Namzinc (Proprietary) Limited
(Registration number 98/226)

Annual financial statements
for the year ended 31 March 2025

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Owns and operates a zinc refinery
Directors	P Singla C Griffith
Registered office	24 Orban Street Klein Windhoek Windhoek Namibia
Postal address	PO Box 30 Klein Windhoek Windhoek Namibia
Holding company	Skorpion Zinc (Proprietary) Limited incorporated in Namibia
Ultimate holding company	Vedanta Resources Limited incorporated in United Kingdom
Bankers	Standard Bank Namibia Limited First National Bank of Namibia Limited
Auditors	Ernst & Young Namibia
Secretary	Leone Wolhuter 3a Southport Building Southern Industrial Hosea Kutako Drive Windhoek Namibia
Company registration number	98/226
Preparer	The annual financial statements were independently compiled by: HTCO Financial Services Proprietary Limited

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The reports and statements set out below comprise the annual financial statements presented to the shareholder:

Published

6 June 2025

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with IFRS. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with IFRS and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the directors set standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the company's cash flow forecast for the 12 month period after the date of approval and, in light of this review and the current financial position, they are satisfied that the company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 4 to 5.

The annual financial statements set out on pages 6 to 42, which have been prepared on the going concern basis, were approved by the board of directors on 6 June 2025 and were signed on their behalf by:

Approval of financial statements

Signed by:Pushpender Pushpender Signed at:2025-06-06 12:38:15 +02:00 Reason:Witnessing Pushpender Pushpe	Signed by:Christopher Ivan Griffith Signed at:2025-06-06 09:48:53 +02:00 Reason:Witnessing Christopher Ivan Griff
P Singla	**C Griffith**

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with confidence

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF NAMZINC (PROPRIETARY) LIMITED

Opinion

We have audited the annual financial statements of Namzinc (Proprietary) Limited ('the Company') set out on pages 6 to 42 which comprise the statement of financial position as at 31 March 2025, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the annual financial statements, including a summary of material accounting policy information and the directors' report.

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2025, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia.

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

Other information

The directors are responsible for the other information. The other information comprises the general information, the contents and the directors' responsibilities and approval, which we obtained prior to the date of this auditor's report. The other information 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 an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the annual financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, 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.

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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.
- 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.

Ernst & Young.

Ernst & Young Namibia
Registered Accountants and Auditors
Chartered Accountants (Namibia)

Per: Floris Marx
Partner

Windhoek, Namibia

6 June 2025

Directors' Report

The directors have pleasure in submitting their report on the annual financial statements of Namzinc (Proprietary) Limited for the year ended 31 March 2025.

1. Nature of business

Namzinc (Proprietary) Limited was incorporated in Namibia with interests in the Mining industry and operates in Namibia.

The company owns and operates a zinc refinery. The ore bought from Skorpion Mining Company (Proprietary) Limited is processed and refined to produce special high-grade zinc. The zinc is exported either by sea via Lüderitz or by road to South Africa. The company has been granted Export Processing Zone status by the Namibian Government and is, therefore, exempt from paying taxes. The company has received exemption to sell a limited portion of production to the Southern African Customs Union market.

The EPZ Act will be repealed from 31 December 2025, thereafter the Special Economic Zones (SEZ) model will be effective from 01 January 2026. The proposed SEZ Act will replace the EPZ Act. Namzinc does not yet apply the SEZ Act as it has not yet been passed by government, however, a draft document for consultations has been issued in September 2021. In order to transition to the SEZ model, the company will apply to the Minister of Industrialization for approval of SEZ status.

Namzinc Refinery is an Oxide Refinery. During the 2015/16 financial year the Skorpion mine life was coming to end, at that time management reviewed the Refinery Conversion Project and started assessing its economically viability. This Project was to enable Namzinc Refinery to treat Sulphide Zinc Concentrate from external sources. Based on this assessment, the company commenced capitalisation and revised the estimated useful lives of the assets and the timing of the decommissioning and rehabilitation expense accordingly.

On 31 March 2020, the board approved a request from management to spend USD1 million (increased to USD2 million in December 2020) to refresh the feasibility study that was previously performed for the Refinery Conversion Project in order to treat Sulphide Zinc Concentrate from the Gamsberg Mine in South Africa owned by Namzinc's sister company, Black Mountain Mining (Proprietary) Limited, and start prework for the conversion. Further, Namzinc Board has approved another USD1 million Pre Project Capex in the 2021 financial year to strengthen the Refinery Conversion feasibility to bring it to final stage for board approval.

There is significant progress made to make the Refinery Conversion Project economically feasible which includes 1) two technology partners (licensors) have completed their technical studies and issued reports; 2) An engineering technical feasibility and bankable feasibility study has also been completed by external parties; 3) Project capital expenditure and business case has been finalised based on the information from the feasibility studies; 4) Management are in the final stages of negotiation with Nampower for the cost of electricity, a significant part of the variable costs in the refinery; and 5) In addition to the above a civil construction partner has been identified and will be appointed on approval by the board.

To start up the refinery will cost an estimated USD10 million. The sulphide conversion is expected to cost USD220 million and will have a 18-24 month construction period. This will result in a plant capacity of 150 kilotons per annum of zinc metal produced. In March 2023, the board approved the restart of mining in Pit 112 and the full conversion of the refinery. Due to electricity costs being a significant cost factor in the refinery conversion project and since a resolution has not yet been reached with Nampower, management has thought it prudent to impair the refinery conversion project in the prior year. Management is still taking all steps to take the project forward and expects to finalise negotiations with Nampower in the next financial year.

Management have performed a discounted cash flow calculation as at 31 March 2025 using only ore expected to be received from Skorpion Mining Company (Proprietary) Limited Pit 112. The directors are comfortable that the assets are not impaired as at 31 March 2025 other than the refinery conversion project that has been impaired in the prior year. There have been no material changes to the nature of the company's business from the prior year.

2. Review of financial results and activities

The annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Companies Act of Namibia, 2004. The accounting policies have been applied consistently compared to the prior year. Full details of the financial position, results of operations and cash flows of the company are set out in these annual financial statements

3. Dividends

The board of directors do not recommend the declaration of a dividend for the year (2024: N$ nil).

Directors' Report

4. Directorate

The directors in office during the year and at the date of this report are as follows:

Directors	Office	Designation	Nationality	Changes
P Van Greunen	Chief Operating Officer	Executive	South African	Resigned - 30 April 2024
P Singla	Chief Financial Officer	Executive	Indian	
C Griffith	Chief Executive Officer	Executive	South African	

5. Holding company

The company's holding company is Skorpion Zinc (Proprietary) Limited which holds 100% (2024: 100%) of the company's equity. Skorpion Zinc (Proprietary) Limited is incorporated in Namibia.

6. Events after the reporting period

The directors of the company are not aware of any fact of circumstances which occurred between the date of the annual financial statements and the date of this report which might influence an assessment of the company's state of affairs.

7. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

8. Terms of appointment of the auditors

Ernst & Young Namibia were appointed as the company's auditors for the year, in accordance with Section 278(2) of the Companies Act of Namibia.

Statement of Financial Position as at 31 March 2025

	Note	2025 N$'000	2024 N$'000
Assets			
Non-Current Assets			
Property, plant and equipment	3	442,150	476,671
Intangible assets	4	5,949	6,550
Loans to group companies	5	125,824	749,915
		573,923	**1,233,136**
Current Assets			
Loans to group companies	5	3,694,710	3,050,016
Trade and other receivables	6	4,459	2,374
Inventories	7	124,904	153,495
Cash and cash equivalents	8	11,346	15,626
		3,835,419	**3,221,511**
Total Assets		**4,409,342**	**4,454,647**
Equity and Liabilities			
Equity			
Share capital	9	1	1
Retained income		825,467	929,002
		825,468	**929,003**
Liabilities			
Non-Current Liabilities			
Provisions	10	200,434	158,868
Loans from group companies	11	387,196	373,573
		587,630	**532,441**
Current Liabilities			
Loans from group companies	11	585,572	586,616
Trade and other payables	12	2,410,672	2,406,587
		2,996,244	**2,993,203**
Total Liabilities		**3,583,874**	**3,525,644**
Total Equity and Liabilities		**4,409,342**	**4,454,647**

Statement of Profit or Loss and Other Comprehensive Income

	Note	2025 N$'000	2024 N$'000
Other operating income	13	14,776	7,886
Distribution costs		-	161
Administrative expenses		(155,189)	(143,807)
Other loss before exceptional items		**(140,413)**	**(135,760)**
Exceptional item - impairment loss	14	-	(263,522)
Operating loss	15	**(140,413)**	**(399,282)**
Investment income	16	76,909	91,312
Finance costs	17	(40,031)	(52,734)
Loss for the year		**(103,535)**	**(360,704)**
Other comprehensive income		-	-
Total comprehensive loss for the year		**(103,535)**	**(360,704)**

Statement of Changes in Equity

	Share capital N$'000	Retained income N$'000	Total equity N$'000
Balance at 1 April 2023	**1**	**1,289,706**	**1,289,707**
Loss for the year	-	(360,704)	(360,704)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(360,704)**	**(360,704)**
Balance at 1 April 2024	**1**	**929,002**	**929,003**
Loss for the year	-	(103,535)	(103,535)
Other comprehensive income	-	-	-
Total comprehensive Loss for the year	**-**	**(103,535)**	**(103,535)**
Balance at 31 March 2025	**1**	**825,467**	**825,468**
Note	9		

Statement of Cash Flows

	Note	2025 N$ '000	2024 N$ '000
Cash flows from operating activities			
Cash used in operations	19	(51,296)	(74,469)
Interest received	16	754	2,375
Realised foreign exchange gains	16	(117)	15,853
Net cash from operating activities		**(50,659)**	**(56,241)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(1,741)	(10,048)
Loans to group companies repaid	20	82,194	547,900
Loans advanced to group companies	20	(46,814)	(568,569)
Net cash from investing activities		**33,639**	**(30,717)**
Cash flows from financing activities			
Proceeds on loans from group companies	20	13,954	-
Repayment of loans from group companies	20	(1,016)	(695)
Net cash from financing activities		**12,938**	**(695)**
Total cash movement for the year		**(4,082)**	**(87,653)**
Cash and cash equivalents at the beginning of the year		15,626	112,839
Effect of exchange rate movement on cash and cash equivalents - gain		(198)	(9,560)
Cash and cash equivalents at the end of the year	8	**11,346**	**15,626**

Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these annual financial statements are set out below.

1.1 Basis of preparation

The annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these annual financial statements and the Companies Act of Namibia.

These annual financial statements are approved for issue by the Board of Directors on 6 June 2025. The revision to these annual financial statements is permitted by the Board of Directors after obtaining necessary approvals.

The annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Namibia Dollars rounded to the nearest thousand dollars, which is the company's functional currency.

These accounting policies are consistent with the previous period.

1.2 Significant judgements and sources of estimation uncertainty

The preparation of annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

The critical judgements made by management in applying accounting policies, apart from those involving estimations, that have the most significant effect on the amounts recognised in the annual financial statements, are outlined as follows:

Key sources of estimation uncertainty

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company’s past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

Allowance for slow moving, damaged and obsolete inventory

Management assesses whether inventory is impaired by comparing its cost to its estimated net realisable value. Where an impairment is necessary, inventory items are written down to net realisable value. The write down is included in cost of sales. This has been paused as the business is under care and maintenance.

Fair value estimation

All non current liabilities' carrying amounts are a reasonable approximation of fair value.

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Trade receivables subject to provisional pricing are already carried at fair value.

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management of the company have assessed that the fair values of cash and cash equivalents, trade receivables (not subject to provisional pricing), trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

The company measures financial instruments, such as provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at fair value less costs of disposal.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; and
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. Fair value for measurement and/or disclosure purposes in these annual financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share Based Payments, leasing transactions that are within the scope of IFRS 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

The company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the annual financial statements are categorised within the fair value hierarchy.

For assets and liabilities that are recognised in the annual financial statements on a recurring basis, the company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Significant estimates and assumption

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When the fair values of non-financial assets/CGU's need to be determined, e.g., for the purposes of calculating fair value less cost to dispose for impairment testing purposes, they are measured using valuation techniques including the DCF model.

The company's principal financial liabilities, comprise accounts payable. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the company's capital expenditure programme. The company's principal financial assets and provisionally priced trade receivables, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

Risk exposures and responses

The company manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the company's financial targets while protecting future financial security. The main risks that could adversely affect the company's financial assets, liabilities or future cash flows are market risks comprising: commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The company reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated over their useful lives taking into account residual values where appropriate. The actual lives of the assets and residuals are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, life-of-mine plan and maintenance programmes are taken into account. Residual value assessments take into account issues such as future market conditions, the remaining life of the asset and projected disposal values.

Provisions

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in note 10.

Estimating the future costs of environment and rehabilitation obligations is complex and requires management to make estimates and judgements as most of the obligations will be fulfilled in future and contracts and laws are often not clear regarding what is required. The resulting provision is further influenced by changing technologies and environmental, safety, business and statutory considerations.

Estimated life of refinery

The life of refinery is set using the expected available ore for refining from the Gamsberg development, currently being undertaken by the sister company, Black Mountain Mining (Proprietary) Limited.

1.3 Property, plant and equipment

Property, plant and equipment are tangible assets which the company holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset 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.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

The initial estimate of the costs of dismantling and removing an item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the company is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the company and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Property, plant and equipment is subsequently stated at cost less accumulated depreciation and any accumulated impairment losses, except for land which is stated at cost less any accumulated impairment losses.

Assets in the course of construction are capitalised in the assets under construction account. At the point when an asset is capable of operating in the manner intended by management, the cost of construction is transferred to the appropriate category of property, plant and equipment. Costs (net of income) associated with the commissioning of an asset and any obligatory decommissioning costs are capitalised until the period of commissioning has been completed and the asset is ready for its intended use.

Accounting Policies

1.3 Property, plant and equipment (continued)

When an item of property, plant and equipment is revalued, the gross carrying amount is adjusted consistently with the revaluation of the carrying amount. The accumulated depreciation at that date is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the company. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Units of production	11 years
Plant and machinery	Straight line	11 years
Leasehold improvements	Units of production	11 years

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

Land and properties in the course of construction are not depreciated. Buildings, vehicles, furniture and fittings and computer equipment are depreciated down to their estimated residual values at varying rates, on the straight-line basis over their estimated useful lives or the life of mine whichever is shorter.

Mining properties and plant and equipment are depreciated down to their residual values with reference to the expected units of production using the life of mine method based on proven and probable reserves. Depreciation is charged on new mining ventures from the date that the mining property is capable of commercial production. When there is little likelihood of a mineral right being exploited, or the value of the exploitable mineral right has diminished below cost, a write-down to the recoverable amount is charged to profit or loss.

The per unit depreciation rate is determined annually by dividing the total of the undepreciated development expenditure and future development expenditure for the mine by the remaining proven and probable reserves based on the most current reserve study available. Where mining freehold and leasehold properties have significant value after reserves are depleted, the estimated residual value may be deducted from the amount of mining development expenditure which is subject to depreciation.

Where the economic viability of reserves has been established, but future operations are dependent upon receiving future planning permission or lease extension, management assesses, on at least an annual basis, the probability of the planning permission or lease extension being received. If it is no longer considered probable, the estimate of reserves and the unit-of-production depreciation calculation is revised accordingly.

Accounting Policies

1.3 Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Management consider the remaining useful life of refinery's plant and equipment to approximate the remaining life of mine and assets were componentised accordingly. The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the asset. The discount rate applied is based upon the directors' best estimate of weighted average cost of capital, with appropriate adjustment made for local conditions.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, its carrying amount is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately.

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

Research expenditure is written off in the period in which it is incurred until such time as an economic reserve is defined. When a decision is taken that a mining property is viable for commercial production, all further pre-production expenditure is capitalised. Capitalisation of pre-production expenditure ceases when the mining property is capable of commercial production. Capitalised pre-production expenditure is amortised from the date commercial production commences over the economic life of the mine.

1.4 Site restoration and dismantling cost

The company has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- changes in the liability are added to, or deducted from, the cost of the related asset in the current period.
- however, as an exception, if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in profit or loss.
- if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount, and any impairment loss is recognised in profit or loss.

Accounting Policies

1.4 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited in other comprehensive income and accumulated in the revaluation reserve in equity, except that it is recognised in profit or loss to the extent that it reverses a revaluation deficit on the asset that was previously recognised in profit or loss. However, in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in profit or loss.
  - an increase in the liability is recognised in profit or loss, except that it is debited to other comprehensive income as a decrease to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to profit or loss and to other comprehensive income. If a revaluation is necessary, all assets of that class are revalued.

1.5 Intangible assets

An intangible asset is recognised when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it has been incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer Software	Straight line	These assets are considered to have finite useful life and amortised over life of the mine

Accounting Policies

1.6 Financial instruments

Financial instruments held by the company are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the company, as applicable, are as follows:

Financial assets which are equity instruments:
- Mandatorily at fair value through profit or loss; or
- Designated as at fair value through other comprehensive income. This designation is not available to equity instruments which are held for trading or which are contingent consideration in a business combination.

Financial assets which are debt instruments:
- Amortised cost. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows; or
- Fair value through other comprehensive income. This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is achieved by both collecting contractual cash flows and selling the instruments; or
- Mandatorily at fair value through profit or loss. This classification automatically applies to all debt instruments which do not qualify as at amortised cost or at fair value through other comprehensive income; or
- Designated at fair value through profit or loss. This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch.

Derivatives which are not part of a hedging relationship:
- Mandatorily at fair value through profit or loss.

Financial liabilities:
- Amortised cost; or
- Mandatorily at fair value through profit or loss. This applies to contingent consideration in a business combination or to liabilities which are held for trading; or
- Designated at fair value through profit or loss. This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis; or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss.

Note 23 Financial instruments and risk management presents the financial instruments held by the company based on their specific classifications.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the company are presented below:

Loans receivable at amortised cost

Classification

Loans to group companies (note 5) are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because the contractual terms of these loans give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the loan initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

1.6 Financial instruments (continued)

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 16).

The application of the effective interest method to calculate interest income on a loan receivable is dependent on the credit risk of the loan as follows:

- The effective interest rate is applied to the gross carrying amount of the loan, provided the loan is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a loan is purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the loan, even if it is no longer credit-impaired.
- If a loan was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the loan in the determination of interest. If, in subsequent periods, the loan is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The company recognises a loss allowance for expected credit losses on all loans receivable measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective loans.

The company measures the loss allowance at an amount equal to lifetime expected credit losses (lifetime ECL) when there has been a significant increase in credit risk since initial recognition. If the credit risk on a loan has not increased significantly since initial recognition, then the loss allowance for that loan is measured at 12 month expected credit losses (12 month ECL).

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

In order to assess whether to apply lifetime ECL or 12 month ECL, in other words, whether or not there has been a significant increase in credit risk since initial recognition, the company considers whether there has been a significant increase in the risk of a default occurring since initial recognition rather than at evidence of a loan being credit impaired at the reporting date or of an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a loan has increased significantly since initial recognition, the company compares the risk of a default occurring on the loan as at the reporting date with the risk of a default occurring as at the date of initial recognition.

The company considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the counterparties operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information.

Irrespective of the outcome of the above assessment, the credit risk on a loan is always presumed to have increased significantly since initial recognition if the contractual payments are more than 30 days past due, unless the company has reasonable and supportable information that demonstrates otherwise.

By contrast, if a loan is assessed to have a low credit risk at the reporting date, then it is assumed that the credit risk on the loan has not increased significantly since initial recognition.

The company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increases in credit risk before the amount becomes past due.

Accounting Policies

1.6 Financial instruments (continued)

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default, taking the time value of money into consideration.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. The exposure at default is the gross carrying amount of the loan at the reporting date.

Lifetime ECL is measured on a collective basis in cases where evidence of significant increases in credit risk are not yet available at the individual instrument level. Loans are then grouped in such a manner that they share similar credit risk characteristics, such as nature of the loan, external credit ratings (if available), industry of counterparty etc.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the company has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the company measures the loss allowance at an amount equal to 12 month ECL at the current reporting date, and visa versa.

An impairment gain or loss is recognised for all loans in profit or loss with a corresponding adjustment to their carrying amount through a loss allowance account. The impairment loss is included in exceptional item - impairment loss in profit or loss as a movement in credit loss allowance.

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 23).

Trade and other receivables

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost (note 6).

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the company's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognised when the company becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

Accounting Policies

1.6 Financial instruments (continued)

Application of the effective interest method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 16).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivable as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance.
- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.
- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

Impairment

The company recognises a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The company measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses

The company recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the company applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the company does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the company's historical experience and informed credit assessment including forward-looking information.

The company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the company may also consider a financial asset to be in default when internal or external information indicates that the company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Accounting Policies

1.6 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management (note 23).

Derecognition

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortised cost line item.

Borrowings and loans from related parties

Classification

Loans from group companies (note 11) are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the company becomes a party to the contractual provisions of the loan. The loans are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Interest expense, calculated on the effective interest method, is included in profit or loss in finance costs (note 17).

Borrowings expose the company to liquidity risk and interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Loans denominated in foreign currencies

When borrowings are denominated in a foreign currency, the carrying amount of the loan is determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the other operating gains (losses).

Details of foreign currency risk exposure and the management thereof are provided in the specific loan notes and in the financial instruments and risk management (note 23).

Trade and other payables

Classification

Trade and other payables (note 12), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the company becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortised cost using the effective interest method.

Accounting Policies

1.6 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

If trade and other payables contain a significant financing component, and the effective interest method results in the recognition of interest expense, then it is included in profit or loss in finance costs (note 17).

Trade and other payables expose the company to liquidity risk and possibly to interest rate risk. Refer to note 23 for details of risk exposure and management thereof.

Trade and other payables denominated in foreign currencies

When trade payables are denominated in a foreign currency, the carrying amount of the payables are determined in the foreign currency. The carrying amount is then translated to the Namibia Dollar equivalent using the spot rate at the end of each reporting period. Any resulting foreign exchange gains or losses are recognised in profit or loss in the special items.

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management (note 23).

Cash and cash equivalents

Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

1.7 Tax

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income; or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories includes a "right to returned goods asset" which represents the company right to recover products from customers where customers exercise their right of return under the company returns policy. The company uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. A corresponding adjustment is recognised against cost of sales.

1.9 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received from the issue of shares in excess of par value is classified as 'share premium' in equity. Dividends are recognised as a liability in the company in which they are declared.

Accounting Policies

1.10 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

Market conditions and non-vesting conditions are taken into account when estimating the fair value of the cash-settled share-based payment.

If the share-based payments granted do not vest until the counterparty completes a specified period of service, company accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share-based payments vest immediately the services received are recognised in full.

1.11 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Accounting Policies

1.11 Share based payments (continued)

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Actuarial gains and losses, which can arise from differences between expected and actual outcomes or changes in actuarial assumptions, are recognised immediately in equity. Any increase in the present value of plan liabilities expected to arise from employee service during the period is charged to operating profit. The expected return on the plan assets and the expected increase during the period in the present value of plan liabilities are included in investment income and interest expense.

Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight-line basis over the average period until the benefits become vested.

The retirement benefit obligation recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service costs and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

1.12 Provisions and contingencies

Provisions are recognised when:

- the company has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognised when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognised for the reimbursement shall not exceed the amount of the provision.

Provisions are not recognised for future operating losses.

If an entity has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the business or part of a business concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for terminating their services;
  - the expenditures that will be undertaken;
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 21.

1.13 Revenue from contracts with customers

The company recognises revenue from the following major sources:

- Sales of zinc;
- Sales of sulphuric acid; and
- Revenue from freight and shipping services.

1.13 Revenue from contracts with customers (continued)

All revenue from Zinc sales is recognised at a point in time when control transfers and revenue from freight/shipping services is recognised over time as the services are provided.

The group is principally engaged in the business of producing zinc and in some instances, provides freight or shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer which usually is on delivery of the goods to the shipping agent at an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Revenue is recognised net of discounts, volume rebates, outgoing sales taxes/ goods and service tax and other indirect taxes excluding excise duty. Revenues from sale of by-products are included in revenue.

Revenue from freight and insurance services is recognised over the period during which services are rendered.

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

1.14 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Namibia Dollars, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

In circumstances where the company receives or pays an amount in foreign currency in advance of a transaction, the transaction date for purposes of determining the exchange rate to use on initial recognition of the related asset, income or expense is the date on which the company initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, the company determines a date of transaction for each payment or receipt of advance consideration.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in profit or loss in the period in which they arise.

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

Cash flows arising from transactions in a foreign currency are recorded in Namibia Dollars by applying to the foreign currency amount the exchange rate between the Namibia Dollar and the foreign currency at the date of the cash flow.

Notes to the Annual Financial Statements

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the company has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Supplier finance arrangements - amendments to IAS 7 and IFRS 7	1 January 2024	There was no material impact
• Non-current liabilities with covenants - amendments to IAS 1	1 January 2024	The impact of the amendments is not material.
• Lease liability in a sale and leaseback - amendments to IFRS 16	1 January 2024	There was no material impact

2.2 Standards and interpretations not yet effective

The company has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the company's accounting periods beginning on or after 1 April 2025 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely	Unlikely there will be a material impact
• IFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027	Unlikely there will be a material impact
• IFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027	Unlikely there will be a material impact
• Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards.	1 January 2026	Unlikely there will be a material impact
• Amendments to IFRS 7 Financial Instruments: Disclosures	1 January 2026	Unlikely there will be a material impact
• Amendments to IFRS 9 Financial Instruments	1 January 2026	Unlikely there will be a material impact
• Amendments to IFRS 10 Consolidated Financial Statements	1 January 2026	Unlikely there will be a material impact
• Amendments to IAS 10 Statement of Cash flows	1 January 2026	Unlikely there will be a material impact
• Amendments to IFRS 9 and IFRS 7: Amendments to the Classification and Measurement of Financial Instruments.	1 January 2026	Unlikely there will be a material impact
• Lack of exchangeability - amendments to IAS 21	1 January 2025	Unlikely there will be a material impact

Notes to the Annual Financial Statements

Figures in N$'000

3. Property, plant and equipment

	2025			2024		
	Cost or revaluation N$'000	**Accumulated depreciation N$'000**	**Carrying value N$'000**	**Cost or revaluation N$'000**	**Accumulated depreciation N$'000**	**Carrying value N$'000**
Buildings	809,486	(718,025)	91,461	809,486	(709,302)	100,184
Plant and machinery	3,538,073	(3,224,732)	313,341	3,514,387	(3,174,683)	339,704
Leasehold improvements	204,747	(188,562)	16,185	204,747	(188,562)	16,185
Capital - Work in progress	21,163	-	21,163	20,598	-	20,598
Total	**4,573,469**	**(4,131,319)**	**442,150**	**4,549,218**	**(4,072,547)**	**476,671**

Reconciliation of property, plant and equipment - 2025

	Opening balance N$'000	**Additions N$'000**	**Transfers N$'000**	**Decom-missioning liability N$'000**	**Depreciation N$'000**	**Total N$'000**
Buildings	100,184	-	-	-	(8,723)	91,461
Plant and machinery	339,704	-	1,176	22,510	(50,049)	313,341
Leasehold improvements	16,185	-	-	-	-	16,185
Capital - Work in progress*	20,598	1,741	(1,176)	-	-	21,163
	476,671	**1,741**	**-**	**22,510**	**(58,772)**	**442,150**

Reconciliation of property, plant and equipment - 2024

	Opening balance N$'000	**Additions N$'000**	**Decom-missioning liability N$'000**	**Depreciation N$'000**	**Impairment* N$'000**	**Total N$'000**
Buildings	108,907	-	-	(8,723)	-	100,184
Plant and machinery	501,140	-	(110,831)	(50,605)	-	339,704
Leasehold improvements	16,185	-	-	-	-	16,185
Capital - Work in progress	274,072	10,048	-	-	(263,522)	20,598
	900,304	**10,048**	**(110,831)**	**(59,328)**	**(263,522)**	**476,671**

*During the prior year, management took the decision to impair the refinery conversion project of R 263m. This is not an indication that management has given up on the project. Due to the extensive time it has taken to reach consensus with Nampower, management will relook at the project once the electricity price has been aligned.

Details of properties

Registers with details of land and buildings are available for inspection by shareholders or their duly authorised representatives at the registered office of the company.

Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

The company tests the total capital investment made in the operations annually for impairment indicators. The following cash generating unit has been identified:

Mining activities : Skorpion Project
The recoverable amounts of the cash-generating unit are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates, exchange rates and expected changes to commodity prices. Management estimates discount rates using pre-tax rates that reflect current market conditions of the time value of money and the risks specifically associated with the cash-generating unit. Growth rates are based on industry growth forecasts. Changes in commodity prices are based on past practices and expectations of future changes in the market.

Management have performed a discounted cash flow calculation as at 31 March 2025 using only ore expected to be received from Skorpion Mining Company (Proprietary) Limited Pit 112. The directors are comfortable that the assets are not impaired as at the 31 March 2025 other than the refinery conversion project that has been impaired in the financial year ended 31 March 2024. There have been no material changes to the nature of the company's business from the prior year.

Key assumptions used in impairment calculations are:	**2025**	**2024**
Foreign exchange rate (NAD/USD)	18.53	18.51
Average zinc price (USD/t)	2 745	2 452

4. Intangible assets

	2025			2024		
	Cost	**Accumulated amortisation**	**Carrying value**	**Cost**	**Accumulated amortisation**	**Carrying value**
	N$'000	**N$'000**	**N$'000**	**N$'000**	**N$'000**	**N$'000**
Computer software	21,698	(15,749)	5,949	21,698	(15,148)	6,550

Reconciliation of intangible assets - 2025

	Opening balance	**Amortisation**	**Total**
	N$'000	**N$'000**	**N$'000**
Computer software	6,550	(601)	5,949

Reconciliation of intangible assets - 2024

	Opening balance	**Amortisation**	**Total**
	N$'000	**N$'000**	**N$'000**
Computer software	7,205	(655)	6,550

Other information

Intangible assets consist mainly of software licences relating to the SAP enterprise system. These assets are considered to have a finite useful life and as such are amortised over the life of the mine.

Notes to the Annual Financial Statements

		2025 N$ '000	2024 N$ '000

5. Loans to group companies

Related party	Basis of accounting		
Black Mountain Mining (Proprietary) Limited - Loan****	Amortised cost	261,599	342,599
Skorpion Mining Company (Proprietary) Limited*	Amortised cost	2,734,356	2,691,725
THL Zinc Namibia Holdings (Proprietary) Limited*	Amortised cost	13,746	13,747
Monte Cello BV**	Amortised cost	47,724	46,447
THL Zinc Limited***	Amortised cost	758,215	703,468
Vedanta Resources Plc*****	Amortised cost	1,359	1,398
Sterlite Ports Limited*****	Amortised cost	35	37
Black Mountain Mining (Proprietary) Limited - Debtor*****	Amortised cost	3,500	510
		3,820,534	**3,799,931**

*The loan is secured, interest free, due and payable on demand.
**The loan to Monte Cello BV expires on 1 April 2027 and carries interest at a rate of 13% (2024: 7%)
***The loan to THL Zinc Limited expires on 31 October 2025 and carries interest at a rate of 12% (2024: 12%)
****The loan to Black Mountain Mining (Proprietary) Limited expires on 31 July 2027 and consists of interest only, no capital portion remaining.
*****The loans / receivables from Vedanta Resources Plc, Sterlite Ports Limited, & Black Mountain Mining (Proprietary) Limited are unsecured, interest free and no terms of repayment have been set.

Split between non-current and current portions

Non-current assets	125,824	749,915
Current assets	3,694,710	3,050,016
	3,820,534	**3,799,931**

The non-current portion of loans to group companies consists of N$47,724,229 to Monte Cello BV and N$78,100,000 of the Black Mountain Mining (Proprietary) Limited - Loan.

Exposure to credit risk

Loans receivable inherently expose the company to credit risk, being the risk that the company will incur financial loss if counterparties fail to make payments as they fall due.

In determining the amount of expected credit losses, the company has taken into account any historic default experience, the financial positions of the counterparties as well as the future prospects in the industries in which the counterparties operate.

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

The maximum exposure to credit risk is the gross carrying amount of the loans as presented below. The company does not hold collateral or other credit enhancements against group loans receivable.

Notes to the Annual Financial Statements

Figures in N$'000

5. Loans to group companies (continued)

Credit loss allowances

The following tables set out the carrying amount, loss allowance and measurement basis of expected credit losses for group loans receivable by credit rating grade:

2025

Instrument	Basis of loss allowance	Gross carrying amount N$'000	Loss allowance N$'000	Amortised cost N$'000
Loans to subsidiaries				
Black Mountain Mining (Proprietary) Limited	Lifetime ECL (not credit impaired)	261,599	-	261,599
Skorpion Mining Company (Proprietary) Limited	Lifetime ECL (credit impaired)	5,897,356	(3,163,000)	2,734,356
THL Zinc Namibia Holdings (Proprietary) Limited	Lifetime ECL (not credit impaired)	13,746	-	13,746
Monte Cello BV	Lifetime ECL (not credit impaired)	47,724	-	47,724
THL Zinc Limited	Lifetime ECL (not credit impaired)	758,215	-	758,215
Vedanta Resources Pic	Lifetime ECL (not credit impaired)	1,359	-	1,359
Sterlite Ports Limited	Lifetime ECL (not credit impaired)	35	-	35
Black Mountain Mining (Proprietary) Limited - Debtor	Lifetime ECL (not credit impaired)	3,500	-	3,500
		6,983,534	**(3,163,000)**	**3,820,534**

2024

Instrument	Basis of loss allowance	Gross carrying amount N$'000	Loss allowance N$'000	Amortised cost N$'000
Loans to subsidiaries				
Black Mountain Mining (Proprietary) Limited	Lifetime ECL (not credit impaired)	342,599	-	342,599
Skorpion Mining Company (Proprietary) Limited	Lifetime ECL (credit impaired)	5,854,725	(3,163,000)	2,691,725
THL Zinc Namibia Holdings (Proprietary) Limited	Lifetime ECL (not credit impaired)	13,747	-	13,747
Monte Cello BV	Lifetime ECL (not credit impaired)	46,447	-	46,447
THL Zinc Limited	Lifetime ECL (not credit impaired)	703,468	-	703,468
Vedanta Resources Pic	Lifetime ECL (not credit impaired)	1,398	-	1,398
Sterlite Ports Limited	Lifetime ECL (not credit impaired)	37	-	37
Black Mountain Mining (Proprietary) Limited - Debtor	Lifetime ECL (not credit impaired)	510	-	510
		6,962,931	**(3,163,000)**	**3,799,931**

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

6. Trade and other receivables

	2025 N$ '000	2024 N$ '000
Financial instruments:		
Trade receivables	4,260	1,917
Loss allowance	(1,424)	(1,424)
Trade receivables at amortised cost	2,836	493
Non-financial instruments:		
Value added tax	1,544	1,534
Prepayments	79	347
Total trade and other receivables	**4,459**	**2,374**

Financial instrument and non-financial instrument components of trade and other receivables

	2025 N$ '000	2024 N$ '000
At amortised cost	2,836	493
Non-financial instruments	1,623	1,881
	4,459	**2,374**

Trade receivables are non-interest-bearing and are generally on terms of 1 to 90 days. Payment is due from non-SACU customers on receipt of the provisional invoice and the bill of lading and is generally paid within 5 days of the customer receiving the documentation, which reduces the initial receivable recognised under IFRS 15.

Fair value of trade and other receivables

The fair value of trade and other receivables approximates their carrying amounts.

7. Inventories

	2025 N$ '000	2024 N$ '000
Consumable stock	130,940	140,082
Work in progress	39,909	39,908
Finished goods	9,912	29,362
	180,761	209,352
Inventories (write-down provision)	(55,857)	(55,857)
	124,904	**153,495**

The inventory write-down provision has been estimated based on the age of consumables and their rate of movement.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

	2025 N$ '000	2024 N$ '000
Bank balances	2,032	8,099
Short-term deposits	9,314	7,527
	11,346	**15,626**

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

9. Share capital

Authorised

4 000 Ordinary shares of par value of N$1 each	4	4

3 900 unissued ordinary shares are under the control of the directors in terms of a resolution of members passed at the last annual general meeting. This authority remains in force until the next annual general meeting.

Issued

Ordinary	1	1

10. Provisions

Reconciliation of provisions - 2025

	Opening balance N'$000	Unwinding of discount N$'000	Change in estimate N'$000	Total N'$000
Decommissioning Provision	120,782	14,487	17,114	152,383
Restoration Provision	38,086	4,568	5,397	48,051
	158,868	**19,055**	**22,511**	**200,434**

Reconciliation of provisions - 2024

	Opening balance N'$000	Unwinding of discount N'$000	Change in estimate N'$000	Total N'$000
Decommissioning Provision	192,059	12,984	(84,261)	120,782
Restoration Provision	60,562	4,094	(26,570)	38,086
	252,621	**17,078**	**(110,831)**	**158,868**

Provision is made for the present value of costs relating to the decommissioning and restoration of the plant, mine or other site preparation work and represent the management's best estimate of the costs which will be incurred in the future to meet the company's obligations under existing Namibian law and the terms of the company's mining and other licences and contractual arrangements. The current estimate was escalated using inflation rate of 4.43% (2024: 4.91%), and discounted at a rate of 9.65% (2024: 11.45%), and becomes payable on closure of the refinery expected to be incurred within the next 11 years.

11. Loans from group companies

Subsidiaries	Basis of accounting		
Skorpion Zinc (Proprietary) Limited*	Amortised cost	585,059	586,075
Lisheen Mining Limited**	Amortised cost	387,196	373,573
Vedanta Resources Limited*	Amortised cost	513	541
		972,768	**960,189**

* The loan is unsecured, interest free, due and payable on demand.
** The loan from Lisheen Milling Limited expires on 30 June 2026 and carries interest at a rate of 3.00% (2024: 3.00%).

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

11. Loans from group companies (continued)

Split between non-current and current portions

	2025 N$ '000	2024 N$ '000
Non-current liabilities	387,196	373,573
Current liabilities	585,572	586,616
	972,768	**960,189**

12. Trade and other payables

	2025 N$ '000	2024 N$ '000
Financial instruments:		
Trade payables	10,387	10,519
Trade payables - related parties	2,344,932	2,343,660
Accrued leave pay	944	841
Accrued bonus	657	715
Other accrued expenses	53,389	50,359
Non-financial instruments:		
Statutory accruals	363	493
	2,410,672	**2,406,587**

Financial instrument and non-financial instrument components of trade and other payables

	2025 N$ '000	2024 N$ '000
At amortised cost	2,410,309	2,406,094
Non-financial instruments	363	493
	2,410,672	**2,406,587**

The fair value of trade and other payables is not materially different to the carrying values presented. The average credit period is 30 days.

Amounts owed to group companies relates to amounts owed to Skorpion Mining Company (Proprietary) Limited for ore purchases.

13. Other operating income

	2025 N$ '000	2024 N$ '000
Other rental income	144	364
Other income	4	94
Insurance proceeds received	14,628	7,428
	14,776	**7,886**

Other income consists of income from scrap sales.

14. Exceptional item

Management has performed an assessment on the refinery conversion project as at 31 March 2024 and due to electricity costs being a significant cost factor in the refinery conversion project and since a resolution has not yet been reached with Nampower, management has thought it prudent to impair the refinery conversion project in the previous year. An impairment loss of N$ 263 522 370 has been recognised in FY2024. Management is still taking all steps to take the project forward and expects to finalise negotiations with Nampower in the next financial year.

Management has performed a discounted cash flow calculation as at 31 March 2025 using only ore expected to be received from Skorpion Mining Company (Proprietary) Limited Pit 112. The directors are comfortable that the assets are not impaired as at 31 March 2025 other than the refinery conversion project that has been impaired in the financial year ended 31 March 2024.

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

15. Operating loss

Operating loss for the year is stated after charging (crediting) the following, amongst others:

	2025 N$ '000	2024 N$ '000
Auditor's remuneration - external		
Audit fees	(2,009)	(1,262)
Auditor's remuneration - internal	(32)	-
Remuneration, other than to employees		
Consulting and professional services	(53)	(37)
Employee costs		
Salaries, wages, bonuses and other benefits	(30,966)	(25,908)
Depreciation and amortisation		
Depreciation of property, plant and equipment	(58,772)	(59,328)
Amortisation of intangible assets	(601)	(655)
Total depreciation and amortisation	**(59,373)**	**(59,983)**

16. Investment income

	2025 N$ '000	2024 N$ '000
Interest income		
Investments in financial assets:		
Interest on bank and other cash	754	2,375
Bank and cash - unrealised forex	(198)	-
Bank and cash - realised forex	(117)	15,853
Loans to group companies:		
Fellow subsidiaries	76,470	73,084
Total interest income	**76,909**	**91,312**

Investment income on financial instruments which are available for sale or held to maturity are only presented for comparative purposes for financial instruments held in the prior reporting period but which were disposed of prior to the beginning current reporting period, which is the date of adoption of IFRS 9 Financial Instruments. Investment income on all other financial assets has been reclassified in compliance with IFRS 9.

17. Finance costs

	2025 N$ '000	2024 N$ '000
Group loans	11,128	11,281
Net foreign exchange loss on intercompany loans	9,847	24,375
Unwinding of discount of provisions	19,056	17,078
Total finance costs	**40,031**	**52,734**

18. Taxation

Reconciliation of the tax expense

The company has been granted Export Processing Zone status and is therefore exempt from paying income taxes.

Refer to the directors' report for more detail.

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

19. Cash used in operations

	2025	2024
Loss before taxation	(103,535)	(360,704)
Adjustments for non-cash items:		
Depreciation and amortisation	59,373	59,983
Net impairments on c/wip	-	263,522
Foreign exchange losses	13	1,916
Other non-cash income	(863)	(7,428)
Adjust for items which are presented separately:		
Interest income	(76,908)	(91,312)
Finance costs	40,031	52,734
Changes in working capital:		
Decrease in inventories	28,592	8,044
(Increase) decrease in trade and other receivables	(2,085)	6,270
Increase (decrease) in trade and other payables	4,086	(7,494)
	(51,296)	**(74,469)**

20. Changes to loans receivable / (payable) from group companies

The table below details the changes in the company's loans including both cash and non-cash changes in order to ensure correct classification in the statement of cash flows:

	2025	2024
Loans to group companies		
Opening balance	3,799,931	3,697,593
Cash flows		
Advanced to	46,814	568,569
Received from	(82,194)	(547,900)
Non-cash movements		
Finance income	76,470	73,084
Foreign exchange (losses) / gains	(20,487)	8,585
	3,820,534	**3,799,931**

	2025	2024
Loans from group companies		
Opening balance	(960,189)	(931,713)
Cash flows		
Received from	(13,954)	-
Paid to	1,016	695
Non-cash movements		
Finance cost	(11,128)	(11,281)
Foreign exchange gains / (losses)	11,487	(17,890)
	(972,768)	**(960,189)**

21. Guarantees

Guarantees	Maturity	Nature	Guarantor	2025	2024
Rosh Pinah	Open ended	Surety on default	FNB	496	-
Customs and Excise Bond	Open ended	SACU sales bond	FNB	1,200	1,200
Namibian Ports Authority	Open ended	Surety on default	FNB	1,064	1,063
Nampower (Proprietary) Limited - Roshkor	Open ended	Surety on default	FNB	-	91
Nampower (Proprietary) Limited	September 2026	Surety on default	Standard Bank	4,303	4,303
				7,063	**6,657**

	2025 N$ '000	2024 N$ '000

22. Related parties

Relationships

Ultimate holding company	Vedanta Resources Limited
Holding company	Skorpion Zinc (Proprietary) Limited
Holding company of Skorpion Zinc (Proprietary) Limited	THL Zinc Namibia Holdings (Proprietary) Limited
Holding company of THL Zinc Namibia Holdings (Proprietary) Limited	THL Zinc Limited
Fellow subsidiary	Skorpion Mining Company (Proprietary) Limited
Fellow subsidiary	Black Mountain Mining (Proprietary) Limited
Fellow subsidiary	Monte Cello BV
Fellow subsidiary	Lisheen Milling Limited

Related party balances

Refer to note 5 and note 11 for related party loan balances.

	2025 N$ '000	2024 N$ '000
Related party transactions		
Administration fees (paid to)/received from related parties		
Black Mountain Mining (Proprietary) Limited	-	(972)
Finance Income		
Black Mountain Mining (Proprietary) Limited	-	19,682
THL Zinc Limited	73,915	50,777
Monte Cello BV	2,555	2,625
Finance cost		
Lisheen Milling Limited	(10,197)	(10,127)

23. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

2025

	Note	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	5	3,820,534	3,820,534	3,820,534
Trade and other receivables	6	2,836	2,836	2,836
Cash and cash equivalents	8	11,346	11,346	11,346
		3,834,716	**3,834,716**	**3,834,716**

2024

	Note	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	5	3,799,931	3,799,931	3,799,931
Trade and other receivables	6	493	493	493
Cash and cash equivalents	8	15,626	15,626	15,626
		3,816,050	**3,816,050**	**3,816,050**

Notes to the Annual Financial Statements

	2025 N$ '000	2024 N$ '000

23. Financial instruments and risk management (continued)

Categories of financial liabilities

2025

	Note	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	12	2,410,309	2,410,309	2,410,309
Loans from group companies	11	972,768	972,768	972,768
		3,383,077	**3,383,077**	**3,383,077**

2024

	Note	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	12	2,406,094	2,406,094	2,406,094
Loans from group companies	11	960,189	960,189	960,189
		3,366,283	**3,366,283**	**3,366,283**

Capital risk management

The company's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the company's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximise stakeholder returns sustainably.

The company manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the company may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

The capital structure and gearing ratio of the company at the reporting date was as follows:

	Note	2025	2024
Loans from group companies	11	972,768	960,189
Trade and other payables	12	2,410,672	2,406,587
Total borrowings		**3,383,440**	**3,366,776**
Cash and cash equivalents	8	(11,346)	(15,626)
Net borrowings		**3,372,094**	**3,351,150**
Equity		825,468	929,003
Gearing ratio		409 %	361 %

23. Financial instruments and risk management (continued)

Financial risk management

Overview

The company is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (currency risk, interest rate risk and price risk).

The company's risk management policies are established to identify and analyse the risks faced by the company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the company's activities.

Credit risk

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The company is exposed to credit risk on loans receivable (at amortised cost), trade and other receivables, contract receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk for exposures other than those arising on cash and cash equivalents, are managed by making use of credit approvals, limits and monitoring. The company only deals with reputable counterparties with consistent payment histories. Sufficient collateral or guarantees are also obtained when necessary. Each counterparty is analysed individually for creditworthiness before terms and conditions are offered. The analysis involves making use of information submitted by the counterparties as well as external bureau data (where available). Counterparty credit limits are in place and are reviewed and approved by credit management committees. The exposure to credit risk and the creditworthiness of counterparties is continuously monitored.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

Credit loss allowances for expected credit losses are recognised for all debt instruments, but excluding those measured at fair value through profit or loss. Credit loss allowances are also recognised for loan commitments and financial guarantee contracts.

In order to calculate credit loss allowances, management determine whether the loss allowances should be calculated on a 12 month or on a lifetime expected credit loss basis. This determination depends on whether there has been a significant increase in the credit risk since initial recognition. If there has been a significant increase in credit risk, then the loss allowance is calculated based on lifetime expected credit losses. If not, then the loss allowance is based on 12 month expected credit losses. This determination is made at the end of each financial period. Thus the basis of the loss allowance for a specific financial asset could change year on year.

Management apply the principle that if a financial asset's credit risk is low at year end, then, by implication, the credit risk has not increased significantly since initial recognition. In all such cases, the loss allowance is based on 12 month expected credit losses. Credit risk is assessed as low if there is a low risk of default (where default is defined as occurring when amounts are 90 days past due). When determining the risk of default, management consider information such as payment history to date, industry in which the customer is employed, period for which the customer has been employed, external credit references etc. In any event, if amounts are 30 days past due, then the credit risk is assumed to have increased significantly since initial recognition. Credit risk is not assessed to be low simply because of the value of collateral associated with a financial instrument. If the instrument would not have a low credit risk in the absence of collateral, then the credit risk is not considered low when taking the collateral into account. Trade receivable and contract assets which do not contain a significant financing component are the exceptions and are discussed below.

23. Financial instruments and risk management (continued)

For trade receivables and contract assets which do not contain a significant financing component, the loss allowance is determined as the lifetime expected credit losses of the instruments. For all other trade receivables, contract assets and lease receivables, IFRS 9 permits the determination of the credit loss allowance by either determining whether there was a significant increase in credit risk since initial recognition or by always making use of lifetime expected credit losses. Management have chosen as an accounting policy, to make use of lifetime expected credit losses. Management does therefore not make the annual assessment of whether the credit risk has increased significantly since initial recognition for trade receivables, contract assets or lease receivables.

The maximum exposure to credit risk is presented in the table below:

		2025			2024		
		Gross carrying amount	**Credit loss allowance**	**Amortised cost / fair value**	**Gross carrying amount**	**Credit loss allowance**	**Amortised cost / fair value**
Loans to group companies	5	6,983,534	(3,163,000)	3,820,534	6,962,931	(3,163,000)	3,799,931
Trade and other receivables	6	4,260	(1,424)	2,836	1,917	(1,424)	493
Cash and cash equivalents	8	11,346	-	11,346	15,626	-	15,626
		6,999,140	**(3,164,424)**	**3,834,716**	**6,980,474**	**(3,164,424)**	**3,816,050**

Liquidity risk

The company is exposed to liquidity risk, which is the risk that the company will encounter difficulties in meeting its obligations as they become due.

The company manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

2025

		Less than 1 year N$'000	**2 to 5 years N$'000**	**Total N$'000**	**Carrying amount N$'000**
Non-current liabilities					
Loans from group companies	11	-	387,196	387,196	387,196
Current liabilities					
Trade and other payables	12	2,410,309	-	2,410,309	2,410,309
Loans from group companies	11	585,572	-	585,572	585,572
		2,995,881	**387,196**	**3,383,077**	**3,383,077**

23. Financial instruments and risk management (continued)

2024

		Less than 1 year N$'000	2 to 5 years N$'000	Total N$'000	Carrying amount N$'000
Non-current liabilities					
Loans from group companies	11	-	373,573	373,573	373,573
Current liabilities					
Trade and other payables	12	2,406,094	-	2,406,094	2,406,094
Loans from group companies	11	586,616	-	586,616	586,616
		2,992,710	**373,573**	**3,366,283**	**3,366,283**

The maturity profile of contractual cash flows of derivative financial liabilities are as follows:

Foreign currency risk

The company is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the company deals primarily is US Dollars.

There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

Foreign currency sensitivity analysis

The following information presents the sensitivity of the company to an increase or decrease in the respective currencies it is exposed to. The sensitivity rate is the rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated amounts and adjusts their translation at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

	2025 N$'000	2025 N$'000	2024 N$'000	2024 N$'000
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
US Dollar 10% (2024: 10 %)	42,095	(42,095)	(1,774)	1,774

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates.

Interest rate sensitivity analysis

The following sensitivity analysis has been prepared using a sensitivity rate which is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. All other variables remain constant. The sensitivity analysis includes only financial instruments exposed to interest rate risk which were recognised at the reporting date. No changes were made to the methods and assumptions used in the preparation of the sensitivity analysis compared to the previous reporting period.

23. Financial instruments and risk management (continued)

	2025 N$'000	2025 N$'000	2024 N$'000	2024 N$'000
Increase or decrease in rate	**Increase**	**Decrease**	**Increase**	**Decrease**
Impact on profit or loss:				
Interest rates 10% (2024: 10 %)	4,799	(4,799)	2,359	(2,359)

Price risk

The company is exposed to price risk because of its investments in equity instruments which are measured at fair value. The exposure to price risk on equity investments is managed through a diversified portfolio, and through the use of option contracts on relevant indexes, where necessary.

The company is not exposed to commodity price risk.

There have been no significant changes in the price risk management policies and processes since the prior reporting period.

24. Fair value information

Fair value hierarchy

The company uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique::

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Fair values of the company's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.

All financial instruments measured at fair value use Level 2 valuation techniques in both years.

There have been no transfers between fair value levels during the reporting period.

25. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The directors believe that the company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied is that the company is in a sound financial position and that it has access to sufficient borrowing facilities to meet its foreseeable cash requirements. The directors is not aware of any new material changes that may adversely impact the company. The directors is also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the company.

26. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.