THL ZINC NAMIBIA HOLDINGS (PROPRIETARY) LIMITED
(Registration number 98/227)

Consolidated and Separate Annual Financial Statements
for the year ended 31 March 2025

General Information

Country of incorporation and domicile	Namibia
Nature of business and principal activities	Exploration, development, treatment, production and sale of zinc and associated minerals concentrates.
Directors	P Singla C Griffith
Registered office	24 Orban Street Klein Windhoek Windhoek Namibia
Postal address	P O Box 30 Klein Windhoek Windhoek Namibia
Holding company	THL Zinc Limited incorporated in Mauritius
Ultimate holding company	Vedanta Resources Limited incorporated in United Kingdom
Bankers	First National Bank of Namibia Limited Standard Bank Namibia Limited
Auditor	Ernst & Young Namibia
Secretary	Leone Wolhuter 3a Southport Building Southern Industrial Hosea Kutako Drive Windhoek Namibia
Company registration number	98/227
Preparer	The consolidated and separate annual financial statements were independently compiled by: HTCO Financial Services Proprietary Limited

Contents

Preparer

HTCO Financial Services Proprietary Limited

Directors' Responsibilities and Approval

The directors are required in terms of the Companies Act of Namibia, 2004, to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. The external auditor is engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with International Financial Reporting Standards 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 group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board of 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 group and all employees are required to maintain the highest ethical standards in ensuring the group and company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group 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 consolidated and separate 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 group and company's cash flow forecast for the year to 31 March 2026 and, in light of this review and the current financial position, they are satisfied that the group and company has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the group's external auditor and their report is presented on pages 4 and 5.

The consolidated and separate annual financial statements set out on pages 6 to 56, 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 consolidated and separate financial statements

Signed by:Pushpender Pushpender
Signed at:2025-06-06 09:14:11 +02:00
Reason:Witnessing Pushpender Pushpe

Signed by:Christopher Ivan Griffith
Signed at:2025-06-06 09:45:58 +02:00
Reason:Witnessing Christopher Ivan Griff

P Singla

C Griffith

EY
Shape the future with confidence

Ernst & Young Namibia
Cnr Otto Nitzsche and Maritz Streets
Box 1857
Windhoek
10005
Namibia

Tel: +264 61 289 1100
Fax: +264 61 234991
www.ey.com

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDER OF THL ZINC NAMIBIA HOLDINGS (PROPRIETARY) LIMITED

Opinion

We have audited the consolidated and separate annual financial statements of THL Zinc Namibia Holdings (Proprietary) Limited and its subsidiaries ("the Group") set out on pages 6 to 56, which comprise the consolidated and separate statement of financial position as at 31 March 2025, and the consolidated and separate statement of profit or loss and other comprehensive income, the consolidated and separate statement of changes in equity and the consolidated and separate statement of cash flows for the year then ended, and the notes to the consolidated and separate annual financial statements, including a summary of material accounting policy information and the directors' report.

In our opinion, the consolidated and separate annual financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 31 March 2025, and its consolidated and separate financial performance and consolidated and separate 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 Consolidated and Separate Annual Financial Statements"* section of our report. We are independent of the Group and 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 consolidated and separate annual financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate 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 consolidated and separate 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 consolidated and separate 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 Consolidated and Separate Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate 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 consolidated and separate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate annual financial statements, the directors are responsible for assessing the Group and 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 Group and Company and/or to cease operations or have no realistic alternative but to do so.

Registered Chartered Accountants and Auditors (Practice No: 9410)
Partners: J.J. Coetzee; F.M. Madzamba; F.N. Marx; D. Van Der Walt; D. Van Wyk
A member firm of Ernst & Young Global Limited

Shape the future
with confidence

Auditor's Responsibilities for the Audit of the Consolidated and Separate Annual Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate annual financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 Group and 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 Group and 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 consolidated and separate 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 Group and Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated and separate annual financial statements, including the disclosures, and whether the consolidated and separate annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual financial statements. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated and separate annual financial statements of THL Zinc Namibia Holdings (Proprietary) Limited for the year ended 31 March 2025.

1. Nature of business

The company was incorporated in Namibia on 16 June 1998, for the purpose of owning investments in companies involved in mineral exploration, mining and beneficiation. The company's holding company is THL Zinc Limited, a company incorporated in Mauritius. The ultimate holding company is Vedanta Resources Limited, incorporated in the United Kingdom.

The authorised share capital of 4 000 (2024: 4 000) and issued share capital of 100 (2024: 100) ordinary shares have remained unchanged during the year.

The following companies are wholly owned subsidiaries of THL Zinc Namibia Holdings (Proprietary) Limited:

Skorpion Zinc (Proprietary) Limited

This company is a holding company, and its significant wholly owned subsidiaries are:

Skorpion Mining Company (Proprietary) Limited

This company is the holder of Mining Licence ML108 which holds the exclusive right to mine precious, base and rare metals over a certain portion of land in the Karas region, near Rosh Pinah. The mining licence was issued on 31 July 2000 for a period of twenty-five years. The company mines zinc ore by conventional open pit method. The ore is sold to Namzinc (Proprietary) Limited. The company also conducts exploration activities.

On the 31st of March 2020 the mine was put into care and maintenance after a series of slope failures that occurred in the 2020 financial year. The pit has been assessed by a series of industry experts who have concluded that the pit is minable and a new mine plan has been developed. The directors currently expect mining to resume in the 2027 financial year. The directors estimate this will take eight months from the restart of mining operations to fully mine the declared ore resources in the pit. The board has approved management's plan to restart mining operations. Skorpion Mining Company (Pty) Ltd's mining license expires in July 2025. Renewal application was submitted to Ministry of Mines and Energy on 18 March 2025. Management expect no delays in issue of this license.

A letter of financial support to the group has been issued by the Black Mountain Mining (Pty) Ltd in light of the operations being in care and maintenance. The letter confirms that the company will be able to meet its financial obligations as they fall due.

Management have performed a discounted cash flow calculation as at 31 March 2025 using only ore expected to be received from Pit 112. The directors are comfortable that the assets are not impaired as at the 31 March 2025.

Namzinc (Proprietary) Limited

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 dispensation 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.

Directors' Report

1. Nature of business (continued)

Namzinc Refinery is an Oxide Refinery. During the 2015/16 financial year the Skorpion mine life was coming to an end, at that time management reviewed the Refinery Conversion Project and started assessing its economical 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 USD 1 million (increased to USD 2 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 pre-work for the conversion. Further, Namzinc's Board has approved another USD 1 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 been also completed by external parties; 3) Project capital expenditure and business case has been finalized 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 startup the refinery will cost an estimated USD10 million. The sulphide conversion is expected to cost USD220 million and will have a 18-24 months 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 the 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.

There have been no material changes to the nature of the group's business from the prior year.

2. Dividends

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

3. Directorate

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

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

Directors' Report

4. Going concern

The directors believe that the group and company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group and 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 group and 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 group or the company.

A letter of support for the group and company has been issued by the Black Mountain Mining (Pty) Ltd confirming that they will ensure that the company and its' subsidiaries will be able to meet all financial obligations as they fall due.

5. 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 affair

6. Share capital

There have been no changes to the authorised or issued share capital during the year under review (2024: Nil).

7. Holding company

The company's holding company is THL Zinc Limited which holds 100% (2024: 100%) of the group's equity. THL Zinc Limited is incorporated in Mauritius.

8. Ultimate holding company

The group's ultimate holding company is Vedanta Resources Limited which is incorporated in United Kingdom.

9. Terms of appointment of the auditor

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

Consolidated and Separate Statement of Financial Position

		Group		Company	
	Note	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000
Assets					
Non-Current Assets					
Property, plant and equipment	3	1,166,491	1,260,674	-	-
Intangible assets	4	5,949	6,550	-	-
Investments in subsidiaries	6	-	-	257,582	257,582
Investments in joint ventures	5	55,428	4,180	-	-
Loans to group companies	7	125,824	749,915	-	-
		1,353,692	**2,021,319**	**257,582**	**257,582**
Current Assets					
Inventories	9	252,821	280,880	-	-
Loans to group companies	7	999,453	376,941	998,898	998,898
Trade and other receivables	10	9,854	12,037	66	33
Current tax receivable		12	12	-	-
Cash and cash equivalents	11	19,507	24,544	3	38
		1,281,647	**694,414**	**998,967**	**998,969**
Total Assets		**2,635,339**	**2,715,733**	**1,256,549**	**1,256,551**
Equity and Liabilities					
Equity					
Share capital	12	15,050	15,050	15,050	15,050
Retained income		1,889,763	2,019,514	1,227,743	1,227,740
		1,904,813	**2,034,564**	**1,242,793**	**1,242,790**
Liabilities					
Non-Current Liabilities					
Loans from group companies	15	387,196	373,573	-	-
Provisions	13	281,994	244,905	-	-
		669,190	**618,478**	**-**	**-**
Current Liabilities					
Trade and other payables	14	60,823	62,151	10	14
Loans from group companies	15	513	540	13,746	13,747
		61,336	**62,691**	**13,756**	**13,761**
Total Liabilities		**730,526**	**681,169**	**13,756**	**13,761**
Total Equity and Liabilities		**2,635,339**	**2,715,733**	**1,256,549**	**1,256,551**

Consolidated and Separate Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Note(s)	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000
Revenue	16	7,418	19,320	-	-
Cost of sales		(5,875)	(11,517)	-	-
Gross profit		**1,543**	**7,803**	**-**	**-**
Other operating income	17	15,612	8,041	-	-
Other operating expenses		(179,812)	(168,843)	-	(14)
Exceptional item - impairment loss		-	(263,522)	-	-
Operating loss	19	**(162,657)**	**(416,521)**	**-**	**(14)**
Finance income	20	77,309	91,493	3	2
Finance costs	21	(47,575)	(60,171)	-	-
Income / (loss) from equity accounted investments		3,172	3,445	-	-
(Loss) profit before taxation		**(129,751)**	**(381,754)**	**3**	**(12)**
Taxation	22	-	-	-	-
(Loss) profit for the year		**(129,751)**	**(381,754)**	**3**	**(12)**
Other comprehensive income		-	-	-	-
Total comprehensive (loss) income for the year		**(129,751)**	**(381,754)**	**3**	**(12)**

Consolidated and Separate Statement of Changes in Equity

	Share capital N$ '000	Share premium N$ '000	Total share capital N$ '000	Retained income N$ '000	Total equity N$ '000
Group					
Balance at 1 April 2023	**1**	**15,049**	**15,050**	**2,401,268**	**2,416,318**
Loss for the year	-	-	-	(381,754)	(381,754)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(381,754)**	**(381,754)**
Balance at 1 April 2024	**1**	**15,049**	**15,050**	**2,019,514**	**2,034,564**
Loss for the year	-	-	-	(129,751)	(129,751)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(129,751)**	**(129,751)**
Balance at 31 March 2025	**1**	**15,049**	**15,050**	**1,889,763**	**1,904,813**
Note(s)	12	12	12		
Company					
Balance at 1 April 2023	**1**	**15,049**	**15,050**	**1,227,752**	**1,242,802**
Loss for the year	-	-	-	(12)	(12)
Other comprehensive income	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(12)**	**(12)**
Balance at 1 April 2024	**1**	**15,049**	**15,050**	**1,227,740**	**1,242,790**
Profit for the year	-	-	-	3	3
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**-**	**3**	**3**
Balance at 31 March 2025	**1**	**15,049**	**15,050**	**1,227,743**	**1,242,793**
Note(s)	12	12	12		

Consolidated and Separate Statement of Cash Flows

		Group		Company	
	Note(s)	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000
Cash flows from operating activities					
Cash used in operations	23	(75,451)	(99,124)	(38)	(2)
Interest received	20	769	2,441	3	2
Foreign exchange losses	20	67	15,968	-	-
Net cash from operating activities		**(74,615)**	**(80,715)**	**(35)**	**-**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(1,740)	(10,177)	-	-
Loans advanced to group companies repaid	24	-	(543,483)	-	-
Loans to group companies received	24	57,562	547,900	-	-
Net cash from investing activities		**55,822**	**(5,760)**	**-**	**-**
Cash flows from financing activities					
Proceeds from / (repayment of) loans from group companies	24	13,954	(695)	-	-
Total cash movement for the year		**(4,839)**	**(87,170)**	**(35)**	**-**
Cash and cash equivalents at the beginning of the year		24,544	121,274	38	38
Effect of exchange rate movement on cash balances		(198)	(9,560)	-	-
Cash and cash equivalents at the end of the year	11	**19,507**	**24,544**	**3**	**38**

Consolidated and Separate Accounting Policies

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements (hereafter referred to as "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, 2004.

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

These accounting policies are consistent with the previous year.

1.2 Consolidation

Basis of consolidation

The consolidated and separate annual financial statements incorporate the separate annual financial statements of the company and all subsidiaries. Subsidiaries are entities (including structured entities) which are controlled by the group.

The group has control of an entity when it is exposed to or has rights to variable returns from involvement with the entity and it has the ability to affect those returns through use its power over the entity.

The results of subsidiaries are included in the annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All inter-company transactions, balances, and unrealised gains on transactions between group companies are eliminated in full on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions and are recognised directly in the Consolidated Statements of Changes in Equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the company.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Consolidated and Separate Accounting Policies

1.3 Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint ventures

An interest in a joint venture is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, interests in joint ventures are carried in the statement of financial position at cost adjusted for post acquisition changes in the company's share of net assets of the joint venture, less any impairment losses.

The group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. Losses in a joint venture in excess of the group's interest in that joint venture, including any other unsecured receivables, are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the joint venture.

Any goodwill on acquisition of a joint venture is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and a joint venture are eliminated to the extent of the group's interest therein. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the group.

When the company loses joint control, the company proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

1.4 Significant judgements and sources of estimation uncertainty

The preparation of consolidated and separate 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 financial statements, are outlined as follows:

Consolidated and Separate Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Ore resources estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the company's mining properties. Such reserves and mineral resource estimates and changes to these may impact the group's and the company's reported financial position and results, in the following ways:
- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows;
- Depreciation and amortisation charges in the consolidated statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change;
- Capitalised stripping costs recognised in the consolidated statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios;
- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities; or
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets.

The group estimates its ore reserves and mineral resources (Life of Mine (LOM) plan) annually based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Impairment of assets

Property, plant and equipment are considered for impairment if there is reason to believe that impairment may be necessary. Factors taken into consideration in reaching such a decision include the economic viability of the asset itself or if it is a component of a larger economic unit, the viability of that unit. Equally previously impaired assets are assessed for evidence of changes in economic circumstance that would require a reversal of impairment.

Future cash flows expected to be generated by the assets are projected, taking into account market conditions and the expected useful lives of the assets. The present value of these cash flows, determined using an appropriate discount rate, is compared to the current net asset value, and if lower, the assets are impaired to the present value, or if an impairment is released, such release is limited to the carrying value of the assets had no such impairment occurred.

Valuation of financial instruments

The valuation of derivative financial instruments is based on the market situation at the reporting date. The value of the derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at the statement of financial position date.

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 group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the group'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.

Consolidated and Separate Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

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 group and 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.

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; or
- 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 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 group 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 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.

Consolidated and Separate Accounting Policies

1.4 Significant judgements and sources of estimation uncertainty (continued)

Significant estimates and assumptions

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 need to be determined, e.g., for the purposes of calculating FVLCD for impairment testing purposes, they are measured using valuation techniques including the DCF model.

The group's principal financial liabilities, comprise accounts payable, bank loans and overdrafts and debentures. 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.

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.

Decommissioning and rehabilitation 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 13.

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.

Life-of-Mine review and estimated life of refinery

The Life-of-Mine ("LOM") plan is reviewed annually. The LOM plan takes into account an expectation of the changes in commodity prices, foreign exchange rates, fixed and variable mining cost, zinc grade and capital expenditure. The LOM is now estimated to be 4 years.

Life of refinery is set using the expected available ore for refining from the Gamsberg development, currently being undertaken by the company's sister company, Black Mountain Mining Company with a life of mine of 11 years.

Consolidated and Separate Accounting Policies

1.5 Property, plant and equipment

Property, plant and equipment are tangible assets which the group 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 group, 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 cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use. It also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. All other expenses on existing property, plant and equipment, including day-to-day repair and maintenance expenditure and cost of replacing parts, are charged to the income statement for the period during which such expenses are incurred.

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 group 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.

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 group. 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	Lower of 8 years / Life of mine
Plant and machinery	Straight line	Lower of 8 years / Life of mine
Mine Properties & Leases	Units of production	Lower of 8 years / Life of mine

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.

Consolidated and Separate Accounting Policies

1.5 Property, plant and equipment (continued)

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.

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.

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.

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.

Consolidated and Separate Accounting Policies

1.5 Property, plant and equipment (continued)

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.

1.6 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.

Consolidated and Separate Accounting Policies

1.6 Site restoration and dismantling cost (continued)

These costs are charged to the income statement over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The cost estimates are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost estimates or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, changes to lives of operations, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown as a finance cost in the income statement.

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

The provisions for restoration, rehabilitation and environmental liabilities 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 company recognises the full cost of site restoration as a liability when the obligation to rectify environmental damage arises. An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing production from a producing field.

1.7 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 is 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.

Consolidated and Separate Accounting Policies

1.7 Intangible assets (continued)

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

Item	Useful life
Computer software	5 years

1.8 Financial instruments

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

Broadly, the classification possibilities, which are adopted by the group, 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 27 Financial instruments and risk management presents the financial instruments held by the group based on their specific classifications.

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

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

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

Loans receivable at amortised cost

Classification

Loans to group companies (note 7) 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 group's business model is to collect the contractual cash flows on these loans.

Recognition and measurement

Loans receivable are recognised when the group 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.

Application of the effective interest method

Interest income is calculated using the effective interest method, and is included in profit or loss in finance income (note 20).

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.

Loans denominated in foreign currencies

When a loan receivable is 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 impairment loss (note 19).

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 27).

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

Impairment

The group 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 group 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 group 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 group 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 group 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 group 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 group 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.

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.

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

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 group 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 group 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 other operating expenses in profit or loss as a movement in credit loss allowance (note 19).

Credit risk

Details of credit risk related to loans receivable are included in the specific notes and the financial instruments and risk management (note 27).

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 10).

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 group'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 group 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.

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 finance income (note 20).

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.

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

- 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 group 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 group 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.

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

Credit risk

Details of credit risk are included in the trade and other receivables (note 10) and the financial instruments and risk management (note 27).

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.

Borrowings and loans from related parties

Classification

Loans from group companies are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

Borrowings and loans from related parties are recognised when the group 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 21.)

Borrowings expose the group to liquidity risk and interest rate risk. Refer to note 27 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 Namibian 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 impairment loss (note 19).

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 27).

Trade and other payables

Classification

Trade and other payables (note 14), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Consolidated and Separate Accounting Policies

1.8 Financial instruments (continued)

Recognition and measurement

They are recognised when the group 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.

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 21).

Trade and other payables expose the group to liquidity risk and possibly to interest rate risk. Refer to note 27 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 impairment loss (note 18).

Details of foreign currency risk exposure and the management thereof are provided in the financial instruments and risk management note (note 27).

Cash and cash equivalents

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

1.9 Tax

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Consolidated and Separate Accounting Policies

1.9 Tax (continued)

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.

1.10 Leases

The group assesses whether a contract is, or contains a lease, at the inception of the contract.

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

In order to assess whether a contract is, or contains a lease, management determine whether the asset under consideration is "identified", which means that the asset is either explicitly or implicitly specified in the contract and that the supplier does not have a substantial right of substitution throughout the period of use. Once management has concluded that the contract deals with an identified asset, the right to control the use thereof is considered. To this end, control over the use of an identified asset only exists when the group has the right to substantially all of the economic benefits from the use of the asset as well as the right to direct the use of the asset.

In circumstances where the determination of whether the contract is or contains a lease requires significant judgement, the relevant disclosures are provided in the significant judgments and sources of estimation uncertainty section of these accounting policies.

1.11 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. The production cost of stock includes an appropriate proportion of depreciation and production overheads. Cost is determined on the following bases:

- raw materials on the average cost basis;
- consumables on the weighted average cost basis; and
- finished products are values at raw material cost, labour cost and a proportion of manufacturing overhead expenses.

1.12 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

Consolidated and Separate Accounting Policies

1.12 Impairment of assets (continued)

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

The group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.13 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 group in which they are declared.

1.14 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 equity 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 in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Consolidated and Separate Accounting Policies

1.14 Share based payments (continued)

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.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group 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.

1.15 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.

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.

1.16 Provisions and contingencies

Provisions are recognised when:

- the group 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.

Consolidated and Separate Accounting Policies

1.16 Provisions and contingencies (continued)

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; and
  - 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 29.

1.17 Revenue from contracts with customers

The group recognises revenue from the following major sources:

- Sales zinc metal; and
- Revenue from freight and shipping services

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 group 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.

Consolidated and Separate Accounting Policies

1.18 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 group 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 group initially recognised the non-monetary item arising on payment or receipt of the advance consideration.

If there are multiple payments or receipts in advance, group 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 consolidated and separate 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.

Consolidated and Separate 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 group 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	The impact of the amendments is not material.
• 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	1 January 2024	The impact of the amendments is not material.

2.2 Standards and interpretations not yet effective

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

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected 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 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 7 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

Consolidated and Separate Notes to the Annual Financial Statements

3. Property, plant and equipment

Group	2025			2024		
	Cost	**Accumulated depreciation**	**Carrying value**	**Cost**	**Accumulated depreciation**	**Carrying value**
Buildings	895,457	(798,212)	97,245	895,457	(789,489)	105,968
Plant and machinery	4,485,862	(4,120,243)	365,619	4,473,813	(4,070,244)	403,569
Mining properties and leases	1,306,062	(623,598)	682,464	1,306,062	(623,598)	682,464
Capital - Work in progress	21,163	-	21,163	68,673	-	68,673
Total	**6,708,544**	**(5,542,053)**	**1,166,491**	**6,744,005**	**(5,483,331)**	**1,260,674**

Reconciliation of property, plant and equipment - Group - 2025

	Opening balance N$'000	**Additions N$'000**	**Re-estimation N$'000**	**Reclassification to investments N$'000**	**Transfers N$'000**	**Depreciation N$'000**	**Total N$'000**
Buildings	105,968	-	-	-	-	(8,723)	97,245
Plant and machinery	403,569	-	10,871	-	1,176	(49,997)	365,619
Mining properties and leases	682,464	-	-	-	-	-	682,464
Capital - Work in progress	68,673	1,741	-	(48,075)	(1,176)	-	21,163
Total	**1,260,674**	**1,741**	**10,871**	**(48,075)**	**-**	**(58,720)**	**1,166,491**

Reconciliation of property, plant and equipment - Group - 2024

	Opening balance N$'000	**Additions N$'000**	**Depreciation N$'000**	**Change in estimate N$'000**	**Impairment* N$'000**	**Total N$'000**
Buildings	114,206	-	(8,238)	-	-	105,968
Plant and machinery	539,016	-	(23,821)	(111,626)	-	403,569
Mining properties and leases	709,679	-	(27,215)	-	-	682,464
Capital - Work in progress	322,124	10,071	-	-	(263,522)	68,673
Total	**1,685,025**	**10,071**	**(59,274)**	**(111,626)**	**(263,522)**	**1,260,674**

*Management has performed an impairment 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 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 the 31 March 2025 other than the refinery conversion project that has been impaired in the prior year.

Consolidated and Separate Notes to the Annual Financial Statements

3. Property, plant and equipment (continued)

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.

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 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 the 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.

Key assumptions used in impairment calculations are:

	2025	**2024**
Foreign exchange rate (USD)	18.53	18.51
Average zinc price (USD/t)	2,745	2,452

4. Intangible assets

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

Reconciliation of intangible assets - Group - 2025

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

Reconciliation of intangible assets - Group - 2024

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

Consolidated and Separate Notes to the Annual Financial Statements

5. Joint ventures

The following table lists all of the joint ventures in the group:

Group

Name of company	Held by	% ownership interest 2025	% ownership interest 2024	Carrying amount 2025	Carrying amount 2024
RoshSkor Township (Proprietary) Limited	Skorpion Zinc (Proprietary) Limited	50.00 %	50.00 %	7,353	4,180
Rosh Pinah Health Care (Proprietary) Limited	Skorpion Zinc (Proprietary) Limited	69.00 %	69.00 %	-	-
Gergarub Exploration and Mining (Pty) Limited	Skorpion Mining Company (Proprietary) Limited	51.00 %	51.00 %	48,075	-
				55,428	4,180

The country of incorporation is the same as the primary place of business for all joint ventures. The percentage voting rights is equal to the percentage ownership for all joint ventures.

RoshSkor Township (Proprietary) Limited's principal activity involves the development and delivery of utilities. Rosh Pinah Health Care (Proprietary) Limited is involved in the leasing out of medical equipment and building, and conducting services related thereto. Gergarub Exploration and Mining (Proprietary) Limited is the holder of Mineral Deposit Retention License 2616 which holds the exclusive right to mine precious, base and rare metals over a certain portion of land in the Karas region, near Rosh Pinah.

The capital contribution by Skorpion Mining Company (Proprietary) Limited of N$48,075,290 into the Gergarub Exploration and Mining (Proprietary) Limited joint venture was reclassified from capital work in progress to investment in the current financial year, after agreement was reached with the joint venture partner Rosh Pinah Zinc Corporation to recognize cost as capital contribution.

6. Investments in subsidiaries

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Group

Name of company	Held by	% holding 2025	% holding 2024
Skorpion Zinc (Proprietary) Limited	THL Zinc Namibia Holdings (Proprietary) Limited	100.00 %	100.00 %
Namzinc (Proprietary) Limited	Skorpion Zinc (Proprietary) Limited	100.00 %	100.00 %
Skorpion Mining Company (Proprietary) Limited	Skorpion Zinc (Proprietary) Limited	100.00 %	100.00 %
Amica Guesthouse (Proprietary) Limited	Skorpion Zinc (Proprietary) Limited	100.00 %	100.00 %

Consolidated and Separate Notes to the Annual Financial Statements

6. Investments in subsidiaries (continued)

Company

Name of company	Held by	% holding 2025	% holding 2024	Carrying amount 2025	Carrying amount 2024
Skorpion Zinc (Proprietary) Limited	THL Zinc Namibia Holdings (Proprietary) Limited	100.00 %	100.00 %	257,582	257,582

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

7. Loans to group companies

Joint ventures

RoshSkor Township (Proprietary) Limited*	9,686	9,941	-	-
Gergarub Exploration and Mining (Proprietary) Limited*	43,160	22,456	-	-
	52,846	**32,397**	**-**	**-**

Skorpion Mining Company (Proprietary) Limited*	-	-	16,600	16,600
THL Zinc Limited***	758,215	703,468	-	-
Monte Cello BV**	47,724	46,447	-	-
Black Mountain Mining (Proprietary) Limited****	265,098	342,599	-	-
Black Mountain Mining (Proprietary) Limited - Debtor*****	-	510	-	-
Vedanta Resources Plc*****	1,359	1,398	-	-
Sterlite Ports Limited*****	35	37	-	-
Skorpion Zinc (Proprietary) Limited*	-	-	982,298	982,298
	1,072,431	**1,094,459**	**998,898**	**998,898**

*The loan is unsecured, interest free, due and payable on demand.
**The loan to Monte Cello BV expires on 01 April 2027 and carries interest at a rate of 13% (2024: 7.0%).
***The loan to THL Zinc Limited expires on 31 October 2025 and carries interest at a rate of 12% (2024: 12.0%).
****The loan to Black Mountain Mining (Proprietary) Limited expires 31 July 2027 and carries interest at a rate of 9.5% (2024: 9.5%), The balance remaining as at 31 March 2025 relates to interest only, and no capital amount is outstanding.
*****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	999,453	376,941	998,898	998,898
	1,125,277	**1,126,856**	**998,898**	**998,898**

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.

Consolidated and Separate Notes to the Annual Financial Statements

7. Loans to group companies (continued)

Exposure to credit risk

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

Loans receivable are subject to the impairment provisions of IFRS 9 Financial Instruments, which requires a loss allowance to be recognised for all exposures to credit risk. The loss allowance for group loans receivable is calculated based on twelve month expected losses if the credit risk has not increased significantly since initial recognition. In cases where the credit risk has increased significantly since initial recognition, the loss allowance is calculated based on lifetime expected credit losses. The loss allowance is updated to either twelve month or lifetime expected credit losses at each reporting date based on changes in the credit risk since initial recognition. If a loan is considered to have a low credit risk at the reporting date, then it is assumed that the credit risk has not increased significantly since initial recognition. On the other hand, if a loan is in arrears more than 90 days, then it is assumed that there has been a significant increase in credit risk since initial recognition.

In determining the amount of expected credit losses, the group 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 group does not hold collateral or other credit enhancements against group loans receivable.

8. Deferred tax

Deferred tax liability

The deferred tax assets and the deferred tax liability relate to income tax in the same jurisdiction, and the law allows net settlement. Therefore, they have been offset in the statement of financial position as follows:

Reconciliation of deferred tax asset / (liability)

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000
Taxable temporary difference movement on tangible fixed assets	59,788	59,788	-	-
Temporary differences on deferred stripping, inventory and other	1,433,446	1,412,051	-	-
Assessed loss	(2,400,342)	(2,373,248)	(11,168)	(11,441)
Deferred tax not recognised	907,108	901,409	11,168	11,441
	-	**-**	**-**	**-**

Unrecognised deferred tax asset

	Group 2025	Group 2024	Company 2025	Company 2024
Unused tax losses not recognised as deferred tax assets	907,108	901,409	11,168	11,441

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

9. Inventories

Raw materials, components	164,924	173,830	-	-
Work in progress	72,058	67,975	-	-
Finished goods	9,912	29,362	-	-
Mining stockpile	79,207	82,993	-	-
	326,101	354,160	-	-
Inventories (write-downs)	(73,280)	(73,280)	-	-
	252,821	**280,880**	**-**	**-**

Stockpiles are valued by estimating the zinc content in tons and applying the average cost method to the tons in stock. Zinc content of stockpiles is quantified by performing geological samples on the stockpiles in order to determine the grade (expressed as a percentage). This percentage is then applied to the total tons of ore in the stockpile. At year end, the estimation of grade and zinc content was:

Stacker / reclaimer				
Average grade (%)	8.50	11.90	-	-
Zinc content (tons)	2,483	4,200	-	-
Mining stockpile				
Average grade (%)	5.07	5.08	-	-
Zinc content (tons)	1,532	1,567	-	-

10. Trade and other receivables

Financial instruments:				
Trade receivables	8,052	8,391	35	-
Loss allowance	(1,475)	(1,159)	-	-
Trade receivables at amortised cost	6,577	7,232	35	-
Non-financial instruments:				
VAT	3,198	4,316	31	33
Prepayments	79	489	-	-
Total trade and other receivables	**9,854**	**12,037**	**66**	**33**

Categorisation of of trade and other receivables

Trade and other receivables are categorised as follows in accordance with IFRS 9: Financial Instruments:

At amortised cost	6,577	7,232	35	-
Non-financial instruments	3,277	4,805	31	33
	9,854	**12,037**	**66**	**33**

Exposure to credit risk

Trade receivables inherently expose the group to credit risk, being the risk that the group will incur financial loss if customers fail to make payments as they fall due.

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

10. Trade and other receivables (continued)

Trade receivables are non-interest-bearing and are generally on terms of 30 to 90 days. Payment is due from 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.

Impairment provision of trade and other receivables
An allowance for expected credit losses has been made in respect of other receivables. There are no trade receivable accounts that are past due as per the individual sales contracts at the reporting date. The outstanding trade receivable balances at 31 March 2025 was mainly due from 1 customer (2024: 1 customer).

An amount of N$1 475 184 (2024: N$1 159 495) was included in trade and other receivables as allowance for credit losses.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	-	73	-	-
Bank balances	14,029	21,247	3	38
Short-term deposits	5,478	3,224	-	-
	19,507	**24,544**	**3**	**38**

12. Share capital

Authorised				
4000 Ordinary shares of N$1	4	4	-	-
1 000 5% Preference shares of N$1 each	1	1	-	-
	5	**5**	**-**	**-**
Issued				
Ordinary	1	1	1	1
Share premium	15,049	15,049	15,049	15,049
	15,050	**15,050**	**15,050**	**15,050**

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

13. Decommissioning provisions

Reconciliation of provisions - Group - 2025

	Opening balance N$'000	Unwinding discount N$'000	Change in estimate N$'000	Total N$'000
Decommissioning provision	125,913	14,918	16,416	157,247
Restoration provision	118,992	11,300	(5,545)	124,747
	244,905	**26,218**	**10,871**	**281,994**

Reconciliation of provisions - Group - 2024

	Opening balance N$'000	Unwinding discount N$'000	Change in estimate N$'000	Total N$'000
Decommissioning provision	196,794	13,427	(84,308)	125,913
Restoration provision	135,222	11,088	(27,318)	118,992
	332,016	**24,515**	**(111,626)**	**244,905**

The decommissioning provision relates to decommissioning of property, plant and equipment where either a legal or constructive obligation is recognised as a result of past events. Estimates are based upon costs that are regularly reviewed and adjusted as appropriate for new circumstances. The current estimate was escalated using inflation rate of 4.38% (Mining) and 4.43% (Refinery) (2024: 5.04% (Mining) 4.91% (Refinery)) and discounted at a rate of 8.35% (Mining) and 9.65% (Refinery) (2024: 9.54% (Mining) 11.44% (Refinery)). These costs are expected to be incurred over the remaining life-of-mine currently being 10 years (NZ) and 4 years (SMC) (2024: 11 years) (Mining) 5 years (Refinery)).

14. Trade and other payables

	Group 2025 N$ '000	Group 2024 N$ '000	Company 2025 N$ '000	Company 2024 N$ '000
Financial instruments:				
Trade payables	2,846	6,382	10	14
Accrued leave pay	1,201	1,056	-	-
Salary accruals	844	912	-	-
Accruals	55,569	53,308	-	-
Non-financial instruments:				
Refund liability	363	493	-	-
	60,823	**62,151**	**10**	**14**

Fair value of trade and other payables

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

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

15. Loans from group companies

Fellow subsidiaries

Namzinc (Proprietary) Limited*	-	-	13,746	13,747
Lisheen Milling Limited **	387,196	373,573	-	-
Vedanta Resources Limited*	513	540	-	-
	387,709	**374,113**	**13,746**	**13,747**

* 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% (2024: 3%).

Split between non-current and current portions

Non-current liabilities	387,196	373,573	-	-
Current liabilities	513	540	13,746	13,747
	387,709	**374,113**	**13,746**	**13,747**

16. Revenue

Disaggregation of revenue from contracts with customers

The group's principal activities are mining and producing of special high grade zinc and form part of the other mining and industrial category in the Vedanta Resources Plc group. The group's revenue derives from one significant operation, the production of zinc. All information contained in the statement of profit or loss and other comprehensive income and statement of financial position relate to this activity. Since the mine is under care and maintenance, no revenue was generated from production of Zinc but rather other revenue from Amica.

The group disaggregates revenue from customers as follows:

Sale of goods				
Amica	7,418	19,320	-	-

17. Other operating income

Rental income	144	364	-	-
Proceeds from insurance	14,628	7,428	-	-
Other income	840	249	-	-
	15,612	**8,041**	**-**	**-**

The balance in current year and prior year also includes income from scrap sales.

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

18. Impairment loss

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 prior year. An impairment loss of N$ 263 522 370 has been recognised 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 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 the 31 March 2025 other than the refinery conversion project that has been impaired in the prior year.

19. Operating (loss) profit

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

	Group 2025	Group 2024	Company 2025	Company 2024
Auditor's remuneration - external				
Audit fees	3,006	2,014	-	-
Auditor's remuneration - internal	**32**	**-**	**-**	**-**
Remuneration, other than to employees				
Consulting and professional services	446	65	-	10
Employee costs				
Salaries, wages, bonuses and other benefits	29,530	30,375	-	-
Depreciation and amortisation				
Depreciation of property, plant and equipment	58,720	59,274	-	-
Amortisation of intangible assets	601	655	-	-
Total depreciation and amortisation	**59,321**	**59,929**	**-**	**-**

20. Finance income

	Group 2025	Group 2024	Company 2025	Company 2024
Interest income				
Investments in financial assets:				
Bank and other cash	772	2,441	3	2
Realised foreign exchange gain on bank and cash	67	15,968	-	-
Loans to group companies:				
Holding companies	76,470	73,084	-	-
Total interest income	**77,309**	**91,493**	**3**	**2**

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

21. Finance costs

Interest expense on group loans	11,128	11,281	-	-
Unrealised exchange loss on group loans	10,030	14,815	-	-
Unrealised foreign exchange loss on cash balance	199	9,560	-	-
Unwinding of discount on provisions and other liabilities	26,218	24,515	-	-
Total finance costs	**47,575**	**60,171**	**-**	**-**

22. Taxation

Major components of the tax expense

Reconciliation of the tax expense

Reconciliation between applicable tax rate and average effective tax rate.

Applicable tax rate	32.00 %	32.00 %	32.00 %	32.00 %
Other	(32.00)%	(32.00)%	(32.00)%	(32.00)%
	- %	**- %**	**- %**	**- %**
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax asset has been recognised.	907,108	901,409	11,168	11,441

23. Cash used in operations

(Loss) profit before taxation	(129,751)	(381,754)	3	(12)
Adjustments for non-cash items:				
Depreciation and amortisation	59,321	59,906	-	-
Other non cash income	-	(5,454)	-	-
Share of profit of associate	(3,172)	(3,445)	-	-
Net impairments on c/wip	-	263,522	-	-
Foreign exchange loss	(1,028)	2,028	-	-
Adjust for items which are presented separately:				
Finance income	(77,306)	(91,493)	-	(1)
Finance costs	47,573	60,172	-	-
Changes in working capital:				
Inventories	28,059	8,602	-	-
Trade and other receivables	2,183	(2,797)	2	2
Trade and other payables	(1,330)	(8,411)	(43)	9
	(75,451)	**(99,124)**	**(38)**	**(2)**

Consolidated and Separate Notes to the Annual Financial Statements

	Group		Company	
	2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

24. Changes in loans (payable) / receivable from related parties

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

Loans from group companies				
Balance at 1 April	(374,113)	(345,636)	(13,747)	(13,746)
Cash flows				
Financing cash flows	13,954	695	-	-
Non-cash changes				
Finance cost	10,197	(10,125)	-	(1)
Unrealised foreign exchange losses	(10,554)	(19,047)	-	-
Balance at 31 March	**(360,516)**	**(374,113)**	**(13,747)**	**(13,747)**
Loans to group companies				
Balance at 1 April	1,126,856	1,051,559	998,898	998,898
Cash flows				
Financing cash flows	57,562	(4,417)	-	-
Non-cash changes				
Finance income	76,470	73,084	-	-
Unrealised foreign exchange gains	(20,488)	6,630	-	-
Balance at 31 March	**1,240,400**	**1,126,856**	**998,898**	**998,898**

25. Tax paid

Balance at beginning of the year	12	12	-	-
Balance at end of the year	(12)	(12)	-	-
	-	**-**	**-**	**-**

26. Related parties

Relationships

Ultimate holding company	Vedanta Resources Limited
Holding company	THL Zinc Limited
Subsidiaries	Refer to note 6
Joint ventures	Refer to note 5
Fellow subsidiaries	Black Mountain Mining (Proprietary) Limited

Related party transactions

Finance income				
Black Mountain Mining (Proprietary) Limited	-	(19,682)	-	-
THL Zinc Limited	(73,915)	(50,777)	-	-
Monte Cello BV	(2,555)	(2,625)	-	-
Finance costs				
Lisheen Milling Limited	10,197	10,127	-	-

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management

Categories of financial instruments

Categories of financial assets

Group - 2025

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	7	1,125,277	1,125,277	1,125,277
Trade and other receivables	10	6,577	6,577	6,577
Cash and cash equivalents	11	19,507	19,507	19,507
		1,151,361	**1,151,361**	**1,151,361**

Group - 2024

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	7	1,126,856	1,126,856	1,126,856
Trade and other receivables	10	7,232	7,232	7,232
Cash and cash equivalents	11	24,544	24,544	24,544
		1,158,632	**1,158,632**	**1,158,632**

Company - 2025

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	7	998,898	998,898	998,898
Trade and other receivables	10	35	35	35
Cash and cash equivalents	11	3	3	3
		998,936	**998,936**	**998,936**

Company - 2024

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Loans to group companies	7	998,898	998,898	998,898
Cash and cash equivalents	11	38	38	38
		998,936	**998,936**	**998,936**

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management (continued)

Categories of financial liabilities

Group - 2025

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	14	60,460	60,460	60,460
Loans from group companies	15	387,709	387,709	387,709
		448,169	**448,169**	**448,169**

Group - 2024

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	14	61,658	61,658	61,658
Loans from group companies	15	374,113	374,113	374,113
		435,771	**435,771**	**435,771**

Company - 2025

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	14	10	10	10
Loans from group companies	15	13,746	13,746	13,746
		13,756	**13,756**	**13,756**

Company - 2024

	Note(s)	Amortised cost N$'000	Total N$'000	Fair value N$'000
Trade and other payables	14	14	14	14
Loans from group companies	15	13,747	13,747	13,747
		13,761	**13,761**	**13,761**

Consolidated and Separate Notes to the Annual Financial Statements

		Group		Company	
		2025 N$ '000	2024 N$ '000	2025 N$ '000	2024 N$ '000

27. Financial instruments and risk management (continued)

Capital risk management

The group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2023.

Return to the shareholder is maximised, through structured dividend declarations and share buy-backs, while keeping sufficient cash funds to meet normal working capital and capital expenditure requirements.

In order to achieve this overall objective, the company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior year.

The company manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the company adjusts the dividend payment to shareholders. No changes were made in the objectives, policies or processes during the years ended 31 March 2025 and 31 March 2024.

The company monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity and net debt. The company includes in its net debt, interest-bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

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

Loans from group companies	15	387,709	374,113	13,746	13,747
Trade and other payables	14	60,823	62,151	10	14
Total borrowings		**448,532**	**436,264**	**13,756**	**13,761**
Cash and cash equivalents	11	(19,507)	(24,544)	(3)	(38)
Net borrowings		**429,025**	**411,720**	**13,753**	**13,723**
Equity		1,904,813	2,034,564	1,242,793	1,242,790
Gearing ratio		23 %	20 %	1 %	1 %

27. Financial instruments and risk management (continued)

Financial risk management

Overview

The group 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 group's risk management policies are established to identify and analyse the risks faced by the group, 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 group's activities.

The group manages its capital to ensure it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The group's overall strategy remains unchanged from 2023.

Return to the shareholder is maximised, through structured dividend declarations and loan repayments, while keeping sufficient cash funds to meet normal working capital and capital expenditure requirements.

Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

The group trades only with recognised creditworthy third parties. It is the group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which are based on an extensive credit rating scorecard, short-term liquidity and financial position. Individual credit limits are defined in accordance with this assessment. In addition, outstanding receivable balances are regularly monitored on an ongoing basis, with the result that the group's exposure to credit-impaired balances and bad debts is not significant.

An impairment analysis is performed at each reporting date to measure expected credit losses. There were no expected credit losses arising from trade receivables at 31 March 2025 (2024: nil). The only expected credit loss relates to other receivables with respect to rental income received on a building on site leased to a number of store owners.

With respect to credit risk arising from the other financial assets of the company and group, which comprise cash and short-term deposits the company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The company and group limits its counterparty credit risk on these assets by dealing only with financial institutions of high credit standing.

Credit risk from balances with banks and financial institutions is managed by the company and group's treasury department in accordance with the company and group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the company and group's management on a regular basis, and may be updated throughout the year subject to appropriate approval. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management (continued)

Group		2025			2024		
		Gross carrying amount N$'000	Credit loss allowance N$'000	Amortised cost / fair value N$'000	Gross carrying amount N$'000	Credit loss allowance N$'000	Amortised cost / fair value N$'000
Loans to group companies	7	1,125,277	-	1,125,277	1,126,856	-	1,126,856
Trade and other receivables	10	8,052	(1,475)	6,577	8,391	(1,159)	7,232
Cash and cash equivalents	11	19,507	-	19,507	24,544	-	24,544
		1,152,836	**(1,475)**	**1,151,361**	**1,159,791**	**(1,159)**	**1,158,632**

Company		2025			2024		
		Gross carrying amount N$'000	Credit loss allowance N$'000	Amortised cost / fair value N$'000	Gross carrying amount N$'000	Credit loss allowance N$'000	Amortised cost / fair value N$'000
Loans to group companies	7	998,898	-	998,898	998,898	-	998,898
Trade and other receivables	10	35	-	35	-	-	-
Cash and cash equivalents	11	3	-	3	38	-	38
		998,936	**-**	**998,936**	**998,936**	**-**	**998,936**

Liquidity risk

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

The group 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.

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.

Group - 2025

		Less than 1 year N$'000	Total N$'000	Carrying amount N$'000
Current liabilities				
Trade and other payables	14	60,460	60,460	60,460
Loans from group companies	15	387,709	387,709	387,709

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management (continued)

Group - 2024

		Less than 1 year N$'000	Total N$'000	Carrying amount N$'000
Current liabilities				
Trade and other payables		61,658	61,658	61,658
Loans from group companies	15	374,113	374,113	374,113

Company - 2025

		Less than 1 year N$'000	Total N$'000	Carrying amount N$'000
Current liabilities				
Trade and other payables	14	10	10	10
Loans from group companies	15	13,746	13,746	13,746

Company - 2024

		Less than 1 year N$'000	Total N$'000	Carrying amount N$'000
Current liabilities				
Trade and other payables	14	14	14	14
Loans from group companies	15	13,747	13,747	13,747

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management (continued)

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The group's exposure to the risk of changes in foreign exchange rates relates primarily to the group's operating activities (when revenues or expenses are denominated in currencies other than N$) and foreign denominated interest bearing borrowings. All sales are invoiced in USD. Revenues collected in USD are paid into a USD denominated bank account and is only converted to N$ as and when funds are needed.

The group's policy is to only take cover on large foreign currency capital purchases with long lead times. The group's major exposure to foreign currency is to the United States Dollar ("USD"), in relation to trade receivables and cash in its CFC bank account, both denominated in USD.

The company has a very limited direct exposure to foreign currency risk. All transactions are in local currency, and there are no foreign denominated bank accounts, loans, or receivables.

Foreign currency sensitivity analysis

The following information presents the sensitivity of the group 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.

Group	2025	2025	2024	2024
Increase or decrease in rate	**Increase N$'000**	**Decrease N$'000**	**Increase N$'000**	**Decrease N$'000**
Impact on profit or loss:				
US Dollar 10% (2024: 10%)	(42,095)	42,095	(26,654)	26,654

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 group's exposure to the risk of changes in market interest rates relates primarily to the group’s long-term debt obligations with floating interest rates.

Borrowings, should these be required, will be requested from the holding company or from external parties and interest rates are managed in accordance with the policies set down by the Vedanta Resources Limited group treasury function.

The company has a very limited direct exposure to interest rate risk. All loans to and from the company are held in other group entities.

Consolidated and Separate Notes to the Annual Financial Statements

27. Financial instruments and risk management (continued)

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.

Group	2025	2025	2024	2024
Increase or decrease in rate	**Increase N$'000**	**Decrease N$'000**	**Increase N$'000**	**Decrease N$'000**
Impact on profit or loss:				
Interest rates 10% (2024: 10%)	4,118	(4,118)	7,552	(7,552)

Price risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

The sensitivity analyses in the following sections relate to the positions as at 31 March 2025 and 2024, respectively. The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to floating interest rates on the debt and derivatives, and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the company's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable. The analyses exclude the impact of movements in market variables on the carrying value of provisions.

The following assumptions have been made in calculating the sensitivity analyses:
- The statement of financial position sensitivity relates to derivatives and foreign currency-denominated trade receivables;
- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2025 and 31 March 2024; and
- The impact on equity is the same as the impact on profit before tax.

The company has a very limited direct exposure to market risk. The majority of group operational activities occur in other group companies.

Commodity price risk

The group is exposed to the risk of fluctuations in prevailing market commodity prices of mineral products it produces, which is mainly zinc (goods), which it sells into global markets. The market prices of the metals are the key drivers of the company's capacity to generate cash flow. The group is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of metals. The group's policy is to manage these risks through the use of contract-based prices with customers. Most customer contracts are based on the average LME (London Metal Exchange) price in the month of shipment plus a premium.

The company has a very limited direct exposure to commodity price risk. All sales activities for the group occur in other group companies.

27. Financial instruments and risk management (continued)

Price risk sensitivity analysis

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of trade receivables (subject to provisional pricing). The analysis is based on the assumption that the Zinc LME price moves 5% with all other variables held constant. Reasonable possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

28. 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 group 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.

29. Guarantees

Guarantees	Maturity	Nature	Guarantor	2025 N$'000	2024 N$'000
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	Open ended	Surety on default	FNB	-	91
Nampower (Proprietary) Limited	30 Sep 2026	Surety on default	Standard Bank	4,303	4,303
Rosh Pinah	Open ended	Surety on default	FNB	496	-
Namibian Ports Authority	Open ended	Surety on default	FNB	120	-
				7,183	**6,657**

30. 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.

Consolidated and Separate Notes to the Annual Financial Statements

31. Going concern

The directors believe that the group and company has adequate financial resources to continue in operation for the foreseeable future and accordingly the consolidated and separate annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the group and company are 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 group and 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 group and company.

A letter of support for the group has been issued by the Black Mountain Mining (Pty) Ltd confirming that they will ensure that the company and its' subsidiaries will be able to meet all financial obligations as they fall due.