrastructure and buildings	2% - 5%
- Mineral properties	Units of production
- Plant and equipment	Units of production / Straight-line 3 - 20 years

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(e) Property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Depreciation on equipment utilised in the development of assets, including open pit and underground mine development, is recapitalised as development costs attributable to the related asset.

Property, plant and equipment are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other income or expenses", in the statement of profit or loss.

(f) Leases

The Company assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period in exchange for consideration.

The Company recognises right-of-use assets and lease liabilities at the lease commencement date for most leases. However, the Company has elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets (e.g. office equipment) and for short-term leases, i.e. leases that at commencement date have lease terms of 12 months or less. The Company defines low-value leases as leases of assets for which the value of the underlying asset when it is new is US\$5,000 or less and is not considered fundamental to its network. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- Variable lease payment that are based on an index or a rate, initially measured using the index
- Amounts expected to be payable by the Company under residual value guarantees.
- The exercise price of a purchase option if the Company is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(f) Leases (continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the group's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Generally, the Company uses its incremental borrowing rate as the discount rate. The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments specific to the lease, e.g. term, country, currency and security. It is remeasured when there is a change in future lease payments arising from a change in index or rate, a change in the estimate of the amount payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. Interest costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs
- Decommissioning costs

The right-of-use assets are subsequently measured at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The right-of-use assets are depreciated over the shorter of the assets' useful lives and the lease terms on a straight-line basis. A number of lease contracts include the option to renew the lease for a further period or terminate the lease earlier. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The Company applies judgement in assessing whether it is reasonably likely that options will be exercised. Factors considered include how far in the future an option occurs, the group's business planning cycle of three to five years and history of terminating/not renewing leases.

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

A number of leases entitle both the Company and the lessor to terminate the lease without a termination penalty. In determining whether the Company has an economic incentive to not exercise the termination option, the Company considers the broader economics of the contract and not only contractual termination payments.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(f) Leases (Continued)

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(g) Pre-production/stripping asset costs

Pre-production costs related to a major project are deferred until the project achieves commercial production. The stripping activity costs are classified as part of the existing asset of mineral property. After initial recognition, the stripping activity asset is carried at its cost less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part.

(h) Inventories

Product inventories comprise ore in stockpiles, consumables, work-in-progress and finished goods. Product inventories are recorded at the lower of average cost and net realisable value. Cost includes materials, direct labour, other direct costs and production overheads and depreciation of plant, equipment and mineral properties directly involved in the mining and production processes. Costs are determined primarily on the basis of average costs for ore in stockpiles and on a first-in first-out basis for work-in-progress and finished goods. Cost excludes borrowing costs. Stripping costs related to production are added to inventory as incurred. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Consumable stores are valued at weighted average purchase cost.

(i) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of copper and gold in anode, copper in concentrate, both in local and export markets in the ordinary course of the Company's activities. Amounts disclosed as revenue are net of deductions for treatment and refining charges, freight credits, quality discounts and value-added tax (VAT) and amounts collected on behalf of third parties.

The Company identifies contracts with customers, the performance obligations within it, the transaction price and its allocation to the performance obligations. Revenues are recognised when control of the product passes to the customer and are measured based on expected consideration. Control typically passes on transfer of key transportation documents which typically occurs around the delivery date. Transportation services provided are a separate performance obligation and the revenue for these services is recognised over time.

For provisionally priced sales, changes between the prices recorded upon recognition of revenue and the final price due to fluctuations in metal market prices result in the existence of an embedded derivative in the accounts receivable. This embedded derivative is recorded at fair value, with changes in fair value classified as a component of cost of sales.

In order to mitigate the impact of these adjustments, the Company enters into derivative contracts for approximately 90% of its third party metal sales, to directly offset the pricing exposure on the provisionally priced contracts. The provisional pricing gains and losses and offsetting derivative gains or losses are both recognised as a component of cost of sales.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(i) Revenue recognition (continued)

Derivative assets are presented in other assets and derivative liabilities are presented in other liabilities with the exception of copper and gold embedded derivatives which are included with accounts receivable. Gold revenue results from the sale of gold contained in anode. As at 31 December 2023 substantially, all of the Company's third party metal sales contracts subject to pricing adjustments were hedged by the offsetting derivative contracts.

(j) Share capital and share premium

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(k) Asset retirement obligation

The Company recognises liabilities for constructive or legal obligations, including those associated with the reclamation of mineral properties and property, plant and equipment, when those obligations result from the acquisition, construction, development or normal operation of assets. Provisions are measured at the present value of the expected expenditures required to settle the obligation using a pre-tax discount rate reflecting the time value of money and risks specific to the liability.

The liability is increased for accretion expense, representing the unwinding of the discount applied to the provision, and adjusted for changes to the current market-based risk-free discount rate, and the amount or timing of the underlying cash flows needed to settle the obligation.

The associated restoration costs are capitalised as part of the carrying amount of the related long-lived asset and depreciated over the expected useful life of the asset or expensed in the period for closed sites.

(l) Environmental Protection Fund

The Company recognises an asset relating to Environmental Protection Fund (EPF). The amount relates to environmental remediation security deposit paid into the Environmental Protection Fund account held under Ministry of Finance and managed by the EPF Secretariat. This amount will be refunded to the Company subject to issuance of the mine closure certificate by the Government of the Republic of Zambia.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(m) Employee benefits expense

Short-term benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented within trade and other payables in the statement of financial position.

Retirement benefit obligations

Employees are registered with the statutory defined contribution pension scheme. 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. For the defined contribution scheme, the Company makes mandatory contributions to the National Pension Scheme Authority. These contributions constitute net periodic costs and are charged to the profit or loss as part of employee benefits expense in the year to which they relate. The Company has no further obligation once the contributions have been paid.

(n) Income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in the statement of other comprehensive income or directly in equity respectively.

i) Current income tax

The current income tax charge is calculated on the basis of the tax enacted at the reporting date. The directors periodically evaluate positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

ii) Deferred income tax

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(o) Financial Instruments

The Company's financial instruments consist of cash and cash equivalents, trade receivables, trade payables, debt and derivative instruments.

Financial assets are classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). Financial liabilities are measured at amortised cost or FVTPL.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and other short-term investments with initial maturities of less than three months.

Cash and cash equivalents are measured at amortised cost. Cash pooling arrangements are presented on a gross basis unless physical cash settlement of balances has been made at the balance sheet date.

(ii) Trade receivables

Provisionally priced sales included in trade and other receivables are classified as FVTPL. All other trade receivables are classified as amortised cost financial assets and are recorded at the transaction price, net of transaction costs incurred and expected credit losses.

(iii) Derivatives and hedging

A portion of the Company's metal sales are sold on a provisional basis whereby sales are recognised at prevailing metal prices when title transfers to the customer and final pricing is not determined until a subsequent date, typically two months later. The Company enters into derivative contracts to directly offset the exposure to final pricing adjustments on the provisionally priced sales contracts. Derivative financial instruments, including embedded derivatives related to the provisionally priced sales contracts, are classified as fair value through profit or loss and measured at fair value as determined by active market prices and valuation models, as appropriate.

(iv) Trade and other payables and borrowings

Trade and other payables and borrowings are classified as amortised cost financial liabilities and are recognised initially at fair value, net of transaction costs incurred, and are subsequently stated at amortised cost. For debt, any difference between the amounts originally received, net of transaction costs, and the redemption value is recognised in net earnings over the period to maturity using the effective interest rate method.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(o) Financial Instruments (continued)

(v) *Impairment of financial assets*

Under IFRS 9 the Company calculates allowance for credit losses as expected credit losses (ECLs) for financial assets measured at amortised cost. ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the original effective interest rate of the financial asset.

The Company applies the simplified approach to determine the ECL for trade receivables. This results in calculating lifetime expected credit losses for trade receivables. ECL for trade receivables is calculated using a provision matrix.

(vi) *Derecognition*

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e. removed from the Company's statement of financial position) when:

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

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

(vii) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Notes to the annual financial statements (continued)

2 Summary of material accounting policies (continued)

(p) Asset impairment

Property, plant and equipment, mineral properties and mine development costs are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where information is available and conditions suggest an impairment, estimated future net cash flows for a mine or development project are calculated using estimated future prices, mineral resources, and operating, capital and reclamation costs. When estimated future cash flows are less than the carrying value, the project is considered impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Management estimates of mineral prices, recoverable reserves, and operating, capital and reclamation costs are subject to certain risks and uncertainties that may affect the recoverability of mineral property costs. Although management has made its best estimate of these factors, it is possible that changes could occur in the future that could adversely affect management's estimate of the net cash flow to be generated from its projects.

(q) Comparatives

Under IAS1, comparative information must be provided for all amounts reported in the annual financial statements, except when a standard provides otherwise. IAS1 further states that comparative information should also be provided for narrative and descriptive information when it is relevant to an understanding of the current period's annual financial statements. Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period.

(r) Borrowing costs

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

Notes to the annual financial statements (continued)

3 Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including experience of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(i) Determination of ore reserves and resources

Judgments about the amount of product that can be economically and legally extracted from the Company's properties are made by management using a range of geological, technical and economic factors, history of conversion of mineral deposits to proven and probable reserves as well as data regarding quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. This process may require complex and difficult geological judgments to interpret the data. The Company uses qualified persons to compile this data.

Changes in the judgments surrounding proven and probable reserves may impact the carrying value of property, plant and equipment, restoration provisions, recognition of deferred income tax amounts and depreciation.

A 10% (2022: 24%) drop in the copper price and metal costs used to estimate the mineral reserve would not result in a negative Net Present Value for the remaining Mine Life of the Company.

(ii) Taxes

Judgment is required in determining the recognition and measurement of deferred income tax assets and liabilities on the statement of financial position. In the normal course of business, the Company is subject to assessment by taxation authority. The authority may have different interpretations of tax legislation or tax agreements than those applied by the Company in computing current and deferred income taxes. These different interpretations may alter the timing or amounts of taxable income or deductions. The final amount of taxes to be paid or recovered depends on a number of factors including the outcome of audits, appeals and negotiation. The Company provides for potential differences in interpretation based on best estimate of the probable outcome of these matters. Changes in these estimates could result in material adjustments to the Company's current and deferred income taxes. Refer to Note 14 for further disclosures.

In 2022 the Company reached an agreement with the GRZ for repayment of the outstanding VAT claims based on offsets against future corporate income tax and mineral royalty tax payments. This commenced July 1, 2022.

The total VAT receivable accrued by FQM Trident at 31 December, 2023, was US\$302 million (2022: US\$297 million). Offsets and cash refunds of US\$ 116 million (2022: US\$98 million) against other taxes due have been granted during the year ended 31 December 2023. Future recoveries of Zambian VAT receivable balances due to the Company may be received in cash, offset of other tax liabilities or similar forms. The Company considers that the outstanding VAT claims are fully recoverable and has classified all VAT balances due to the Zambian operations based on the expected recovery period.

Included as part of the current receivables is the amount of US\$3.7 million (2022: US\$6.7 million) relating to excise duty receivable from Total Zambia Limited (ultimately owed by ZRA). An unrealised foreign exchange loss of US\$3.05 million was recognised during the year.

Notes to the annual financial statements (continued)

3 Critical accounting estimates and judgements (continued)

(ii) Taxes (continued)

A phasing unwinding of US\$30.4 million was recognised during the year as a result of the changes in the timing of cashflows (2022: phasing charge of US \$68.6 million).

The adjustment for expected phasing resulted into the recognition of historic non-current and historic current VAT receivable of US\$370 million and US\$24.1 million before discounting respectively. As at 31 December 2023, amounts totaling US\$18.2 million have been presented as current receivables.

(iii) Assessment of impairment indicators

Management applies significant judgement in assessing the Company's assets for the existence of indicators of impairment at the reporting date. Internal and external factors are considered in assessing whether indicators of impairment are present that would necessitate impairment testing. Significant assumptions regarding commodity prices, operating costs, capital expenditures and discount rates are used in determining whether there are any indicators of impairment. These assumptions are reviewed by senior management.

There were no significant impairment indicators that warranted any impairment of the property, plant and equipment.

(iv) Estimation of the amount and timing of restoration and remediation costs

Accounting for restoration provisions requires management to make estimates of the future costs the Company will incur to complete the restoration and remediation work required to comply with existing laws, regulations and agreements in place and any environmental and social principles the Company is in compliance with.

The calculation of the present value of these costs also includes assumptions regarding the timing of restoration and remediation work, applicable risk-free interest rate for discounting those future cash outflows, inflation and foreign exchange rates and assumptions relating to probabilities of alternative estimates of future cash outflows. Actual costs incurred may differ from those amounts estimated. Also, future changes to environmental laws and regulations could increase the extent of restoration work required to be performed by the Company. Increases in future costs could materially impact the amounts charged to operations for restoration.

The provision represents management's best estimate of the present value of the future restoration and remediation costs. The actual future expenditures may differ from the amounts currently provided; any increase in future costs could materially impact the amounts included in the liability disclosed in the statement of financial position. The carrying amount of the Company's restoration provision is disclosed in Note 18.

(v) Inventory

The measurement of inventory including the determination of its net realizable value, especially as it relates to ore in stockpiles, involves the use of estimates. Estimation is required in determining the tonnage, recoverable cost contained therein, and in determining the remaining costs of completion to bring inventory into its saleable form. Judgment also exists in determining whether to recognize a provision for obsolescence on mine operating supplies, and estimates are required to determine salvage or scrap value of supplies. Refer to Note 15.

Notes to the annual financial statements (continued)

4 Revenue from contracts with customers

	2023 US\$'000	2022 US\$'000
Copper sales	1,572,956	1,822,634
Gold sales	42,671	51,366
Cobalt sales	560	-
Nickel sales	32,582	-
Sundry sales	2,437	3,772
	<u>1,651,206</u>	<u>1,877,772</u>

The Company generates revenue from the sale of copper, gold nickel, cobalt and sundry items and the timing of revenue recognition is at a point in time.

5 Expenses by nature

The following items have been charged/(credited) in arriving at operating profit:

	2023 US\$'000	2022 US\$'000
Raw materials and consumables (Note 15)	334,753	315,164
Depreciation on property, plant and equipment (Note 10)	252,473	274,478
Depreciation on right of use assets (Note 11)	1,173	1,173
Employee benefits expense (Note 6)	115,752	107,172
Contractors/consultants	121,106	78,733
Mineral Royalty Tax	113,606	188,364
Fuel	83,374	91,419
Electricity	121,477	99,501
Purchased gold	43,463	51,540
Tolling and freight	75,713	62,265
Change in ore and finished goods inventories	(13,327)	890
Obsolete stock provision (Note 15)	16,556	15,804
Net derivative (gain)/ loss	(120)	4,202
Deferred stripping	(55,107)	(62,634)
Insurance	10,470	9,409
Employee travel	19,222	15,722
Equipment hire	14,916	6,186
Audit fees	160	139
Other cost	26,299	17,808
Total cost of providing goods and administrative expenses	<u>1,281,959</u>	<u>1,277,335</u>

Notes to the annual financial statements (continued)

5.1 Expenses by nature by Site

	Sentinel 2023 US\$'000	Enterprise 2023 US\$'000	Total 2023 US\$'000
Raw materials and consumables (Note 15)	333,726	1,027	334,753
Depreciation on property, plant and equipment (Note 10)	252,473	-	252,473
Depreciation on right of use assets (Note 11)	1,173	-	1,173
Employee benefits expense (Note 6)	111,292	4,460	115,752
Contractors/consultants	95,822	25,284	121,106
Mineral Royalty Tax	110,377	3,229	113,606
Fuel	82,529	845	83,374
Electricity	119,234	2,243	121,477
Purchased gold	43,463	-	43,463
Tolling and freight	75,713	-	75,713
Change in ore and finished goods inventories	(6,739)	(6,588)	(13,327)
Obsolete stock provision (Note 15)	16,556	-	16,556
Net derivative loss	(120)	-	(120)
Deferred stripping	(55,107)	-	(55,107)
Insurance	10,470	-	10,470
Employee travel	18,725	497	19,222
Equipment hire	14,017	899	14,916
Audit fees	160	-	160
Other cost	25,053	1,246	26,299
Total cost of providing goods and administrative expenses	1,255,809	33,142	1,281,959

6 Employee benefits expense

The following items are included within employee benefits expense:

Salaries and other staff costs	111,412	103,414
<i>Retirement benefits:</i>		
National Pensions Scheme Authority (NAPSA) & FQM Zambia Pension Scheme	4,080	3,516
National Health Insurance Management Authority	260	242
	115,752	107,172

7 Other expenses

Net foreign exchange losses other than on borrowings and cash and cash equivalents	9,470	14,936
Loss on disposal of property, plant and equipment	12,315	8,268
	21,785	23,204

Notes to the annual financial statements (continued)

8 Finance (income)/ costs

	2023 US\$'000	2022 US\$'000
Finance cost		
Interest on borrowings	71,000	62,466
Interest on other charges	5,923	497
Other finance charges	102	348
Interest on environmental protection fund guarantee	276	337
Interest on lease liabilities (Note 21)	55	105
Asset Retirement Obligation (ARO) accretion (Note 10 & 18)	2,686	1,336
Foreign exchange loss on current VAT receivable	2,566	-
VAT phasing charge (Note 12)	-	68,591
	<u>82,608</u>	<u>133,681</u>
Finance income		
VAT phasing unwinding (Note 12)	(30,352)	-
Foreign exchange gain on Non - current VAT receivable (Note 12)	-	(50,712)
Foreign exchange loss on current VAT receivable	-	724
	<u>(30,352)</u>	<u>(49,988)</u>
Net finance cost	<u>52,256</u>	<u>83,693</u>

9 Income tax expense

Current income tax	45,522	84,101
Income tax adjustment from prior year	1,362	-
Deferred tax adjustment from prior year	7,978	(4,247)
Deferred income tax charge (Note 14)	50,975	70,735
Income tax expense	<u>105,837</u>	<u>150,589</u>

Notes to the annual financial statements (continued)

9 Income tax expense (continued)

The tax on the Company's profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2023 US\$'000	2022 US\$'000
Profit before income tax	<u>295,206</u>	<u>493,540</u>
Tax calculated at the statutory income tax rate of 30% (2022: 30%)	88,562	148,062
Tax effect of:		
Final assessment adjustment for prior year- income tax	1,362	-
Final assessment adjustment for prior year- deferred income tax	7,978	(4,247)
Non-deductible expenses	<u>7,935</u>	<u>6,774</u>
Income tax expense	<u>105,837</u>	<u>150,589</u>

Current income tax movement in the statement of financial position

At start of year	16,504	100,846
Current income tax for the year	45,522	84,101
Income tax adjustment from prior year	1,362	-
Income tax paid	<u>(63,373)</u>	<u>(168,443)</u>
At end of the year	<u>15</u>	<u>16,504</u>

Notes to the annual financial statements (continued)

10 Property, plant and equipment

	Mineral property	Plant and equipment	Infrastructure and buildings	Motor vehicles	Furniture & Office Equipment	Capital work-in- progress	Total
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
At 31 December 2021							
Cost	1,370,823	1,877,530	227,774	19,155	6,597	286,147	3,788,026
Accumulated depreciation	(461,206)	(840,794)	(63,894)	(15,186)	(4,246)	-	(1,385,326)
Net book amount	909,617	1,036,736	163,880	3,969	2,351	286,147	2,402,700
Year ended 31 December 2022							
Opening net book amount	909,617	1,036,736	163,880	3,969	2,351	286,147	2,402,700
Additions	-	-	-	-	-	291,041	291,041
Change in ARO estimate (Note 18)	(4,569)	-	-	-	-	4,569	-
Transfer from CWIP	116,360	210,623	2,576	187	486	(330,232)	-
Disposals	-	(8,300)	-	(3)	-	-	(8,303)
Depreciation charge - capitalised*	-	(18,652)	-	-	-	-	(18,652)
Depreciation charge - expensed	(105,447)	(155,949)	(10,730)	(1,794)	(558)	-	(274,478)
Closing net book amount	915,961	1,064,458	155,726	2,359	2,279	251,525	2,392,308
At 31 December 2022							
Cost	1,482,614	2,024,599	230,350	18,890	7,082	251,525	4,015,059
Accumulated depreciation	(566,653)	(960,141)	(74,624)	(16,531)	(4,803)	-	(1,622,751)
Net book amount	915,961	1,064,458	155,726	2,359	2,279	251,525	2,392,308

Notes to the annual financial statements (continued)

10 Property, plant and equipment (continued)

	Mineral property	Plant and equipment	Infrastructure and buildings	Motor vehicles	Furniture & Office Equipment	Capital work-in- progress	Total
	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000	US\$' 000
Year ended 31 December 2023							
Opening net book amount	915,961	1,064,458	155,726	2,359	2,279	251,525	2,392,308
Additions	-	-	-	-	-	327,750	327,750
Change in ARO estimate (Note 18)	(5,255)	-	-	-	-	5,255	-
Transfer from CWIP	141,091	259,397	2,157	2,017	166	(404,828)	-
Disposals	-	(12,777)	-	-	-	-	(12,777)
Depreciation charge - capitalised*	-	(16,456)	-	-	-	-	(16,456)
Depreciation charge - expensed	(95,994)	(143,591)	(11,000)	(1,323)	(565)	-	(252,473)
Closing net book amount	955,803	1,151,031	146,883	3,053	1,880	179,702	2,438,352
At 31 December 2023							
Cost	1,618,449	2,219,766	232,507	20,812	7,249	179,702	4,278,485
Accumulated depreciation	(662,646)	(1,068,735)	(85,624)	(17,759)	(5,369)	-	(1,840,133)
Net book amount	955,803	1,151,031	146,883	3,053	1,880	179,702	2,438,352

The work in progress relates mainly to the Enterprise projects.

*This relates to depreciation on mining equipment which is capitalised as deferred stripping.

The register showing the details of property, as required by Section 30 of the Companies Act, 2017 of Zambia is available during business hours at the registered office of the Company.

Cash payments for items within total additions were US\$327.0 million (2022: US\$269.2 million). Transfer from CWIP relates to assets capitalised from work-in-progress to specific asset categories during the year.

Notes to the annual financial statements (continued)

10 Purchase of property, plant and equipment (continued)

Additions – Cash payment reconciliation:

	2023 US\$'000	2022 US\$'000
Total additions	327,750	291,041
Capitalised depreciation	(16,456)	(18,652)
ARO within CWIP additions	5,255	4,569
Capitalised ARO Accretion	(257)	(85)
ARO - Actual Spend	3,099	-
Capital items in trade and other payables	(7,606)	(7,700)
	<u>326,997</u>	<u>269,173</u>

11 Right of use assets

	Plant and equipment US\$' 000
Year ended 31 December 2023	
Opening balance	1,760
Depreciation charge	(1,173)
Closing net book amount	<u>587</u>
At 31 December 2023	
Cost	2,933
Accumulated depreciation	(2,346)
Net book amount	<u>587</u>
Year ended 31 December 2022	
At 1 January 2022	2,933
Depreciation charge	(1,173)
Closing net book amount	<u>1,760</u>
At 31 December 2022	
Cost	2,933
Accumulated depreciation	(1,173)
Net book amount	<u>1,760</u>

The right of use assets relates to dedicated equipment provided by the contractor in charge of blasting to the Company.

Notes to the annual financial statements (continued)

12 VAT receivable

Non-Current VAT receivable

	2023 US\$'000	2022 US\$'000
As at start of year	249,543	323,680
Realised during year	(17,743)	(34,386)
Reclassification to current VAT receivable	(2,247)	(21,872)
Exchange gain	-	50,712
Phasing adjustment unwinding/(charge)	30,353	(68,591)
As at end of year	<u>259,906</u>	<u>249,543</u>

Current VAT receivable

	2023 US\$'000	2022 US\$'000
As at start of year	47,160	-
Reclassification from non - current VAT receivables (historical)	2,247	21,872
Current VAT receivable	(7,086)	25,288
As at end of year	<u>42,321</u>	<u>47,160</u>

Combined VAT receivable Split

	2023 US\$'000	2022 US\$'000
Non-current historical VAT receivable	369,978	389,968
Non-current discount on VAT receivable	(110,072)	(140,425)
Total non-current VAT receivable	259,906	249,543
Current historical VAT receivable	24,119	21,872
Current VAT receivable	18,202	25,288
Total VAT receivable	<u>302,226</u>	<u>296,703</u>

In 2022 the Company reached an agreement with the GRZ for repayment of the outstanding VAT claims based on offsets against future corporate income tax and mineral royalty tax payments. This commenced on July 1, 2022.

The total VAT receivable accrued by FQM Trident at 31 December, 2023, was US\$302 million (2022: US\$297 million). Offsets and cash refunds of US\$ 116 million (2022: US\$98 million) against other taxes due have been granted during the year ended 31 December 2023. Future recoveries of Zambian VAT receivable balances due to the Company may be received in cash, offset of other tax liabilities or similar forms. The Company considers that the outstanding VAT claims are fully recoverable and has classified all VAT balances due to the Zambian operations based on the expected recovery period.

Notes to the annual financial statements (continued)

14 Deferred income tax

The deferred income tax recognised at 31 December 2023 relates to mining activities and has been calculated at the enacted tax rate of 30% (2022:30%). The movement on the deferred income tax account is as follows:

	2023 US\$'000	2023 US\$'000	2022 US\$'000	2022 US\$'000
At start of year		(358,955)		(292,467)
Charge to profit or loss	(50,975)		(70,735)	
Deferred tax adjustment from prior year	(7,978)		4,247	
		(58,953)		(66,488)
At end of year		(417,908)		(358,955)
	At start of the year	(Charge)/ credit to profit or loss	At end of the year	
Year ended 31 December 2023				
	US\$' 000	US\$' 000	US\$' 000	
Deferred income tax liabilities				
Property, plant and equipment	(474,610)	(59,946)	(534,556)	
Unrealised exchange difference	(56,158)	6,096	(50,062)	
Provisions	(617)	617	-	
	(531,385)	(53,233)	(584,618)	
Deferred income tax assets				
Tax losses	103,665	4,301	107,966	
Asset retirement obligation	24,852	(1,624)	23,228	
VAT phasing adjustment	43,009	(9,105)	33,904	
Fuel duties discounting	904	(904)	-	
Derivative financial instruments	-	1,612	1,612	
	172,430	(5,720)	166,710	
Net deferred income tax liability	(358,955)	(58,953)	(417,908)	
	At start of the year	(Charged)/ credit to profit or loss	At end of the year	
Year ended 31 December 2022				
	US\$' 000	US\$' 000	US\$' 000	
Deferred income tax liabilities				
Property, plant and equipment	(492,166)	17,556	(474,610)	
Unrealised exchange difference	(46,823)	(9,335)	(56,158)	
Provisions	-	(617)	(617)	
	(538,989)	7,604	(531,385)	
Deferred income tax assets				
Tax losses	194,484	(90,819)	103,665	
Asset retirement obligation	25,796	(944)	24,852	
VAT Phasing adjustment	22,432	20,577	43,009	
Fuel duties discounting	904	-	904	
Provisions	2,906	(2,906)	-	
	246,522	(74,092)	172,430	
Net deferred income tax liability	(292,467)	(66,488)	(358,955)	

Notes to the annual financial statements (continued)

14 Deferred income tax (continued)

Analysis of tax losses

Year	Assessed tax loss	Utilised	Carried forward	Expiry date
	US\$' 000	US\$' 000	US\$' 000	
2017	244,588	(160,441)	84,147	2027
2018	100,961	-	100,961	2028
2019	174,780	-	174,780	2029
	<u>520,329</u>	<u>(160,441)</u>	<u>359,888</u>	

15 Inventories

	2023 US\$'000	2022 US\$'000
Consumables	267,542	242,553
Copper concentrate	25,351	26,897
Nickel Concentrate	5,956	-
Copper anode	10,573	-
Ore stockpile	1,494	2,019
WIP copper concentrate	4,892	6,656
WIP Nickel Concentrate	632	-
Obsolete stock provision	<u>(46,521)</u>	<u>(29,965)</u>
	<u>269,919</u>	<u>248,160</u>

Inventories recognised as an expense during the year ended 31 December 2023 amounted to US\$334.8 million (2022: US\$315.2 million). These were included in cost of providing goods.

The movement in the obsolete stock provision on consumables is as below:

	2023 US\$'000	2022 US\$'000
At the start of the year	29,965	14,161
Charge for the year	<u>16,556</u>	<u>15,804</u>
At the end of the year	<u>46,521</u>	<u>29,965</u>

16 Trade and other receivables

Trade receivables - third parties	65,998	104,002
Trade receivables - related parties (Note 26)	133,214	59,824
Receivables - staff and sundry	12,177	5,250
<i>Non-financial assets:</i>		
Prepayments	16,644	30,084
Fuel duty receivable (Note 13)	3,653	-
VAT receivable (Note 12)	<u>42,321</u>	<u>47,160</u>
	<u>274,007</u>	<u>246,320</u>

The carrying amount of the trade and other receivables approximate to their fair values.

Notes to the annual financial statements (continued)

17 Share capital

	Number of shares	Ordinary shares US\$' 000	Share premium US\$' 000
At 31 December 2022, 1 January 2023, and 31 December 2023	11,091,534	1,010	606,423

There were no changes to the Company's share capital during the year. The authorised share capital of the Company remained at ZMK1 divided into 11,091,534 ordinary shares of ZMK1 each. All authorised shares have been issued and all issued shares are fully paid.

The share premium at the end of the year was US\$606 million (2022: US\$606 million).

18 Asset retirement obligation

The Company has restoration and remediation obligations with its mine and processing facilities. The movement in the asset retirement obligation was as follows:

	2023 US\$' 000	2022 US\$' 000
At start of year	82,838	85,986
Change in estimate	(5,255)	(4,569)
Accretion	2,943	1,421
Actual spend	(3,099)	-
At end of year	77,427	82,838

A review was performed by internal experts to update the mine wide asset retirement obligation ("ARO") as of 31 December 2023. There was a slight increase in the liability for retirement obligations and remediation cost before inflation factor of 3% (2022: 3%) to approximately US\$90.4 (2022: US\$87.8 million). The adjusted risk-free discount factor of 4.0% was applied in 2023 (2022: 3.5%). The reduction in ARO is attributed to the increase in discount rate during the year.

If the inflation rate increased by 10% (2022: 10%), ARO and mineral properties would increase by US\$2.86 million (2022: US\$2.94 million) while a 10% (2022: 10%) increase in the discount rate would result in a US\$3.63 (2022: US\$3.29 million) decrease in ARO and mineral properties.

US\$0.194 million ARO accretion (2022: US\$0.086 million) related to Enterprise was capitalised during year.

Bank guarantee relating to ARO

During the year under review, as part of the requirement to secure an Environmental Protection Fund (EPF) bank guarantee, the Company extended the financial guarantee obtained from First National Bank amounting to US\$12.8 million (2022: US\$ 12.8 million).

Notes to the annual financial statements (continued)

19 Trade and other payables

	2023 US\$' 000	2022 US\$' 000
Trade payables - third parties	72,964	76,165
Trade payables - related parties (Note 26)	58,867	9,354
Accrued expenses	80,063	64,607
<i>Non-financial liabilities:</i>		
Statutory liabilities (PAYE, NAPSA and NHIMA)	2,931	3,722
	<u>214,825</u>	<u>153,848</u>

The carrying amount of the trade and other payables approximate to their fair values.

20 Borrowings

	2023 US\$' 000	2022 US\$' 000
Non-current		
Third party borrowing	423,469	422,705
Related party borrowing (Note 26)	-	334,415
	<u>423,469</u>	<u>757,120</u>
Current		
Related party borrowing (Note 26)	238,017	57,878
	<u>238,017</u>	<u>57,878</u>
	<u>661,486</u>	<u>814,998</u>

Movement in borrowings:

Year ended 31 December 2023

	Standard Bank South Africa US\$' 000
<u>Third party loan:</u>	
At start of year	422,705
Interest expense	37,121
Interest paid	(36,357)
At end of year	<u>423,469</u>

Notes to the annual financial statements (continued)

20 Borrowings (continued)

Year ended 31 December 2022

	Standard Bank South Africa US\$' 000	Rand Merchant Bank US\$' 000
<u>Third party loan:</u>		
At start of year	-	55,357
Proceeds	425,000	-
Deferred fees	(2,301)	-
Interest expense	6	1,633
Interest paid	-	(1,633)
Repayment of principal	-	(55,357)
At end of year	422,705	-

Year ended 31 December 2023

	First Quantum Mining and Operations Limited US\$' 000	Kiwara Netherlands BV US\$' 000	Total US\$' 000
<u>Related party borrowing:</u>			
At start of year	57,878	334,415	392,293
Proceeds	11,241	8	11,249
Interest expense	-	33,885	33,885
Interest paid	-	(33,781)	(33,781)
Repayment of principal	(5,911)	(159,718)	(165,629)
At end of year	63,208	174,809	238,017

Year ended 31 December 2022

	First Quantum Mining and Operations Limited US\$' 000	Kiwara Netherlands BV US\$' 000	Total US\$' 000
<u>Related party borrowing:</u>			
At start of year	131,205	1,056,732	1,187,937
Proceeds	14,396	-	14,396
Interest expense	-	60,828	60,828
Interest paid	-	(60,752)	(60,752)
Repayment of principal	(87,273)	(722,393)	(810,116)
At end of year	57,878	334,415	392,293

Notes to the annual financial statements (continued)

20 Borrowings (continued)

The term loan was obtained in year 2022 through Standard Bank South Africa as “Agent” for the term facility. The facility was guaranteed by First Quantum Minerals Limited. The loan is denominated in USD and attracts daily interest based on Secured Overnight Financing Rate (SOFR). The effective interest rate was 8.60% (2022: 8.18%).

The first installment is due in March 2025 and the loan is expected to be fully paid by December 2025. The facility only have non-financial covenants enshrined and during the year the Company complied with all the covenant requirements.

Lender	Commitment US\$'000
FirstRand Bank Limited (London Branch)	150,000
The Standard Bank of South Africa Limited (Isle of man Branch)	120,000
Nedbank Limited, London Branch	75,000
ABSA Bank Limited (Acting through its Corporate & Investment Bank Division)	50,000
Stanbic Bank Zambia Limited	30,000
	425,000

Related party loan

The loan from Kiwara Netherlands BV is denominated in USD and attracts interest at LIBOR plus a margin of 5.31% and has a maturity date of 31 May 2029. However, the loan has been reclassified as current because the Company plans to pay it off by December 2024. The effective interest rate was 10.13% (2022: 8.74%).

The loan from First Quantum Mining and Operations Limited is interest free and does not have a fixed repayment date. The fair values of these borrowings approximate to their carrying amounts as the impact of discounting is not significant. The loan is repayable on mutual agreement by both parties and no security has been pledged by the Company.

Notes to the annual financial statements (continued)

21 Lease liabilities

	2023 US\$' 000	2022 US\$' 000
Current	612	1,135
Non-current	-	663
	<u>612</u>	<u>1,798</u>

Movement in lease liabilities:

At start of year	1,798	2,933
Interest expense (Note 8)	55	105
Interest paid	(55)	(105)
Repayment	(1,186)	(1,135)
At end of year	<u>612</u>	<u>1,798</u>

The lease is a two-year term expiring in June 2024 with financing cost at 4.34% (2022: 4.34%) and is denominated in United States dollars. The lease relates to dedicated equipment provided by the contractor in charge of blasting to the Company.

22 Derivative financial instruments

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes. The Company has the following derivative financial instruments based on copper prices index:

	2023 US\$' 000	2022 US\$' 000
Unrealised derivative payable	<u>4,783</u>	<u>12,684</u>

Notes to the annual financial statements (continued)

23 Cash generated from operations

Reconciliation of profit before income tax to cash used in operations:

	2023 US\$' 000	2022 US\$' 000
Profit before income tax	295,206	493,540
Adjustments:		
Depreciation on property, plant and equipment (Note 10)	252,473	274,478
Depreciation on right of use assets (Note 11)	1,173	1,173
Loss on disposal of property, plant and equipment (Note 7)	12,314	8,268
Interest expense on borrowings (Note 8)	70,242	62,461
Interest on lease liabilities (Note 8)	55	105
ARO accretion (Note 18)	2,686	1,336
Unwinding of deferred borrowing fees (Note 20)	764	6
Foreign exchange losses on fuel duties receivable (Note 13)	3,050	-
Changes in working capital:	-	-
- Inventories	(21,759)	(12,639)
- Trade and other receivables	(24,035)	23,900
- Trade and other payables	60,976	3,127
- Capital items within trade and other payables	7,606	(7,700)
Derivative financial instruments - Payable	(7,901)	8,551
Non current VAT receivable	(10,362)	74,137
Cash generated from operations	642,488	930,743
Proceeds from disposals:		
Net book value of disposals (Note 10)	12,777	8,303
Loss on disposal (Note 7)	12,315	(8,268)
Proceeds from disposals	464	35

24 Environmental Protection Fund

Environmental Protection Fund	3,705	3,705
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This is part of the requirement to comply with the statutory requirements for contribution to the Environmental Protection Fund (EPF) based on the Mines and Minerals Act of Zambia. Following an audit performed by the Mines Safety Department in 2022 and revised calculation of the total closure costs, the Company was reclassified from performance category 2 (10% cash contribution) to category 1 (5% cash contribution). This resulted in excess cash contribution therefore, no payments were made during the year (2022: Nil). The cumulative balance is classified as Environmental Protection Fund under non-current assets on the statement of financial position. This amount will be refunded to the Company subject to issuance of the mine closure certificate by the Government of the Republic of Zambia.

Notes to the annual financial statements (continued)

25 Commitments and Contingencies

Capital expenditure contracted for at the end of the reporting period but not recognised in the annual financial statements is as follows:

	2023 US\$' 000	2022 US\$' 000
Property, plant and equipment	<u>17,977</u>	<u>59,116</u>

FQM Trident Limited, along with other subsidiaries of First Quantum Minerals Ltd, act as guarantor on assets for various obligations of the ultimate parent company, with a pledge on some assets. As at 31 December 2023, the loan balance in the books of First Quantum Minerals Ltd was US\$1.99 billion.

26 Related party transactions

As at 31 December 2023, the Company was controlled by Kiwara Resources Limited (BVI) incorporated in Netherlands which owned 100% of the Company's shares subsequent to Kiwara Resources Zambia Limited amalgamation with FQM Trident Limited through a group restructure on 15 February 2023.

The ultimate parent of the Company is First Quantum Minerals Ltd, incorporated in Canada.

There are other companies that are related to FQM Trident Limited through common shareholdings or common directorships.

The following are significant transactions that were carried out with related parties:

	2023 US\$' 000	2022 US\$' 000
i) Provision of goods and services		
<i>To Parent company</i>		
-First Quantum Minerals Ltd.	<u>7,018</u>	<u>8,259</u>
<i>To fellow subsidiaries:</i>		
- FQM Trading Ag	1,343,348	1,345,748
- FQM Trading LP	33,142	-
- First Quantum Minerals Ltd	7	-
- Kafue Transport Service Limited	2	10
- Kansanshi Mining Plc.	921	2,123
- Kalumbila Town Development Corporation	3,406	2,081
- First Quantum Mining and Operations Limited	1,569	953
- Minera Panama S.A	-	30
- Trident Foundation Limited	950	932
	<u>1,383,346</u>	<u>1,351,877</u>
	<u>1,390,364</u>	<u>1,360,136</u>

Notes to the annual financial statements (continued)

26 Related party transactions (continued)

	2023 US\$' 000	2022 US\$' 000
ii) Purchase of goods and services		
<i>From Parent company</i>		
- First Quantum Minerals Ltd.	10,466	12,476
<i>From fellow subsidiaries:</i>		
- First Quantum Minerals S.A. (Pty) Limited	25,202	21,978
- First Quantum Minerals (UK) Limited	6,065	3,808
- Kafue Transport Service Limited	2,808	2,325
- First Quantum Minerals (Australia) Pty Ltd	12,190	-
- Kansanshi Mining Plc	110,791	122,960
- First Quantum Mining and Operations Limited	13,507	12,898
- Kalumbila Town Development Corporation	4,508	2,637
- Minera Panamá S.A	-	305
- FQM Global Services (Pty) Ltd	231	202
- FQM Support Services Pty Ltd	428	405
- FQM Technical Services Pty Ltd	350	197
- Mauritanian Copper Mines S.A	9	-
- Trident Foundation Limited	72	-
- FQM Australia Nickel Pty Ltd	-	6,196
- Mantenimiento Industries	-	31
	<u>176,161</u>	<u>173,942</u>
	<u>186,627</u>	<u>186,417</u>
iii) Outstanding receivables		
<i>From Parent company</i>		
- First Quantum Minerals Ltd.	732	-
<i>From fellow subsidiaries:</i>		
- FQM Trading Ag	74,838	21,720
- FQM Trading LP	2,368	-
- Kansanshi Mining Plc.	160	7,221
- First Quantum Mining and Operations Limited	20	69
- Minera Panamá S.A	204	235
- Kalumbila Town Development Corporation	23,105	-
- Solitaire Copperbelt Housing	29,354	29,354
- FQM Global Services (Pty) Ltd	240	-
- Trident Foundation Limited	2,175	1,211
- First Quantum Minerals (UK) Limited	18	14
	<u>132,482</u>	<u>59,824</u>
	<u>133,214</u>	<u>59,824</u>

Notes to the annual financial statements (continued)

Trade receivable from related parties are unsecured and credit period terms are similar to those for third parties, being 30 days on average

26 Related party transactions (continued)

iv) Outstanding payables

	2023 US\$'000	2022 US\$'000
To parent company:		
- First Quantum Minerals Ltd	-	615
To fellow subsidiaries:		
- First Quantum Minerals SA. Pty Ltd	1,493	1,706
- FQM Global Services (Pty) Ltd	48	19
- FQM Support Services Pty Ltd	47	28
- FQM Technical Services Pty Ltd	26	30
- First Quantum Minerals (Australia) Pty Limited	1,754	275
- First Quantum Minerals (UK) Limited	403	303
- Kafue Transport Service Limited	288	216
- Kansanshi Mining Plc	20,971	-
- First Quantum Mining and Operations Limited	2,107	1,578
- Mauritanian Copper Mines S.A	-	16
- Minera Panama S.A	-	74
- Kalumbila Town Development Corporation Limited	21,736	941
- Trident Foundation Limited	151	79
- International Mining Development Finance	9,843	3,474
	<u>58,867</u>	<u>8,739</u>
	<u>58,867</u>	<u>9,354</u>

Amount payable to and receivable from related parties are governed by individual agreements with a requirement to settle outstanding balances on a monthly basis.

(v) Borrowings

	2023 US\$'000	2022 US\$'000
From fellow subsidiaries:		
- First Quantum Mining and Operations Limited	63,208	57,878
- Kiwara Netherlands BV	174,809	334,415
	<u>238,017</u>	<u>392,293</u>

The related party borrowings are denominated in US Dollar. Refer to Note 20 for details.

(vi) Key management compensation

Key management personnel include heads of department at FQM Trident Limited.

	2023 US\$'000	2022 US\$'000
Salaries and other short-term employment benefits	<u>9,926</u>	<u>7,174</u>

Notes to the annual financial statements (continued)

26 Related party transactions (continued)

(vii) Directors' remuneration

No fees for services as a Director or other emoluments were paid to Directors during the year (2022: Nil) as these were borne by fellow subsidiaries.

27 Financial instruments

Financial instruments by category

Financial assets

	2023 US\$'000	2022 US\$'000
Financial assets at amortised cost:		
Assets as per statement of financial position		
- Trade and other receivables (excluding prepayments & statutory receivables -VAT)	211,389	169,076
- Cash and cash equivalents	31,260	4,437
	<u>242,649</u>	<u>173,513</u>

Financial liabilities

Financial liabilities at amortised costs:

Liabilities as per statement of financial position

- Borrowings	661,486	814,998
- Trade and other payables (excluding non-financial liabilities)	211,894	150,126
- Lease liabilities	612	1,798
	<u>873,992</u>	<u>966,922</u>

Financial liabilities at fair value through profit or loss:

Liabilities as per statement of financial position

- Derivative financial instruments	4,783	12,684
	<u>868,199</u>	<u>979,606</u>

28 Financial risk management

The Company's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, commodity price risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance. The Company does not hedge its risk exposures other than price risk on metal sales to third party customers.

Financial risk management is carried out by the finance department under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas such as foreign exchange risk, commodity price risk, interest rate risk, credit risk and investment of excess liquidity.

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

(a) Market Risk

(i) Foreign exchange risk

The Company is mainly exposed to currency exchange risk arising from VAT receivable and liabilities denominated in Zambian Kwacha. Exposure to this currency exchange risk is primarily managed by holding bank accounts denominated in Zambian Kwacha.

At 31 December 2023, if the Kwacha had weakened/strengthened by 30% (2022: 10%) against the US dollar with all other variables held constant, post-tax profit for the year and shareholder equity would have been US\$78.92 million (2022: US\$24.46 million) higher/lower, mainly as a result of Kwacha denominated other receivables (including VAT receivable), trade payables and bank balances.

During the year, the Company was exposed to foreign exchange risk arising from liabilities in other foreign currencies (South African). However, these were not material.

(ii) Commodity price risk

The Company is exposed to commodity price risk; mainly from fluctuations in the price of copper. To actively manage this exposure, the Company leverages on the parent company's policies which include the use of hedging instruments.

The Company's commodity price risk primarily relates to possible changes in the fair value of accounts receivable due to embedded derivatives on provisionally priced sales.

The Company's maximum exposure to commodity price risk is limited to unhedged provisionally priced sales with undetermined final prices at year end. The impact of a 10% (2022: 10%) change in the average forecast price for the undetermined final prices is as follows:

		Impact of price change on profit or loss after tax and equity	
		10% increase	10% decrease
		US\$'000	US\$'000
At 31 December 2023			
Copper:			
Provisionally invoiced quantity	21,610 MT		
Forecast average price (US\$/MT)	US\$8,480.05	18,325	(18,325)
At 31 December 2022			
Copper:			
Provisionally invoiced quantity	22,693 MT		
Forecast average price (US\$/MT)	US\$8,348.43	18,945	(18,945)

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

(iii) Interest rate risk

As disclosed in Note 20, the Company had two loans which attract interest at LIBOR plus margin and SOFR.

The table below shows interest expense on the two loans in 2023 and 2022, and estimated interest expense for 2024. Because the greater portion of the interest rates (i.e. the margin) is fixed, exposure to interest rate fluctuation is deemed immaterial (2022: immaterial).

	2024	2023	2022
	US\$'000	US\$'000	US\$'000
	Estimate	Actual	Actual
Interest expense:			
- Rand Merchant Bank Divison	-	-	1,633
- Standard Bank South Africa	43,812	36,357	-
- Kiwara Netherlands BV	11,819	33,885	60,827
Net debt	<u>55,631</u>	<u>62,460</u>	<u>62,460</u>

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposures to customers, including outstanding receivables and committed transactions. Credit risk is the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

Credit risk is managed by the finance manager. The finance manager is responsible for managing and analyzing credit risk for each new client before standard payment and delivery terms are offered. Credit risk arises from receivables, cash at bank and short-term deposits with banks. The Company does not have any significant concentrations of credit risk.

Cash and cash equivalents are held with Standard Chartered Bank, Stanbic Bank and Absa Bank, which have credit ratings of "BBB+" and better, and can provide this cash on demand.

The Company's credit risk associated with trade and other receivables are managed through establishing long term contractual relationships with international trading companies using industry standard contract terms.

The Company's maximum exposure to credit risk at 31 December 2023 is equal to the carrying values. No collateral was held for any of the financial assets and none of the assets are past due or impaired.

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

b) Credit risk (continued)

Impairment of financial assets

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due criterion.

Trade receivables

Trade receivables are balances due from related and third parties. The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets that are classified within amounts due from related and third parties. Impairment allowances on trade receivable amounts were assessed to be insignificant. This was on the basis that there has been no history of default on these assets.

Other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets that are classified as other receivables. Impairment allowances on other receivables were assessed as insignificant as this balance relates to staff debtors where the repayments are deducted directly from the staff's monthly salary and there has been no history of default.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management includes maintaining sufficient cash balances, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, the First Quantum Minerals Limited group treasury department maintains flexibility in funding all subsidiaries by maintaining availability under committed credit lines.

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

(c) Liquidity risk (continued)

Management performs cash flow forecasting and monitors rolling forecasts of the Company's liquidity requirements to ensure it always has sufficient cash to meet its operational needs while maintaining sufficient headroom. The Company's approach when managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation.

The table below analyses the Company's financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual cash flow requirements:

	Less than 1 year US\$' 000	Between 1 and 2 years US\$' 000	Between 2 and 5 years US\$' 000	Over 5 years US\$' 000	Total US\$' 000
At 31 December 2023:					
- Trade and other payables (excluding statutory liabilities)	211,894	-	-	-	211,894
- Derivative financial instruments	4,783	-	-	-	4,783
- Third party borrowing	43,812	451,120	-	-	494,932
- Related party borrowings	249,836	-	-	-	249,836
- Lease liabilities	620	620	-	-	1,240
	500,369	451,740	-	-	962,685
At 31 December 2022:					
- Trade and other payables (excluding statutory liabilities)	150,126	-	-	-	150,126
- Derivative financial instruments	12,684	-	-	-	12,684
- Third party borrowing	38,658	471,391	-	-	510,049
- Related party borrowings	92,140	201,470	196,578	-	490,188
- Lease liabilities	1,240	620	-	-	1,860
	294,848	673,481	196,578	-	1,164,907

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

(d) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt. The capital of the Company refers to working capital (difference between current assets and current liabilities), replacement capital (capital expenditure to replace productive capacity consumed during the reporting period) and sustaining capital (all expenditure to acquire or upgrade physical assets). It also relates to transfers to reserves and servicing of debt finance or any financing agreements to which the Company is party to at any relevant time.

During the year, the Company had complied with all financial covenants imposed by the lenders.

	2023 US\$'000	2022 US\$'000
Total borrowings	661,486	814,998
Lease Liability	612	1,798
Less: cash and cash equivalents	(31,260)	(4,437)
Net debt	630,838	812,359
Shareholder equity	1,900,680	1,711,311
Total Capital (net debt plus equity)	2,531,518	2,523,670
Gearing ratio	25%	32%

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	2023 US\$'000	2022 US\$'000
Cash and cash equivalents	31,260	4,437
Lease liability	(612)	(1,798)
Borrowings – repayable within one year	(238,017)	(57,878)
Borrowings – repayable after one year	(423,469)	(757,120)
Net debt	(630,838)	(812,359)

Notes to the annual financial statements (continued)

28 Financial risk management (continued)

Fair value of derivative financial instruments

The different levels in assessing the input used in the determining the fair value of the derivative financial instruments have been defined as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All the derivative financial instruments fall within Level 2. There were no transfers between different levels during the year. The most significant inputs into valuation model of derivative financial instruments are observable.

29 Subsequent Events

There has been no material events or circumstances since the reporting date to the date of approval of these annual financial statements that require disclosure or adjustment to these annual financial statements.