

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CUPROUS CAPITAL LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF MMG LIMITED**Introduction**

We report on the historical financial information of Cuprous Capital Ltd (the "Target Company") and its subsidiaries (together, the "Target Group") set out on pages 1 to 67, which comprises the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2021, 2022 and 2023, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity, and the consolidated statements of cash flows, of the Target Group for each of the three years ended 31 December 2023 (the "Relevant Periods") and material accounting policy information and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages 1 to 67 forms an integral part of this report, which has been prepared for inclusion in the circular of MMG Limited ("MMG") dated 24 May 2024 (the "Circular") in connection with the Acquisition (as defined in the Circular).

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of MMG are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of MMG.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF CUPROUS CAPITAL LIMITED AND ITS SUBSIDIARIES TO THE DIRECTORS OF MMG LIMITED
- continued

Reporting accountants' responsibility - continued

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's and the Target Company's financial position as at 31 December 2021, 2022 and 2023 and the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong)

Adjustments

The Historical Financial Information is stated after making such adjustments to the Underlying Financial Statements as were considered necessary.

Dividends

We refer to Note 35 to the Historical Financial Information which states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 May 2024

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The Historical Financial Information in this report was prepared based on previously issued consolidated financial statements of the Target Group and the management accounts of the Target Company for the Relevant Periods. The previously issued consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by Deloitte & Touche, certified public accountants registered in Botswana in accordance with International Standards on Auditing ("IAS") issued by the International Auditing and Assurance Standards Board ("Historical Financial Statements").

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>NOTES</i>	As at 31 December		
		2021	2022	2023
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	749,543,015	793,519,899	834,592,636
Right-of-use assets	5	660,632	534,402	505,049
Loans to vendor's companies	6	6,516,807	6,752,652	6,074,046
Deferred tax	7	—	—	48,639,489
		<u>756,720,454</u>	<u>800,806,953</u>	<u>889,811,220</u>
Current Assets				
Inventories	8	7,774,847	13,605,427	13,557,264
Trade and other receivables	9	18,296,386	14,649,197	17,141,508
Current tax receivable	28	—	57,434	11,546
Cash and cash equivalents	10	40,232,249	59,227,592	33,818,956
		<u>66,303,482</u>	<u>87,539,650</u>	<u>64,529,274</u>
Total Assets		<u><u>823,023,936</u></u>	<u><u>888,346,603</u></u>	<u><u>954,340,494</u></u>
EQUITY AND LIABILITIES				
Equity				
Stated capital	11	428,780,611	438,780,611	438,780,611
Reserves	12	(210,243,944)	(177,835,461)	(164,547,959)
(Accumulated losses) / retained profits		<u>(79,238,553)</u>	<u>(60,340,500)</u>	<u>22,616,135</u>
		<u>139,298,114</u>	<u>200,604,650</u>	<u>296,848,787</u>

		As at 31 December		
	<i>NOTES</i>	2021	2022	2023
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
LIABILITIES				
Non-Current Liabilities				
Borrowings	13	302,239,842	291,087,982	275,553,022
Financial liabilities	14	67,211,644	13,192,576	7,486,112
Lease liabilities	5	561,764	463,299	406,674
Deferred revenue	15	252,292,070	278,075,333	294,849,779
Environmental rehabilitation provision	16	<u>7,870,839</u>	<u>9,187,524</u>	<u>7,403,373</u>
		<u>630,176,159</u>	<u>592,006,714</u>	<u>585,698,960</u>
Current Liabilities				
Trade and other payables	17	31,552,316	34,970,947	35,644,401
Loan from vendor's company	18	180,888	210,238	523,947
Financial liabilities	14	—	19,963,976	8,330,824
Lease liabilities	5	133,513	74,026	88,718
Deferred revenue	15	6,822,614	11,255,618	9,192,083
Current tax payable	28	447,332	—	79,168
Borrowings	13	14,241,054	29,080,005	17,897,768
Related party payable		140,337	149,962	—
Bank overdraft	10	<u>31,609</u>	<u>30,467</u>	<u>35,838</u>
		<u>53,549,663</u>	<u>95,735,239</u>	<u>71,792,747</u>
Total Liabilities		<u>683,725,822</u>	<u>687,741,953</u>	<u>657,491,707</u>
Total Equity and Liabilities		<u>823,023,936</u>	<u>888,346,603</u>	<u>954,340,494</u>

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
ASSETS			
Non-Current Assets			
Investment in subsidiary	76,383,766	86,383,766	86,383,766
Loan to a subsidiary	<u>224,738,034</u>	<u>224,738,034</u>	<u>224,736,926</u>
	<u>301,121,800</u>	<u>311,121,800</u>	<u>311,120,692</u>
Current Asset			
Cash and cash equivalents	<u>1,534</u>	<u>1,236</u>	<u>1,304</u>
	<u>1,534</u>	<u>1,236</u>	<u>1,304</u>
Total Assets	<u><u>301,123,334</u></u>	<u><u>311,123,036</u></u>	<u><u>311,121,996</u></u>
EQUITY AND LIABILITIES			
Equity			
Stated capital	428,780,611	438,780,611	438,780,611
Reserves	(124,644,288)	(124,644,276)	(124,644,276)
Accumulated losses	<u>(3,232,254)</u>	<u>(3,259,247)</u>	<u>(3,656,796)</u>
	<u>300,904,069</u>	<u>310,877,088</u>	<u>310,479,539</u>
Current Liabilities			
Trade and other payables	21,174	23,194	143,540
Loan from vendor's company	<u>198,091</u>	<u>222,754</u>	<u>498,917</u>
	<u>219,265</u>	<u>245,948</u>	<u>642,457</u>
Total Equity and Liabilities	<u><u>301,123,334</u></u>	<u><u>311,123,036</u></u>	<u><u>311,121,996</u></u>

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	Year ended 31 December		
		2021	2022	2023
		US\$	US\$	US\$
Revenue	19	108,543,704	273,394,279	351,599,419
Cost of sales	20	<u>(94,553,492)</u>	<u>(156,901,287)</u>	<u>(185,962,495)</u>
Gross profit		13,990,212	116,492,992	165,636,924
Other operating income	21	1,035,112	341,180	1,383,881
Other operating (losses) / gains	22	(14,373,696)	1,639,991	(1,437,517)
Other operating expenses		<u>(19,323,165)</u>	<u>(32,922,310)</u>	<u>(35,267,640)</u>
Operating (loss) / profit	23	(18,671,537)	85,551,853	130,315,648
Finance income	24	30,623	733,936	3,144,291
Finance costs	25	<u>(32,785,151)</u>	<u>(65,258,160)</u>	<u>(95,855,573)</u>
(Loss) / profit before taxation		(51,426,065)	21,027,629	37,604,366
Taxation	26	<u>(447,332)</u>	<u>(2,129,576)</u>	<u>45,352,269</u>
(Loss) / profit for the year		<u><u>(51,873,397)</u></u>	<u><u>18,898,053</u></u>	<u><u>82,956,635</u></u>
Other comprehensive (expense) / income:				
<i>Items that may be reclassified to profit or loss:</i>				
- Exchange differences on translating foreign operations		—	—	(8,467)
- Cash flow hedges — (loss) / gain arising during the year		(43,398,480)	31,529,608	27,769,209
- Reclassification of gain/(loss) included in profit or loss	19	<u>—</u>	<u>878,875</u>	<u>(14,200,725)</u>
Fair value (loss) / gain arising on hedging instruments		<u>(43,398,480)</u>	<u>32,408,483</u>	<u>13,568,484</u>
Other comprehensive (expense) / income for the year net of taxation		<u>(43,398,480)</u>	<u>32,408,483</u>	<u>13,560,017</u>
Total comprehensive (expense) / income for the year		<u><u>(95,271,877)</u></u>	<u><u>51,306,536</u></u>	<u><u>96,516,652</u></u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Stated capital US\$ (Note 11)	Foreign currency translation reserve US\$ (Note 12)	Cash flow hedging reserve US\$ (Note 12)	Common control reserve US\$ (Note 12)	Other non distributable reserve US\$ (Note 12)	Total reserves US\$ (Note 12)	(Accumulated losses) / retained profits US\$	Total equity US\$
Balance at 1 January 2021	428,780,611	(60,646,554)	(2,578,487)	—	(103,620,423)	(166,845,464)	(27,365,156)	234,569,991
Loss for the year	—	—	—	—	—	—	(51,873,397)	(51,873,397)
Other comprehensive expense	—	—	(43,398,480)	—	—	(43,398,480)	—	(43,398,480)
Total comprehensive expenses for the year	—	—	(43,398,480)	—	—	(43,398,480)	(51,873,397)	(95,271,877)
Balance at 1 January 2022	428,780,611	(60,646,554)	(45,976,967)	—	(103,620,423)	(210,243,944)	(79,238,553)	139,298,114
Profit for the year	—	—	—	—	—	—	18,898,053	18,898,053
Other comprehensive income	—	—	32,408,483	—	—	32,408,483	—	32,408,483
Total comprehensive income for the year	—	—	32,408,483	—	—	32,408,483	18,898,053	51,306,536
Issue of shares	10,000,000	—	—	—	—	—	—	10,000,000
Total changes	10,000,000	—	—	—	—	—	—	10,000,000
Balance at 1 January 2023	438,780,611	(60,646,554)	(13,568,484)	—	(103,620,423)	(177,835,461)	(60,340,500)	200,604,650
Profit for the year	—	—	—	—	—	—	82,956,635	82,956,635
Other comprehensive (expense) / income	—	(8,467)	13,568,484	—	—	13,560,017	—	13,560,017
Total comprehensive (expense) / income for the year	—	(8,467)	13,568,484	—	—	13,560,017	82,956,635	96,516,652
Acquisition of subsidiary	—	—	—	(272,515)	—	(272,515)	—	(272,515)
Total changes	—	—	—	(272,515)	—	(272,515)	—	(272,515)
Balance at 31 December 2023	438,780,611	(60,655,021)	—	(272,515)	(103,620,423)	(164,547,959)	22,616,135	296,848,787

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	Year ended 31 December		
		2021 US\$	2022 US\$	2023 US\$
Cash flows from operating activities				
Cash generated from operations	27	21,279,931	93,620,503	133,628,889
Interest income	24	30,623	733,936	3,144,291
Finance costs	25	(7,951,875)	(40,098,683)	(51,883,892)
Tax paid	28	—	(2,634,342)	(3,077,231)
Net cash from operating activities		<u>13,358,679</u>	<u>51,621,414</u>	<u>81,812,057</u>
Cash flows from investing activities				
Purchase of property, plant and equipment		(149,615,343)	(67,322,373)	(71,546,204)
Proceeds from sale of property, plant and equipment		—	11,243	74,749
(Repayments) / cash receipts of vendor's company loans		(401,512)	(206,496)	553,850
Cash from acquisition of subsidiary		—	—	193,872
Net cash used in investing activities		<u>(150,016,855)</u>	<u>(67,517,626)</u>	<u>(70,723,733)</u>
Cash flows from financing activities				
Proceeds on issue of share capital	11	—	10,000,000	—
Proceeds from borrowings raised		73,492,000	—	—
Payment on lease liabilities		(135,865)	(107,303)	(77,763)
Advance receipts on deferred revenue		59,141,000	26,500,000	—
Borrowings paid		—	—	(30,000,000)
Deferred arrangement fee / amendment fees paid on borrowings		(200,000)	(1,500,000)	(6,257,510)
Net cash from / (used in) financing activities		<u>132,297,135</u>	<u>34,892,697</u>	<u>(36,335,273)</u>
Total cash movement for the year		(4,361,041)	18,996,485	(25,246,949)
Cash and cash equivalents at the beginning of the year		44,561,681	40,200,640	59,197,125
Loss on foreign exchange on cash and cash equivalents		—	—	(167,058)
Cash and cash equivalents at the end of the year	10	<u>40,200,640</u>	<u>59,197,125</u>	<u>33,783,118</u>

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Cuprous Capital Ltd (the “Target Company”) is a limited liability company incorporated in British Columbia, Canada. The address of the registered office is 2900 - 550 Burrard Street, Vancouver BC V6C 0A3, Canada. The Target Company’s holding company is Cupric Canyon Capital LLP (“CCC”) incorporated in Cayman Islands.

The Target Company and its subsidiaries (the “Target Group”) are engaged in acquisition, exploration, development, mining and processing of base and precious metals in the Republic of Botswana.

The Historic Financial Information is presented in United States dollars (“US\$”) unless otherwise stated, which is also the functional currency of the Target Company.

2. MATERIAL ACCOUNTING POLICIES

2.1 *Basis of preparation*

The material accounting policies applied in the preparation of the Historical Financial Information are set out below.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) - a collective term that includes all applicable individual IFRS, IAS and International Financial Reporting Interpretations Committee (“IFRIC”) issued which is consistent with HKFRS and the accounting policies adopted by MMG Limited. The Historical Financial Information has been prepared under the historical cost convention, except for financial assets and financial liabilities at fair value through profit or loss or other comprehensive income, which are measured at fair value.

The preparation of the Historical Financial Information in accordance with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Target Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 2.3.

The Historical Financial Information has been prepared on a going concern basis (refer Note 2.3 below) and on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below.

2.2 Consolidation

Basis of consolidation

The Target Group consolidated financial statements incorporate the consolidated financial statements of Cuprous Capital Ltd., and all subsidiaries. Subsidiaries are entities which are controlled by the Target Group.

The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Target Group has power over an entity when it has existing rights to direct the relevant activities that significantly affect the entity's returns.

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

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

All inter-company transactions, balances, and unrealised gains on transactions between Target 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.

2.3 Significant judgements

The preparation of consolidated 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.

Fair value measurement

The Target Group has entered into several derivative contracts. The copper derivative is classified as a separated embedded derivative and hedge accounting has been applied on the copper forward exchange contracts (Refer to Notes 2.5 and 2.6).

Further details on the copper derivative are disclosed in Note 33.

Separated embedded derivatives are classified as measured at fair value through profit and loss, unless they are designated as effective hedging instruments. The copper derivative has not been designated as a hedging instrument.

Embedded derivatives are measured using option pricing models based on observable inputs. As these derivatives are not collateralised, the Target Group also takes into account the Target Group's own non-performance risk and includes a credit valuation adjustment or debit valuation adjustment, as appropriate, by assessing the maximum credit exposure and taking into account market-based inputs concerning probabilities of default and loss given default.

Useful lives of property, plant and equipment

The estimates of useful lives as translated into depreciation rates are detailed in property, plant and equipment policy (Note 2.4). These rates and residual lives of the assets are reviewed annually taking cognisance of the forecasted commercial and economic realities and through benchmarking of accounting treatments in the industry.

Life-of-mine (LoM)

There are numerous uncertainties inherent in estimating ore reserves and resources and the associated LoM. Therefore, the Target Group must make a number of assumptions in making those estimations, including assumptions as to the prices of copper and silver, exchange rates, production costs, recovery rates and the renewal of mining licenses beyond their current licensed periods. Assumptions that are valid at the time of estimation may change when new information becomes available. Changes in the forecast prices of copper and silver, exchange rates, production costs or recovery rates may change the economic status of ore reserves and may, ultimately, result in the ore reserves being adjusted. Where assumptions change the LoM estimates, the associated depreciation rates, residual values and amortisation ratios, and environmental provisions are reassessed to take into account the revised LoM estimate.

Environmental rehabilitation provision

Provisions are inherently based on assumptions and estimates using the best information available. Additional disclosure of these estimates of provisions are included in Note 16.

Mineral exploration and evaluation assets

The application of the Target Group's accounting policy for exploration and evaluation expenditure requires judgement in determining whether it is likely that future economic benefits are either from future exploration or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. These estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions about future events or circumstances, in particular whether an economically viable extraction operation can be established. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalised is written off in profit or loss in the period when the new information becomes available.

Going concern

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

The management of the Target Group has exercised judgement in assessing that the preparation of these financial statements on a going concern basis is appropriate. In making this assessment, management considers factors such as the current financial position, future business prospects, future profitability, estimated cash flows and availability of funding from bankers, Target Group companies and other financial institutions to continue to profitably mine the Target Group's mineral resources.

The Target Group's business activities, together with the factors likely to affect its future production, performance and position have been assessed by management. The financial position of the Target Group, its cash flows and liquidity position are presented in these consolidated financial statements. In addition, Note 34, Financial risk management, includes the Target Group's objectives, policies and processes for managing its capital, details of its financial instruments and its exposures to various risks. At 31 December 2023, the Target Group had a negative working capital balance of US\$7,263,473. During 2023, the Target Group had positive cash flows from operations of US\$81,812,057 and had a cash balance of US\$34,041,256 as at 29 February 2024.

After careful consideration, including the evaluation of forecasts and budgets, timing of cash flows, borrowing facilities and sensitivity analyses, the directors of the Target Company have a reasonable expectation that the Target Group has adequate financial resources to continue in operational existence for the foreseeable future.

In exercising above judgement, management of the Target Group also considered the likelihood of the transaction between the shareholders of the Target Group and MMG reaching financial close by 22 March 2024, impacting the funding structure for the Target Group in the foreseeable future. Refer to Note 36 - *Events after the Relevant Periods* for additional disclosure.

For the above noted reasons, the directors of the Target Group also continue to adopt the going concern basis in preparing these consolidated financial statements, which assumes that the Target Group will be able to meet its liabilities as they fall due for the foreseeable future.

Deferred taxation

The Target Group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Target Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Target Group to realise the net deferred tax assets recorded at the end of each of the Relevant Periods could be impacted.

Refer to Note 7 for additional disclosure.

Deferred revenue

The advance payments received under the silver stream have been recorded as deferred revenue liabilities in the Consolidated Statement of Financial Position in line with IFRS 15 *Revenue from Contracts with Customers*. The amount of silver ounces expected to be delivered can increase or decrease from previous estimates. The price per ounce of silver is based on management's estimated long term view of the price.

The amount by which the deferred revenue balance is reduced and recognised into revenue is based on a rate per ounce of silver delivered under the Streaming Agreement. This rate per ounce of silver delivered relating to the payments received by the Target Group is based on the remaining deferred revenue (principal and interest) balance divided by the ounces that are expected to be delivered over the term of the Streaming Agreement.

2.4 Property, plant and equipment

Property, plant and equipment is initially measured at cost and depreciated over its useful life. 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.

Capitalised mining development include the cost of box cuts, decline tunnels, the cost of building access ways, lateral waste development and other infrastructure development.

After the technical feasibility and commercial viability of the development of an area of interest are demonstrated, all subsequent expenditure to develop the mine to the production phase is capitalised and are depreciated on a Units of Production basis, whereby the denominator is the estimated tonnes considered probable of economic extraction based on the current Life of Mine plan that benefit from the development.

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

Items	Depreciation method	Average useful life
Buildings	Straight line	Expected mine life
Exploration and evaluation	Units of Production	Expected mine life
Plant and machinery	Straight line/Units of Production	5 years/expected mine life
Furniture and fixtures	Straight line	4 years
Motor vehicles	Straight line	4 - 5 years
Office equipment	Straight line	4 years
IT equipment	Straight line	3 - 4 years
Computer software	Straight line	3 - 4 years
Rehabilitation assets	Straight line	Expected mine life
Capitalised mining development	Units of production	Expected mine life
Leasehold improvements	Straight line	4 years
Capital insurance and evaluation	Straight line	Expected mine life
Leasehold property	Straight line	Shorter of expected mine life or lease period

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

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.

Exploration assets and mineral rights

All direct and indirect costs relating to the acquisition, exploration and development of mineral properties are capitalised as incurred.

Mineral exploration and evaluation assets are carried at cost until they are brought into production, at which time the carrying value is depleted over the expected life of the mine, using the units of production method which is based on proven and probable reserves as determined.

If a mineral property is subsequently determined not to be economic, the carrying value of the mineral exploration and evaluation assets are written down to net realisable value. Other general exploration expenses are charged to profit and loss as incurred. The cost of mineral properties abandoned or sold and their related deferred exploration costs are charged to profit and loss in the year the properties are abandoned or sold.

Exploration properties are reviewed on a periodic basis to determine if events or changes in circumstances have transpired which indicate that the carrying value of mineral exploration and evaluation assets may not be recoverable. The recoverability of costs incurred on exploration is dependent upon numerous factors including exploration results, environmental risks, commodity risks, political risks and the Target Group's ability to attain profitable production.

For the purpose of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. If a property is deemed impaired, an impairment loss is measured and recorded based on the net recoverable value of the asset.

2.5 Financial instruments

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

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

Financial assets

Classification of financial assets

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

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

Amortised cost and effective interest rate method

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

Interest income is recognised in profit or loss and is included in the “finance income” line item.

Impairment of financial assets

The Target Group recognises a loss allowance for expected credit losses on investments in debt instruments that are 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 financial instrument.

(i) Definition of default

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

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

(ii) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default and the exposure at default). The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at each reporting date.

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

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

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Trade and other receivables

Trade and other receivables are recognised when the Target 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.

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost, unless where such balances include receivables based on provisional pricing and a price is not yet fixed for the sale, if allowed to be fixed under the contract. These may then be recognised initially at transaction price and subsequently remeasured at fair value through profit and loss, at period end date, with reference to forward market prices (if applicable).

Trade and other receivables at amortised cost are 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 Target Group's business model is to collect the contractual cash flows on trade and other receivables.

Cash and cash equivalents

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

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with original maturities of 3 months or less that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are classified as financial assets subsequently measured at amortised cost.

Financial liabilities

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

The Target Group has designated certain financial liabilities at fair value through profit or loss. The reason for the designation is to reduce or eliminate an accounting mismatch which would occur if the instruments were not classified as such. Refer to Note 14 for details.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Non-hedging derivatives

Classification

Non-hedging derivatives are classified as mandatory at fair value through profit or loss.

Recognition and measurement

Derivatives are recognised when the Target Group becomes a party to the contractual provisions of the instrument. They are measured, at initial recognition and subsequently, at fair value. Transaction costs are recognised in profit or loss.

Fair value gains or losses are included in other operating (losses) / gains (Note 22).

Trade and other payables

Classification

Trade and other payables (Note 17), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

They are recognised when the Target 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 rate method.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. 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 rate method results in the recognition of interest expense, then it is included in profit or loss in finance costs (Note 25).

Trade and other payables expose the Target Group to liquidity risk and possibly to interest rate risk. Refer to Note 34 for details of risk exposure and management thereof.

2.6 *Hedge accounting*

Hedge accounting is optional, which means the Target Group may elect to not adopt the specific accounting rules and instead account for the hedged instrument and the hedging instrument separately. If hedge accounting is not adopted, the hedging instrument is recognised at fair value through profit and loss.

The Target Group designates certain derivatives as hedging instruments. The Target Group has applied hedge accounting for the copper forward exchange contracts. Further details are disclosed in Note 14.

At the inception of the hedge relationship, the Target Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Target Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Target Group actually hedges and the quantity of the hedging instrument that the Target Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Target Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss in other operating (losses) / gains.

If the specific rules are adopted, unrealised fair value gains and losses on the hedging instrument are initially recognised in other comprehensive income and are reclassified to the profit and loss in the period when the hedged item materialised, and the hedging instrument is settled.

The Target Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

2.7 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities / (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods.

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) and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

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).

Such the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. Refer to Note 7 for further detail on deferred tax.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, to other comprehensive income.

2.8 Leases

The Target 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 Target 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.

A lease liability and corresponding right-of-use asset are recognised at the lease commencement date, for all lease agreements for which the Target Group is a lessee, except for short-term leases of 12 months or less, or leases of low value assets. For these leases, the Target Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Target Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments, less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the Target Group under residual value guarantees;
- the exercise price of purchase options, if the Target Group is reasonably certain to exercise the option; and
- penalties for early termination of a lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item on the Consolidated Statement of Financial Position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest rate method) and by reducing the carrying amount to reflect lease payments made.

Interest charged on the lease liability is included in finance costs (Note 25).

Right-of-use assets

The cost of right-of-use asset includes:

- the initial amount of the corresponding lease liability;
- any lease payments made at or before the commencement date;
- any initial direct costs incurred;
- any estimated costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, when the Target Group incurs an obligation to do so, unless these costs are incurred to produce inventories; and
- less any lease incentives received.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset.

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 a right-of-use asset with a cost that is significant in relation to the total cost of the asset 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.

2.9 Inventories

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 cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the Target Group.

When inventories are sold, the carrying amount of those inventories are recognised as an expense (cost of sales) in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Ore Stockpiles

All costs incurred associated with the mining of ore has been appropriately allocated to inventory stockpile.

Ore stockpiles, work in progress and final inventories are carried at the lowest of its cost of production and net realisable value.

2.10 Impairment of non-financial assets

The Target Group assesses at the end of each of the Relevant Periods whether there is any indication that an asset may be impaired. If any such indication exists, the Target Group estimates the recoverable amount of the 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.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in profit or loss.

2.11 Employee benefits

Short-term employee benefits

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

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

Defined contribution plans

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

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the Target Group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

2.12 Stated 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 classified as equity.

2.13 Revenue from contracts with customers

Revenue from the sale commodities is recognised when the Target Company has satisfied its performance obligation in terms of the sales agreement. Sales on FCA (free carrier) are recognised on the date of loading material at the mine site or date of issuance a holding certificate as per the sales agreement. Refer below regarding provisional and final pricing for recognition of revenue.

Assay estimates

Commodity sales are subject to assay estimates, which means that the transaction price is variable. The adjustments to revenue arising from assay adjustments will be included in revenue from contracts with customers.

Provisional and final pricing

Commodity sales are subject to provisional pricing features such as commodity prices and provisional assays, which are only finalised sometime after transfer of the commodities (quotational period). On initial recognition, revenue is recognised at transactional price. The revenue and related trade receivable are then remeasured at every subsequent period against revenue until the sale has been finalised. The sale is finalised at the average commodity prices for the quotational period unless the sales price has been fixed in terms of the sales agreement. The related trade receivable or payable are measured at fair value.

Revenue from the provision of services (management fees) are recognised when the Target Group has satisfied its performance obligation in terms of the management agreement.

Deferred revenue

The deferred revenue comprises of a long-term product supply agreement whereby an upfront payment is received in exchange for the future delivery of silver. The arrangement has been accounted for as an executory contract whereby the advance payment is recorded as deferred revenue.

Deferred revenue consists of: (i) initial cash payments received by the Target Group for future delivery of payable silver under the terms of the Target Group's Streaming Agreement, and (ii) a significant financing component of the Target Group's Streaming Agreement. Deferred revenue is increased as interest expense is recognised based on the implicit interest rate of the discounted cash flows arising from the expected delivery of ounces under the Target Group's Streaming Agreement. The amount by which the deferred revenue balance is reduced and recognised into revenue is based

on a rate per ounce of silver delivered under the Streaming Agreement. This rate per ounce of silver delivered relating to the payments received by the Target Group is based on the remaining deferred revenue balance divided by the ounces that are expected to be delivered over the term of the Stream Agreement.

As the Target Group's Streaming Agreement contains a variable component, IFRS 15 requires that the transaction price be updated and re-allocated on an ongoing basis. As a result, the deferred revenue recognised per ounce of silver delivered under the Streaming Agreement will require an adjustment each time there is a significant change in the underlying silver production profile of the mine.

2.14 Royalties

Royalties incurred by the Target Group comprise mineral extraction costs based on a percentage of sales. These obligations arising from the Mines and Minerals Act are recognised as current payables and disclosed as part cost of sales in the statement of profit or loss. Royalties and revenue-based taxes are accounted for under IAS 12 *Income Taxes* when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income - rather than based on quantity produced or as a percentage of revenue. For such arrangements, current and deferred tax is provided on the same basis as other forms of taxation. The royalties incurred by the Target Group are considered not to meet the criteria to be treated as part of income tax.

2.15 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use.

Commitment fees relating to loan facilities are recognised as a receivable and amortised over the tenure of the loan.

Borrowing costs on the deferred revenue balance is calculated by using the effective interest rate and recognised as an expense unless it is capitalised as part of the cost of a qualifying asset.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

2.16 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in US 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 each of the Relevant Periods:

- 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 amounts are received or paid 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 non-monetary items arising on payment or receipt of the advance consideration were initially recognised.

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 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 US Dollars by applying to the foreign currency amount the exchange rate between the US Dollar and the foreign currency at the date of the cash flow.

2.17 Environmental rehabilitation provision

A provision is recognised for anticipated expenditure to be incurred on mine rehabilitation to be undertaken after mine closure. These costs include the costs of dismantling and demolition of infrastructure or decommissioning, the removal of residual material and the remediation of disturbed areas. The provision is recognised when the asset is installed and/or the ground/environment is disturbed at the production location.

The amount of any provision recognised is the full amount that has been estimated based on current costs plus inflation required to settle present obligations, discounted using a pre-tax risk free nominal discount rate that matches the cash flows. Although estimates of future costs are reassessed annually, given the prolonged period to mine closure, it is possible that estimates of ultimate, environmental and rehabilitation liabilities could change as a result of changes in regulations, the extent of environmental remediation required and the means of reclamation or cost estimates.

When the liability is initially recorded, a corresponding asset, which represents future economic benefit, is capitalised as part of the cost of the related assets. At each reporting date, the environmental rehabilitation liability is re-measured in line with changes in discount rates and timing or amounts of the costs to be incurred. The environmental rehabilitation provision is adjusted for changes in estimates. Changes in the liability relating to environmental rehabilitation obligations are added to or deducted from the related asset, other than the unwinding of the discount which is recognised as a finance cost in the consolidated statement of profit and loss. Changes to capitalised cost result in an adjustment to future depreciation charges. For closed sites, changes to estimated costs are recognised immediately in other expenses in the consolidated statement of profit and loss.

3. NEW STANDARDS AND INTERPRETATIONS

3.1 *Standards and interpretations effective and adopted*

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Target Group has consistently applied IFRSs which conform with HKFRSs, which are effective for the accounting period beginning on 1 January 2023 throughout the Relevant Periods.

3.2 *Standards and interpretations not yet effective*

At the date of this report, the following new and amendments to IFRSs have been issued which are not yet effective:

Standard/Interpretation:	Effective date: Years beginning on or after	Expected impact:
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined	Unlikely there will be a material impact
Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements	1 January 2024	Unlikely there will be a material impact
Amendments to IAS 1: Non-current Liabilities with Covenants	1 January 2024	Unlikely there will be a material impact
Amendments to IFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024	Unlikely there will be a material impact
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2024	Unlikely there will be a material impact
Amendments to IAS 21: Lack of Exchangeability	1 January 2025	Unlikely there will be a material impact
IFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027	Under management's assessment
IFRS 19: Subsidiaries without Public Accountability: Disclosures	1 January 2027	Under management's assessment

4. PROPERTY, PLANT AND EQUIPMENT

	As at 31 December								
	2021			2022			2023		
	Cost US\$	Accumulated depreciation US\$	Carrying value US\$	Cost US\$	Accumulated depreciation US\$	Carrying value US\$	Cost US\$	Accumulated depreciation US\$	Carrying value US\$
Buildings	55,802,965	(3,488,735)	52,314,230	56,567,380	(5,717,651)	50,849,729	57,962,952	(7,743,325)	50,219,627
Plant and machinery	240,321,093	(12,644,921)	227,676,172	244,383,935	(22,803,919)	221,580,016	251,175,078	(33,362,762)	217,812,316
Furniture and fixtures	3,104,219	(1,285,058)	1,819,161	3,088,831	(1,752,756)	1,336,075	3,089,562	(2,158,396)	931,166
Motor vehicles	5,881,826	(1,521,531)	4,360,295	6,838,527	(2,580,766)	4,257,761	7,524,015	(3,661,326)	3,862,689
Office equipment	324,708	(90,835)	233,873	460,558	(183,135)	277,423	462,093	(277,044)	185,049
IT equipment	4,492,129	(1,313,648)	3,178,481	5,029,413	(2,374,363)	2,655,050	5,317,734	(3,075,372)	2,242,362
Computer software	1,894,124	(594,683)	1,299,441	2,030,015	(953,610)	1,076,405	2,066,172	(1,301,467)	764,705
Leasehold improvements	346,648	(240,695)	105,953	346,648	(287,944)	58,704	346,648	(328,198)	18,450
Capital insurance and evaluation	40,396	(1,065)	39,331	1,179,409	(187,879)	991,530	2,190,790	(238,272)	1,952,518
Exploration and evaluation	276,484,087	(381,389)	276,102,698	279,322,838	(2,115,036)	277,207,802	281,040,337	(4,430,593)	276,609,744
Capital - Work in progress	5,000,037	—	5,000,037	7,615,794	—	7,615,794	13,410,056	—	13,410,056
Rehabilitation assets	3,802,413	(251,725)	3,550,688	4,645,988	(434,293)	4,211,695	3,103,122	(617,792)	2,485,330
Capitalised mining development	261,466,409	(87,603,754)	173,862,655	315,319,418	(93,917,503)	221,401,915	368,774,532	(104,675,908)	264,098,624
Total	858,961,054	(109,418,039)	749,543,015	926,828,754	(133,308,855)	793,519,899	996,463,091	(161,870,455)	834,592,636

Reconciliation of property, plant and equipment - 2021

	Opening balance	Additions	Disposals	Adjustments**	Transfers	Other changes*	Depreciation	Impairment loss/ reversal***	Closing balance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Buildings	3,059,044	—	—	(1,002,115)	51,554,313	—	(1,219,285)	(77,727)	52,314,230
Plant and machinery	5,255,097	—	—	1,137,358	227,270,606	—	(5,646,024)	(340,865)	227,676,172
Furniture and fixtures	134,994	4,518	—	25	1,987,315	—	(307,691)	—	1,819,161
Motor vehicles	1,204,490	156,320	(64)	(1,146,705)	5,071,820	—	(921,057)	(4,509)	4,360,295
Office equipment	107,516	175,820	—	—	—	—	(49,463)	—	233,873
IT equipment	338,154	74,105	—	831	3,367,581	—	(602,190)	—	3,178,481
Computer software	60,246	3,369	—	—	1,454,459	—	(218,633)	—	1,299,441
Leasehold improvements	158,541	—	—	—	—	—	(52,588)	—	105,953
Capital insurance and evaluation	—	—	—	40,396	—	—	(1,065)	—	39,331
Exploration and evaluation	273,285,480	2,393,535	—	—	805,072	(381,389)	—	276,102,698	—
Capital - Work in progress	335,493,181	155,336,032	—	960,529	(461,717,458)	(25,072,247)	—	—	5,000,037
Rehabilitation assets	2,585,384	—	—	(877,892)	—	—	(120,222)	1,963,418	3,550,688
Capitalised mining development	—	6,406,534	—	—	169,400,949	—	(1,944,828)	—	173,862,655
	<u>621,682,127</u>	<u>164,550,233</u>	<u>(64)</u>	<u>(887,573)</u>	<u>(805,343)</u>	<u>(25,072,247)</u>	<u>(11,464,435)</u>	<u>1,540,317</u>	<u>749,543,015</u>

* In 2021, the Target Group allocated US\$25,072,247 of the capital work in progress to the Ore Stockpiles when the Target Group reached commercial production on 1 July 2021.

** In 2021, the assets were reviewed to ensure useful lives, depreciation rates and asset classes were appropriate. Adjustments/reallocations relating to the asset classes are disclosed as part of "Adjustments." The adjustment to the rehabilitation asset, is as a result of a change in the recomputed rehabilitation provision. As per IAS 37 and IFRIC 1, the changes in the rehabilitation provision, other than the unwinding of the discount are accounted for as adjustments to the rehabilitation asset.

*** A full review of the fixed assets had been performed to verify if any assets were made redundant, scrapped or replaced. Various assets have been identified that are currently not part of the life of mine plan and have been impaired accordingly. These mainly related to pre-stripping costs capitalised relating to the previously mined open pit.

In 2021, the rehabilitation asset accumulated impairment from previous periods when the Target Group assets were in care and maintenance was reversed. The Target Group completed refurbishing its processing plant in the current year and the circumstances that caused the prior impairment losses no longer existed, hence the reversal.

Reconciliation of property, plant and equipment - 2022

	Opening balance US\$	Additions US\$	Disposals US\$	Transfers US\$	Adjustment to rehabilitation asset US\$	Other changes* US\$	Depreciation US\$	Closing balance US\$
Buildings	52,314,230	94,341	—	670,074	—	—	(2,228,916)	50,849,729
Plant and machinery	227,676,172	1,703,832	—	2,546,889	—	—	(10,346,877)	221,580,016
Furniture and fixtures	1,819,161	2,351	(1,605)	11,019	—	(36)	(494,815)	1,336,075
Motor vehicles	4,360,295	856,327	—	100,374	—	—	(1,059,235)	4,257,761
Office equipment	233,873	89,409	—	46,441	—	—	(92,300)	277,423
IT equipment	3,178,481	5,240	—	213,346	—	318,698	(1,060,715)	2,655,050
Computer software	1,299,441	135,891	—	—	—	—	(358,927)	1,076,405
Leasehold improvements	105,953	—	—	—	—	—	(47,249)	58,704
Capital insurance and evaluation	39,331	951,191	—	23,961	—	—	(22,953)	991,530
Exploration and evaluation	276,102,698	2,459,133	—	379,619	—	—	(1,733,648)	277,207,802
Capital - Work in progress	5,000,037	7,244,405	—	(4,064,479)	—	(564,169)	—	7,615,794
Rehabilitation assets	3,550,688	—	—	—	820,622	—	(159,615)	4,211,695
Capitalised mining development	173,862,655	53,780,253	—	72,756	—	—	(6,313,749)	221,401,915
	<u>749,543,015</u>	<u>67,322,373</u>	<u>(1,605)</u>	<u>—</u>	<u>820,622</u>	<u>(245,507)</u>	<u>(23,918,999)</u>	<u>793,519,899</u>

* Other changes

The other changes column includes non-cash capital work in progress adjustments.

Reconciliation of property, plant and equipment - 2023

	Opening	Acquisition		Disposals	Transfers	Adjustment to rehabilitation asset	Translation differences	Depreciation	Closing balance
	balance	Additions	of subsidiary						
Buildings	50,849,729	1,395,572	—	—	—	—	—	(2,025,674)	50,219,627
Plant and machinery	221,580,016	3,685,105	—	—	3,106,038	—	—	(10,558,843)	217,812,316
Furniture and fixtures	1,336,075	—	—	(750)	—	—	(5)	(404,154)	931,166
Motor vehicles	4,257,761	754,645	—	(69,158)	—	—	—	(1,080,559)	3,862,689
Office equipment	277,423	—	119	(63)	—	—	3	(92,433)	185,049
IT equipment	2,655,050	127,200	11,121	(9,047)	147,410	—	5,693	(695,065)	2,242,362
Computer software	1,076,405	—	239	(301)	36,157	—	7	(347,802)	764,705
Leasehold improvements	58,704	—	—	—	—	—	—	(40,254)	18,450
Capital insurance and evaluation	991,530	1,011,381	—	—	—	—	—	(50,393)	1,952,518
Exploration and evaluation	277,207,802	1,717,499	—	—	—	—	—	(2,315,557)	276,609,744
Capital - Work in progress	7,615,794	9,142,864	—	—	(3,348,602)	—	—	—	13,410,056
Rehabilitation assets	4,211,695	—	—	—	—	(1,542,866)	—	(183,499)	2,485,330
Capitalised mining development	221,401,915	53,396,117	—	—	58,997	—	—	(10,758,405)	264,098,624
	<u>793,519,899</u>	<u>71,230,383</u>	<u>11,479</u>	<u>(79,319)</u>	<u>—</u>	<u>(1,542,866)</u>	<u>5,698</u>	<u>(28,552,638)</u>	<u>834,592,636</u>

5. RIGHT-OF-USE ASSETS AND LEASES

The Target Group's subsidiary, Khoemacau Copper Mining Proprietary Limited ("KCM") leases certain assets as below:

	Properties	Radio Tower	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At 1 January 2021	691,399	5,473	696,872
Additions	164,805	—	164,805
Depreciation	<u>(200,735)</u>	<u>(310)</u>	<u>(201,045)</u>
At 31 December 2021	655,469	5,163	660,632
Additions	750	—	750
Depreciation	<u>(126,701)</u>	<u>(279)</u>	<u>(126,980)</u>
At 31 December 2022	529,518	4,884	534,402
Additions	61,142	—	61,142
Depreciation	<u>(90,237)</u>	<u>(258)</u>	<u>(90,495)</u>
At 31 December 2023	<u>500,423</u>	<u>4,626</u>	<u>505,049</u>

Other disclosures

	Year ended 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Interest expense on lease liabilities	77,179	58,530	50,832
Payment on lease liabilities	<u>213,044</u>	<u>165,833</u>	<u>128,595</u>

Lease liabilities

The maturity analysis of lease liabilities is as follows:

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Within one year	133,513	74,026	88,718
Two to five years	431,072	305,688	345,840
More than five years	<u>130,692</u>	<u>157,611</u>	<u>60,834</u>
	<u>695,277</u>	<u>537,325</u>	<u>495,392</u>
Non-current liabilities	561,764	463,299	406,674
Current liabilities	<u>133,513</u>	<u>74,026</u>	<u>88,718</u>
	<u>695,277</u>	<u>537,325</u>	<u>495,392</u>

6. LOANS TO VENDOR'S COMPANIES

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Related company			
Cupric Africa Proprietary Limited	848,111	1,073,745	—
Holding company			
CCC	<u>5,668,696</u>	<u>5,678,907</u>	<u>6,074,046</u>
	<u>6,516,807</u>	<u>6,752,652</u>	<u>6,074,046</u>

These loans are unsecured, carry no interest and have no fixed repayment terms.

These loans have been classified as non-current as settlement is not planned in the next 12 months.

7. DEFERRED TAX

Deferred tax liability

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Property plant and equipment*	(151,389,032)	(154,005,672)	(181,142,279)
Financial asset	—	—	(948,256)
Prepayments*	<u>(767,603)</u>	<u>(663,327)</u>	<u>(1,023,550)</u>
Total deferred tax liability	<u>(152,156,635)</u>	<u>(154,668,999)</u>	<u>(183,114,085)</u>

Deferred tax asset

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Foreign exchange losses*	9,536,794	9,289,677	27,197,447
Environmental rehabilitation provision	1,008,987	1,068,630	1,081,969
Provision for incentive bonus*	588,571	1,210,178	964,704
Tax losses available for set off against future taxable income**	72,223,516	57,984,894	105,657,077
Lease liabilities	19,711	22,337	24,075
Financial liability at fair value	—	—	830,631
Non-deductible interest or thin cap limit	7,947,472	13,679,410	19,752,130
Section 50A: management fees, interest etc	8,046,797	7,761,064	9,356,331
Deferred revenue	<u>52,784,787</u>	<u>63,652,809</u>	<u>66,889,210</u>
Total deferred tax asset	<u>152,156,635</u>	<u>154,668,999</u>	<u>231,753,574</u>
Total net deferred tax asset	<u>—</u>	<u>—</u>	<u>48,639,489</u>

* These Target Group values also include the acquisition of subsidiary values.

** As at 31 December 2021, 2022 and 2023, the Target Group had assessed losses and deferred deductions under Section 50 and EBITDA carried forward interest under Section 41A of a total of US\$563,219,407, US\$579,210,733 and US\$612,570,627 available to set off against future mining profits respectively. These losses are Botswana Pula (BWP) denominated and are converted using the year-end closing rate. Assessed losses on mining operations do not expire.

Unrecognised deferred tax asset

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Deferred tax on losses not recognised	<u>36,981,734</u>	<u>48,960,084</u>	<u>—</u>

As at 31 December 2021 and 2022, deferred tax on losses and deductible temporary difference in relation to financial liability at fair value are not recognised due to the unpredictability of future assessable profit streams. Such assessed losses may be carried forward indefinitely.

8. INVENTORIES

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Ore stockpiles	769,007	1,699,949	1,154,486
Materials and supplies	6,393,970	10,071,363	11,197,254
Work in progress	590,187	701,855	552,286
Finished goods	<u>355,199</u>	<u>1,218,594</u>	<u>762,480</u>
	8,108,363	13,691,761	13,666,506
Inventory obsolescence provision	<u>(333,516)</u>	<u>(86,334)</u>	<u>(109,242)</u>
	<u>7,774,847</u>	<u>13,605,427</u>	<u>13,557,264</u>

During 2021, 2022 and 2023, an amount of US\$79,398,596, US\$125,445,538 and US\$150,429,730 of inventory has been recorded as an expense respectively.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Financial instruments:			
Trade receivables	6,263,501	6,120,550	5,814,194
Deposits	21,910	19,923	15,881
Other receivables	94	1,413	2,450
Non-financial instruments:			
VAT	7,644,909	3,465,517	5,976,936
Withholding tax	—	—	188,300
Prepayments	<u>4,365,972</u>	<u>5,041,794</u>	<u>5,143,747</u>
Total trade and other receivables	<u>18,296,386</u>	<u>14,649,197</u>	<u>17,141,508</u>

As at 1 January 2021, trade receivables from contracts with customers is nil.

Trade receivables relates to invoices not yet settled by the off-taker relating to the contracts with the customer.

Prepayments balance mainly comprises advance payments made for insurance, and advance payments for purchases of supply inventory and assets in transit.

The credit quality of trade and other receivables that are neither past due nor impaired have been assessed by management considering financial and operating strength of the counterparties.

The carrying amount of trade and other receivables approximates its fair value.

As of 31 December 2021, 2022 and 2023, there were no trade and other receivables which were past due but not impaired.

As of 31 December 2021, 2022 and 2023, there were no trade and other receivables which were impaired. A nil expected credit loss has been assessed for trade and other receivables. The Target Group's customer has no history of default.

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Cash on hand	428	779	2,128
Bank balances	40,231,821	59,226,813	33,816,828
Bank overdraft*	<u>(31,609)</u>	<u>(30,467)</u>	<u>(35,838)</u>
	<u>40,200,640</u>	<u>59,197,125</u>	<u>33,783,118</u>
Current assets	40,232,249	59,227,592	33,818,956
Current liabilities	<u>(31,609)</u>	<u>(30,467)</u>	<u>(35,838)</u>
	<u>40,200,640</u>	<u>59,197,125</u>	<u>33,783,118</u>

* The bank overdraft relates to overdrawn bank accounts as a result of reconciling items and is not a contractual overdraft facility.

Credit quality of cash at bank and short term deposits, excluding cash on hand

The credit quality of cash at bank and short term deposits, excluding cash on hand that are neither past due nor impaired can be assessed by historical information about counterparty default rates. The commercial banks in Botswana are not rated, however, these financial institutions are subsidiaries of rated banks from South Africa.

All bank accounts not within Botswana are from rated financial institutions.

Management have assessed the credit rating for South African banks and United Kingdom Banks with a stable outlook and no probability of default has been assessed for the bank balances as such the credit losses have been as assessed as nil.

11. STATED CAPITAL

	Year ended 31 December		
	2021	2022	2023
Reconciliation of number of shares issued:			
Reported as at the beginning of the year	402,446,724	402,446,724	405,085,943
Issue of shares - ordinary shares of no par value	<u>—</u>	<u>2,639,219</u>	<u>—</u>
	<u>402,446,724</u>	<u>405,085,943</u>	<u>405,085,943</u>

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Issued (value of shares)			
Balance at beginning of the period	428,780,611	428,780,611	438,780,611
Issue of shares - ordinary shares of no par value	<u>—</u>	<u>10,000,000</u>	<u>—</u>
	<u>428,780,611</u>	<u>438,780,611</u>	<u>438,780,611</u>

12. RESERVES

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Equity attributable to owners	(104,210,679)	(104,210,679)	(104,210,679)
Discount on issue of shares	<u>590,256</u>	<u>590,256</u>	<u>590,256</u>
Other non-distributable reserve	(103,620,423)	(103,620,423)	(103,620,423)
Foreign currency translation reserve*	(60,646,554)	(60,646,554)	(60,655,021)
Cash flow hedge reserve**	(45,976,967)	(13,568,484)	—
Common control reserve	<u>—</u>	<u>—</u>	<u>(272,515)</u>
	<u>(210,243,944)</u>	<u>(177,835,461)</u>	<u>(164,547,959)</u>

In December 2016, the Target Company acquired an additional 18.55% interest in Hana Mining Limited (HML), increasing its ownership from 81.45% to 100%. The fair value of HML's assets in the consolidated financial statements on the date of acquisition was US\$675,000,000. The acquisition resulted in a decrease in equity attributable to owners of US\$104,210,679 as follows:

Carrying amount of non-controlling interest:	US\$21,023,855
Less: Consideration (US\$675 million *18.55%):	US\$125,234,534
Decrease in equity attributable to owners:	US\$104,210,679

In 2019, shares were issued to a director, at a discount as follows:

Fair value of shares issued:	US\$1,190,256
Less: Stated capital issued:	US\$600,000
Discount on issue of shares:	US\$590,256

* Translation reserve comprises exchange differences as a result of changing presentation currency.

** Management has elected to adopt hedge accounting for the copper forward contracts as hedge accounting better reflects management's strategic objective to minimise the risk of adverse impact of commodity price movements on the Target Group's cash flows.

Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognised in other comprehensive income, a separate component within equity. The ineffective portion of the change in the fair value of the hedging instrument, if any, is recognised directly in profit and loss.

The amount recognised in other comprehensive income is the lower of:

- The cumulative gain or loss on the hedging instrument from the inception of the hedge; and
- The cumulative change in the fair value (present value) of the expected cash flows on the hedged item from the inception of the hedge.

	As at 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Copper forward exchange contract	<u>(45,976,967)</u>	<u>(13,568,484)</u>	<u>—</u>

13. BORROWINGS

	As at 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
At amortised cost			
Red Kite Opportunities Master Fund Limited	293,350,000	293,350,000	263,350,000
Red Kite Opportunities Master Fund Limited - Arrangement fees	(3,766,403)	(3,682,500)	(2,632,126)
Initial copper derivative valuation*	—	—	(2,990,003)
Royal Gold AG Facility (RGLD)	<u>26,897,299</u>	<u>30,500,487</u>	<u>35,722,919</u>
	<u><u>316,480,896</u></u>	<u><u>320,167,987</u></u>	<u><u>293,450,790</u></u>
Split between non-current and current portions			
Non-current liabilities	302,239,842	291,087,982	275,553,022
Current liabilities	<u>14,241,054</u>	<u>29,080,005</u>	<u>17,897,768</u>
	<u><u>316,480,896</u></u>	<u><u>320,167,987</u></u>	<u><u>293,450,790</u></u>

* The US\$2,990,003 relates to the separation of the copper derivative from the host contract at inception (refer to Note 14). This balance is expected to be amortised as finance costs using the effective interest rate method.

Security

In terms of the funding agreements in place with Red Kite Opportunities Master Fund Limited (first ranking) and Royal Gold AG (second ranking), effectively all of KCM and Discovery Copper (Botswana) Proprietary Limited (DCB)'s property, plant and equipment, bank accounts, mining and prospecting licenses, surface rights, major contracts including insurance and reinsurance policies are secured in favour of these two parties. In addition, the security in place also extends to the shares owned, directly or indirectly, by KCM's holding company (the Target Company) through to KCM and DCB.

Red Kite Opportunities Master Fund Limited

On 24 February 2019, the Target Group entered into a Term Loan Facility Agreement with Red Kite for up to US\$275 million. The facility has a maturity date of 31 December 2026. It includes an interest rate of 9.12% + LIBOR (shifted to "Synthetic LIBOR" during 2023), and initial arrangement fee of US\$4.9 million and a charge for unused commitments of 2% per annum on the available unused facility during the availability period which was from 24 February 2019 until 23 February 2021. In 2021, amendments were made to increase the facility to US\$293.4 million, being the increase in capitalised interest from US\$25 million to US\$33 million and the additional US\$10.35 million drawn.

In 2021, 2022 and 2023, the Target Group paid interest of US\$7.9 million against an interest accrued of US\$28 million, US\$33.1 million and US\$41.2 million respectively.

Royal Gold AG Facility (RGLD)

The Target Group entered into a Purchaser Overrun facility with Royal Gold AG in February 2019. The Facility includes an interest rate of 11% + LIBOR (from 2023 SOFR).

14. FINANCIAL LIABILITIES

	As at 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Copper derivative	21,234,677	19,588,068	14,763,507
Hedging derivatives			
Copper forward exchange contract	<u>45,976,967</u>	<u>13,568,484</u>	<u>1,053,429</u>
	<u>67,211,644</u>	<u>33,156,552</u>	<u>15,816,936</u>
Split between non-current and current portions			
Non-current liabilities	67,211,644	13,192,576	7,486,112
Current liabilities	<u>—</u>	<u>19,963,976</u>	<u>8,330,824</u>
	<u>67,211,644</u>	<u>33,156,552</u>	<u>15,816,936</u>

Copper derivative

The Target Group entered into a loan agreement with Red Kite Opportunities Mater Fund Limited (See Note 13) on 24 February 2019.

Embedded in the loan agreement is a copper call based on average London Metal Exchange (LME) prices. In each of September 2023, 2024 and 2025, the Target Group has to pay the lender an additional fee equal to the September LME price less the Exercise Price multiplied by the designated amount of copper for the various settlement dates (amount of 3500mt of LME Grade A deliverable copper). The Exercise Price is the average of the quoted LME office settlement price of copper in dollars per metric tonne over the 20 LME trading days that immediately follow the date of the loan agreement.

During 2023 the Target Group paid US\$6.26 million on the first tranche of the copper derivative.

The embedded derivative (copper call) is measured separately from the loan as the economic characteristics and risks are not closely related. Separated embedded derivatives are classified as measured at fair value through profit or loss unless they are designated as effective hedging instruments. Further details on the copper derivative fair value are disclosed in Note 33. The embedded derivative is not designated as a hedging instrument.

Copper forward exchange contract

KCM entered into forward sales. Forward sales are in effect a transaction to sell copper in the future at a pre-agreed price, or the forward sale strike price. These transactions are financially settled and not by actual delivery of copper, and the financial settlement is the net value of the forward sale against the prevailing spot market.

15. DEFERRED REVENUE

The Target Group entered into a silver purchase and sale agreement (Streaming Agreement) with Royal Gold AG (Streamer) in July 2019. The key terms of this agreement are summarised as follows:

- Total available funding facility of US\$265 million was made up of:
 - US\$212 million from the first tranche - Streamer has a right to 80% of the production from the AOI (Area of Interest) indefinitely.
 - US\$53 million or part thereof - second tranche - entitles the Streamer to 100% of the production from when the amount is fully drawn.
 - The tranches are independent. The Target Group did take up US\$265 million.
- Streaming is limited to silver ounces produced from AOI except if throughput ore is less than 13 thousand tonnes per day (ktpd) and the mine is producing outside of the AOI, then those ounces will be subject of the stream.
- AOI is clearly defined in the Streaming Agreement. If ore throughput from the AOI is performing at greater than or equal to 13ktpd, all production outside AOI is not subject of the stream.
- The Agreement has an initial term of 40 years but is extendable at either parties' option, making it effectively indefinite.
- On delivery of the silver by the Target Group to the Streamer, the Streamer pays the Target Group, the "Cash Price" for 20% of these ounces, at the spot silver price. Once 40 million ounces have been delivered, the "Cash Price" will increase to 50%.
- In 2021, the balance of US\$32.6 million of the US\$212 million from the first tranche was received by the Target Group. The US\$212 million was fully drawn which provided the Streamer with the right to 80% of the production from the AOI.

- The Target Group also elected its option to utilise a portion of the US\$53 million (second tranche) during 2021. A utilisation of US\$26.5 million was made in 2021, which increased the Streamer's rights from 80% to 90% of the production from the AOI from October 2021 onwards.
- The remaining US\$26.5 million was drawn during 2022, resulting in the full US\$53 million from the second tranche being drawn and increasing the Streamer's rights to 100% from 14 March 2022 onwards.
- Interest expense is recognised based on the effective interest rate of the cash flows arising from the expected delivery of ounces under the Target Group's Streaming Agreement.
- Any changes in the LoM are accounted for prospectively as a cumulative catch-up in the year that the LoM estimate above changes, or the inclusion of resources changes. These adjustments are included in finance cost in the year of change.

Revenue amortisation is the sum of the principal and interest related portion of deferred revenue contract balance amortised as revenue through profit and loss based on the number of silver ounces delivered in the current period. Refer revenue Note 19 for details.

	As at 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Non-current liabilities	252,292,070	278,075,333	294,849,779
Current liabilities	<u>6,822,614</u>	<u>11,255,618</u>	<u>9,192,083</u>
	<u><u>259,114,684</u></u>	<u><u>289,330,951</u></u>	<u><u>304,041,862</u></u>

Reconciliation of deferred revenue

	Opening balance	Funds received during the year	Interest accrued	Revenue amortisation	Closing balance
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
2021					
Deferred revenue	<u>189,541,623</u>	<u>59,141,000</u>	<u>15,077,532</u>	<u>(4,645,471)</u>	<u><u>259,114,684</u></u>

	Opening balance	Funds received during the year	Interest accrued	Revenue amortisation	Closing balance
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>

2022

Deferred revenue	<u>259,114,684</u>	<u>26,500,000</u>	<u>19,242,346</u>	<u>(15,526,079)</u>	<u>289,330,951</u>
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	Opening balance	Interest accrued	Revenue amortisation	Closing balance
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>

2023

Deferred revenue	<u>289,330,951</u>	<u>35,629,791</u>	<u>(20,918,880)</u>	<u>304,041,862</u>
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16. ENVIRONMENTAL REHABILITATION PROVISION

Reconciliation of environmental rehabilitation provision - 2021

	Opening balance	Adjustment to rehabilitation asset	Rehabilitation liability remeasurement	Finance charge	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Environmental rehabilitation	<u>8,742,926</u>	<u>(877,892)</u>	<u>(855,859)</u>	<u>861,664</u>	<u>7,870,839</u>

Reconciliation of environmental rehabilitation provision - 2022

	Opening balance	Adjustment to rehabilitation asset	Rehabilitation liability remeasurement	Finance charge	Total
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Environmental rehabilitation	<u>7,870,839</u>	<u>820,622</u>	<u>(305,468)</u>	<u>801,531</u>	<u>9,187,524</u>

Reconciliation of environmental rehabilitation provision - 2023

	Opening balance <i>US\$</i>	Adjustment to rehabilitation asset <i>US\$</i>	Rehabilitation liability remeasurement <i>US\$</i>	Finance charge <i>US\$</i>	Total <i>US\$</i>
Environmental rehabilitation	<u>9,187,524</u>	<u>(1,542,866)</u>	<u>(1,161,381)</u>	<u>920,096</u>	<u>7,403,373</u>

Mine rehabilitation

The Target Group recognises that it has an obligation to restore its mine sites to their original condition at the end of the life of mine. Mine rehabilitation costs are provided for at the present value of future expected expenditure when the liability is incurred. Although the ultimate cost to be incurred is uncertain, the Target Group has estimated its costs based on feasibility and engineering studies using current restoration standards and techniques.

As at 31 December 2021, 2022 and 2023, the mine rehabilitation provision has been calculated based on an expected life of mine to 2042, 2043 and 2040, using a discount rate of 10.12%, 10.69% and 11.3% and inflation rate of 4.6%, 6.5% and 4.5% respectively. The discount rate is linked to the cost of financing, reflecting the current market assessments of the time value of money and changes to the Libor and margin rate.

17. TRADE AND OTHER PAYABLES

	As at 31 December		
	2021 <i>US\$</i>	2022 <i>US\$</i>	2023 <i>US\$</i>
Financial instruments:			
Trade payables	23,947,744	22,146,052	23,732,831
Other payables	2,036,952	1,940,520	4,100,992
Non-financial instruments:			
Value Added Tax ("VAT") deferred account	115,520	126,356	272,132
Short term employee benefits	2,356,580	5,554,199	2,800,741
VAT	578,769	140,922	501,658
Accrued bonus	<u>2,516,751</u>	<u>5,062,898</u>	<u>4,236,047</u>
	<u>31,552,316</u>	<u>34,970,947</u>	<u>35,644,401</u>

18. LOAN FROM VENDOR'S COMPANY

	As at 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Holding company			
- CCC	<u>180,888</u>	<u>210,238</u>	<u>523,947</u>

The loan is unsecured, carries no interest and has no fixed repayment terms.

19. REVENUE

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Revenue from contracts with customers	104,842,625	256,786,353	345,279,143
Deferred revenue recognised	4,645,471	15,526,079	20,918,880
Adjustment to variable consideration			
- Revenue from contracts with customers	(944,392)	202,972	(397,879)
Copper hedge gain (loss)	<u>—</u>	<u>878,875</u>	<u>(14,200,725)</u>
	<u>108,543,704</u>	<u>273,394,279</u>	<u>351,599,419</u>

Revenue relates to the sale of commodities (copper and silver) that is subject to provisional pricing features such as commodity prices and assays, which are only finalised sometime after the transfer of the commodities. On initial and final recognition, revenue is recognised at the transactional price in 'Revenue from contracts with customers' with the sales not yet finalised being remeasured at period end with the adjustment included in revenue as 'Adjustment to variable consideration - Revenue from contracts with customers'. The revenue is recognised at a point in time.

Deferred revenue is the sum of the principal and interest related portion of deferred revenue contract balance amortised as revenue through profit and loss based on the number of silver ounces delivered during the year (Refer to Note 15).

20. COST OF SALES

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Operating expenses*	91,074,531	147,746,967	173,925,819
Royalty expense	<u>3,478,961</u>	<u>9,154,320</u>	<u>12,036,676</u>
	<u>94,553,492</u>	<u>156,901,287</u>	<u>185,962,495</u>

* Operating expenses consisted of changes in inventories, employee benefit expenses, depreciation and amortisation expenses, energy costs and other cost of operations.

21. OTHER OPERATING INCOME

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Discount received	32,342	32,235	88,240
Sundry income	<u>1,002,770</u>	<u>308,945</u>	<u>1,295,641</u>
	<u>1,035,112</u>	<u>341,180</u>	<u>1,383,881</u>

22. OTHER OPERATING (LOSSES) / GAINS

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Gains / (losses) on disposals			
Property, plant and equipment	18,842	9,638	(4,568)
Fair value (losses) / gains			
Copper derivative	<u>(14,392,538)</u>	<u>1,630,353</u>	<u>(1,432,949)</u>
Total other operating (losses) / gains	<u>(14,373,696)</u>	<u>1,639,991</u>	<u>(1,437,517)</u>

23. OPERATING (LOSS) / PROFIT

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

Remuneration, other than to employees

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Administrative and managerial services	3,331,000	3,272,443	2,803,674
Consulting and professional services	1,422,976	2,298,688	3,273,686
Secretarial services	3,812	5,250	—
Technical services	<u>235,172</u>	<u>471,835</u>	<u>412,210</u>
	<u>4,992,960</u>	<u>6,048,216</u>	<u>6,489,570</u>

Depreciation

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Depreciation of property, plant and equipment	11,464,435	23,918,999	28,552,638
Depreciation of right-of-use assets	<u>201,045</u>	<u>126,980</u>	<u>90,495</u>
Total depreciation	<u>11,665,480</u>	<u>24,045,979</u>	<u>28,643,133</u>

24. FINANCE INCOME

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Bank and other cash	43,129	733,936	3,144,291
Other financial assets	<u>(12,506)</u>	<u>—</u>	<u>—</u>
	<u>30,623</u>	<u>733,936</u>	<u>3,144,291</u>

25. FINANCE COSTS

	Year ended 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Arrangement fees	692,417	1,512,412	879,111
Other interest	—	6,538	1,320,251
Interest accrued on deferred revenue	15,077,532	19,242,346	35,629,791
Withholding tax on Interest accrued*	—	5,843,474	7,858,437
Interest accrued*	28,045,802	33,113,023	41,156,337
Lease liabilities*	77,179	58,530	50,832
Commitment fees	11,273	—	—
Unwinding of discount on environmental rehabilitation provision	861,664	801,531	920,096
Interest paid to off-taker*	246,633	1,077,118	2,818,287
RGLD interest accrued	<u>1,897,299</u>	<u>3,603,188</u>	<u>5,222,431</u>
 Total finance costs	 <u>46,909,799</u>	 <u>65,258,160</u>	 <u>95,855,573</u>
 Less: Borrowing costs capitalised	 <u>(14,124,648)</u>	 <u>—</u>	 <u>—</u>
 Total finance costs expensed	 <u>32,785,151</u>	 <u>65,258,160</u>	 <u>95,855,573</u>

* For 2022 and 2023, interest paid (as disclosed under operating cash flows in the statement of cash flows) is the sum of: interest accrued, withholding tax on interest accrued, lease liabilities and interest paid to off-taker totaling US\$40,098,683 (including 'other interest' which was also paid) and US\$51,883,892 for the Target Group respectively.

26. TAXATION

Major components of the tax expenses / (credit)

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Current			
Local income tax - current period	<u>447,332</u>	<u>2,129,576</u>	<u>3,204,156</u>
Deferred			
Carry forward losses and temporary differences	<u>—</u>	<u>—</u>	<u>(48,556,425)</u>
	<u>447,332</u>	<u>2,129,576</u>	<u>(45,352,269)</u>

Reconciliation of the tax expense / (credit)

Reconciliation between accounting (loss) / profit and tax expense / (credit).

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Accounting (loss) / profit	(51,426,065)	21,027,629	37,604,366
Tax (credit) / expense at the applicable tax rate of 27%	(13,885,038)	5,677,460	10,153,179
Tax effect of adjustments on accounting (loss) / profit			
Donations	3,240	116,371	—
Prior year tax over provision	35,860	(35,860)	—
Deferred tax relating to carry forward tax losses*	—	—	(47,875,250)
Permanent differences	(372,182)	—	—
Difference in tax rates	2,176,309	(1,461,202)	(1,790,987)
Other adjustments**	12,489,143	(2,167,193)	(5,953,521)
Non-deductible expenses	<u>—</u>	<u>—</u>	<u>114,310</u>
	<u>447,332</u>	<u>2,129,576</u>	<u>(45,352,269)</u>

* The Target Group commenced commercial production on 1 July 2021 and reached full production in Q4 2022. Management has assessed recoverability of such deferred tax asset to the extent that the Target Group would have sufficient tax profit to utilise the tax losses based on the latest financial model in 2021, 2022 and 2023. Management considers it reasonable to recognise the deferred tax asset on these losses.

** The tax computations for the operating subsidiaries (KCM and DCB) are prepared and submitted to the local tax authority in BWP which is the local currency of Botswana in line with the prevailing tax legislation. In this regard, certain items, such as exchange differences and brought forward assessed losses and other temporary differences, have different impacts on the trading profit as determined in BWP for the determination of taxable profits and the US\$ trading profit determined in accordance with IFRS.

27. CASH GENERATED FROM OPERATIONS

	Year ended 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
(Loss) / profit before taxation	(51,426,065)	21,027,629	37,604,366
Adjustments for:			
Depreciation	11,665,480	24,045,979	28,643,133
Gain on foreign exchange (Forex)	(62,284)	—	—
(Profit) / loss on sale of assets	(18,842)	(9,638)	4,568
Finance income	(30,623)	(733,936)	(3,144,291)
Finance costs	32,785,151	65,258,160	95,855,573
Fair value movement (copper derivative)	14,392,538	(1,630,353)	1,432,949
Impairment loss	(1,540,317)	—	—
Lease modification	(1,008)	—	—
Forex translation on lease liabilities	(164,805)	(51,397)	(25,312)
Forex translation on borrowings	(55,153)	71,491	171,264
Gain on rehabilitation liability re-measurement	(855,859)	(305,468)	(1,161,381)
Forex translation on cash and cash equivalents	—	—	156,913
Other expense movements (Note 29)	—	—	(4,310,254)
Amortisation of deferred revenue	(4,645,471)	(15,526,079)	(20,918,880)
Changes in working capital:			
Inventories**	22,024,160	(5,830,580)	48,163
Trade and other receivables	(10,344,455)	3,647,189	(2,356,084)
Trade and other payables*	9,592,842	3,647,881	1,628,162
Change in related party payable	(35,358)	9,625	—
	<u>21,279,931</u>	<u>93,620,503</u>	<u>133,628,889</u>

- * The trade and other payables movement includes non-cash capital work in progress adjustments and property, plant and equipment adjustments.

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Property, plant & equipment other movements	—	245,471	—
Non-cash capital work in progress	—	—	315,820
	<u>—</u>	<u>245,471</u>	<u>315,820</u>

- ** In 2021, the inventories movement included a non-cash allocation of the capital work in progress to the ore stockpiles.

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Inventory movements	<u>25,072,247</u>	<u>—</u>	<u>—</u>

28. TAX PAID

	Year ended 31 December		
	2021	2022	2023
	US\$	US\$	US\$
Balance at beginning of the year	—	(447,332)	57,434
Current tax for the year recognised in profit or loss	(447,332)	(2,129,576)	(3,204,156)
Opening balance from acquisition of subsidiary	—	—	1,869
Balance at end of the year*	<u>447,332</u>	<u>(57,434)</u>	<u>67,622</u>
	<u>—</u>	<u>(2,634,342)</u>	<u>(3,077,231)</u>

- * Note: Balance is net of current tax receivable and current tax payable.

29. CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Reconciliation of liabilities arising from financing activities - 2021

	Opening balance	Interest accrued	Amortisation	Foreign exchange gains/losses	Cash outflows - interest	Total non-cash movements	Cash flows	Closing balance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Borrowings	220,188,810	29,954,374	975,561	(55,153)	(8,074,696)	22,800,086	73,492,000	316,480,896
Deferred revenue	<u>189,541,623</u>	<u>15,077,532</u>	<u>(4,645,471)</u>	<u>—</u>	<u>—</u>	<u>10,432,061</u>	<u>59,141,000</u>	<u>259,114,684</u>
	<u>409,730,433</u>	<u>45,031,906</u>	<u>(3,669,910)</u>	<u>(55,153)</u>	<u>(8,074,696)</u>	<u>33,232,147</u>	<u>132,633,000</u>	<u>575,595,580</u>

Reconciliation of liabilities arising from financing activities - 2022

	Opening balance	Interest accrued	Amortisation	Foreign exchange gains/losses	Total non-cash movements	Cash flows	Closing balance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Borrowings	316,480,896	36,716,211	1,512,412	71,491	38,300,114	(34,613,023)	320,167,987
Deferred revenue	<u>259,114,684</u>	<u>19,242,346</u>	<u>(15,526,079)</u>	<u>—</u>	<u>3,716,267</u>	<u>26,500,000</u>	<u>289,330,951</u>
	<u>575,595,580</u>	<u>55,958,557</u>	<u>(14,013,667)</u>	<u>71,491</u>	<u>42,016,381</u>	<u>(8,113,023)</u>	<u>609,498,938</u>

Reconciliation of liabilities arising from financing activities - 2023

	Opening balance	Interest accrued	Other changes*	Amortisation	Total non-cash movements	Cash flows	Closing balance
	US\$	US\$	US\$	US\$	US\$	US\$	US\$
Borrowings	320,167,987	47,699,019	(4,138,990)	879,111	44,439,140	(71,156,337)	293,450,790
Deferred revenue	<u>289,330,951</u>	<u>35,629,791</u>	<u>—</u>	<u>(20,918,880)</u>	<u>14,710,911</u>	<u>—</u>	<u>304,041,862</u>
	<u>609,498,938</u>	<u>83,328,810</u>	<u>(4,138,990)</u>	<u>(20,039,769)</u>	<u>59,150,051</u>	<u>(71,156,337)</u>	<u>597,492,652</u>

* Other changes include US\$4,310,254 of the copper derivative prior year adjustments done in the current year and US\$171,264 of foreign exchange differences on borrowings.

30. COMMITMENTS

Authorised capital expenditure

Minimum expenditure in respect of prospecting licenses:

The Target Group has certain obligations to perform minimum exploration work and incur minimum expenditure on mineral exploration prospecting licenses. The Target Group committed to spend a minimum expenditure as per below to keep its current Botswana prospecting licences in good standing.

2024 Minimum expenditure committed per prospecting license (Target Group):

	<i>US\$</i>
PL001/2006	39,200
PL002/2006	65,072
PL003/2006	65,072
PL004/2006	39,200
PL005/2006	39,200
PL095/2006	308,703
PL098/2005	37,350
PL099/2005	261,451
PL100/2005	37,350
PL101/2005	<u>18,675</u>
	<u><u>911,273</u></u>

Commitments towards property, plant and equipment

As at December 2021, the Target Group had committed to US\$2,325,772 of capital spend, mainly relating to the haulage workshop and depot.

As at December 2022, the Target Group had committed to US\$6,453,998 of capital spend, mainly relating to the process plant concentrate thickener refurbishment and mining underground development dewatering boreholes and pump stations.

As at December 2023, the Target Group had committed to US\$10,776,411 of capital spend, mainly relating to primary ventilation systems and mining underground development. These will be funded from internally generated cash flows.

The capital commitments were all due within 1 year.

31. RELATED PARTIES

Relationships

Holding company (in Cayman Islands)	CCC
Subsidiary (in Canada)	HML
Subsidiaries (in Botswana)	KCM
	DCB
Subsidiary (in South Africa)	Cupric Africa Proprietary Limited*

* 100% of the shares in Cupric Africa Proprietary Limited (Cupric Africa) were sold from CCC to KCM pursuant to a share sale and purchase agreement dated 13 October 2023.

For purpose of these financial statements for inclusion in the Circular, it was considered immaterial to include Cupric Africa as part of the consolidated Target Group retrospectively from 1 January 2021.

Cupric Africa's primary purpose is to provide administrative and management services to the Target Group entities with all its revenue arising from such activity. Operational costs mainly comprise of employee cost, lease of office premises and depreciation on property and equipment.

The functional and presentation currency for Cupric Africa is Rands. Key financial information is presented below for Cupric Africa.

	2021		2022	
	<i>Rand</i>	<i>US\$</i>	<i>Rand</i>	<i>US\$</i>
Cash and cash equivalents	8,460,394	530,432	13,563,615	797,860
Total assets	12,994,082	814,676	18,711,767	1,100,692
Loan from KCM	13,518,800	847,574	18,488,200	1,087,541
Total liabilities	20,305,739	1,273,087	26,181,615	1,540,095
Revenue	25,296,608	1,712,805	30,096,441	1,839,167
Operating expenses	29,135,198	1,972,712	30,921,330	1,889,575
Operational cash flow	<u>3,659,236</u>	<u>247,763</u>	<u>209,983</u>	<u>12,832</u>

Related party balances & transactions (considering Cupric Africa outside the consolidated Target Group for 2021/2022)

	Year ended 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Related party balances			
Loan accounts			
— Loan to related parties			
Cupric Africa Proprietary Limited	848,111	1,073,745	—
CCC	5,668,696	5,678,907	6,074,046
— Loan from a related party			
CCC	180,888	210,238	523,947
Related party payable			
Cupric Africa Proprietary Limited	(140,337)	(149,962)	—
Related party transactions			
Management fees expense paid to related parties			
Cupric Africa Proprietary Limited	1,124,009	1,257,095	—
Expense reimbursement paid to related parties			
Cupric Africa Proprietary Limited	16,624	9,800	—
CCC	1,625,430	1,375,785	1,464,584
Technical fees paid to related parties			
Cupric Africa Proprietary Limited	562,004	628,548	—
Compensation to directors and other key management			
Remuneration	<u>3,001,156</u>	<u>2,922,107</u>	<u>3,703,785</u>

32. CONTINGENT LIABILITIES

Guarantees

The Target Group held the following unsecured payment guarantees with ABSA Bank of Botswana.

	As at 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Botswana Power Corporation (BPC)	—	938,722	864,282
Botswana Innovation hub (BIH)	—	15,721	14,475
	<u>—</u>	<u>954,443</u>	<u>878,757</u>

The Target Group entered into a power supply agreement with the BPC in 2020 and has a contractual obligation to furnish BPC with a payment guarantee.

The Target Group entered a Rental Agreement for the Gaborone office with the BIH in 2019 and has a contractual obligation to furnish BIH with a payment guarantee.

33. FAIR VALUE INFORMATION

The valuation of the copper derivative was performed using the Blacks Model.

As at 31 December 2021, 2022 and 2023, the fair value of the copper derivative was US\$21,234,677, US\$19,588,068 and US\$14,763,507 respectively. Fair value movements are reported in profit and loss.

The following table provides the fair value measurement hierarchy of the copper derivative as at each of the reporting date:

	Date of valuation	Total	Quoted	Significant	Significant
			process in active market (level 1)	observable inputs (level 2)	unobservable inputs (level 3)
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Embedded derivative in the loan	31 December 2021	<u>21,234,677</u>	<u>—</u>	<u>21,234,677</u>	<u>—</u>

	Date of valuation	Total <i>US\$</i>	Quoted process in active market (level 1) <i>US\$</i>	Significant observable inputs (level 2) <i>US\$</i>	Significant unobservable inputs (level 3) <i>US\$</i>
Embedded derivative in the loan	31 December 2022	<u>19,588,068</u>	<u>—</u>	<u>19,588,068</u>	<u>—</u>

	Date of valuation	Total <i>US\$</i>	Quoted process in active market (level 1) <i>US\$</i>	Significant observable inputs (level 2) <i>US\$</i>	Significant unobservable inputs (level 3) <i>US\$</i>
Embedded derivative in the loan	31 December 2023	<u>14,763,507</u>	<u>—</u>	<u>14,763,507</u>	<u>—</u>

34. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Categories of financial instruments

Categories of financial assets

2021

	<i>Notes</i>	Amortised cost <i>US\$</i>	Total <i>US\$</i>	Fair value <i>US\$</i>
Loans to vendor's companies	6	6,516,807	6,516,807	6,516,807
Trade and other receivables	9	6,285,505	6,285,505	6,285,505
Cash and cash equivalents	10	<u>40,232,249</u>	<u>40,232,249</u>	<u>40,232,249</u>
		<u>53,034,561</u>	<u>53,034,561</u>	<u>53,034,561</u>

2022

	<i>Notes</i>	Amortised cost US\$	Total US\$	Fair value US\$
Loans to vendor's companies	6	6,752,652	6,752,652	6,752,652
Trade and other receivables	9	6,141,886	6,141,886	6,141,886
Cash and cash equivalents	10	<u>59,227,592</u>	<u>59,227,592</u>	<u>59,227,592</u>
		<u>72,122,130</u>	<u>72,122,130</u>	<u>72,122,130</u>

2023

	<i>Notes</i>	Amortised cost US\$	Total US\$	Fair value US\$
Loans to vendor's companies	6	6,074,046	6,074,046	6,074,046
Trade and other receivables	9	5,832,525	5,832,525	5,832,525
Cash and cash equivalents	10	<u>33,818,956</u>	<u>33,818,956</u>	<u>33,818,956</u>
		<u>45,725,527</u>	<u>45,725,527</u>	<u>45,725,527</u>

Categories of financial liabilities

2021

	<i>Notes</i>	Fair value through profit or loss US\$	Fair value through other comprehensive income US\$	Amortised cost US\$	Total US\$	Fair value US\$
Trade and other payables	17	—	—	25,984,696	25,984,696	25,984,696
Loan from vendor's company	18	—	—	180,888	180,888	180,888
Derivatives - non-hedging	14	21,234,677	—	—	21,234,677	21,234,677
Derivatives - hedging	14	—	45,976,967	—	45,976,967	45,976,967
Lease liabilities	5	—	—	695,277	695,277	695,277
Bank overdraft	10	—	—	31,609	31,609	31,609
Borrowings	13	—	—	316,480,896	316,480,896	316,480,896
Related party payable	31	—	—	140,337	140,337	140,337
		<u>21,234,677</u>	<u>45,976,967</u>	<u>343,513,703</u>	<u>410,725,347</u>	<u>410,725,347</u>

2022

		Fair value Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Fair value
	Notes	US\$	US\$	US\$	US\$	US\$
Trade and other payables	17	—	—	24,086,572	24,086,572	24,086,572
Loan from vendor's company	18	—	—	210,238	210,238	210,238
Derivatives - non-hedging	14	19,588,068	—	—	19,588,068	19,588,068
Derivatives - hedging	14	—	13,568,484	—	13,568,484	13,568,484
Lease liabilities	5	—	—	537,325	537,325	537,325
Bank overdraft	10	—	—	30,467	30,467	30,467
Borrowings	13	—	—	320,167,987	320,167,987	320,167,987
Related party payable	31	—	—	149,962	149,962	149,962
		<u>19,588,068</u>	<u>13,568,484</u>	<u>345,182,551</u>	<u>378,339,103</u>	<u>378,339,103</u>

2023

		Fair value Fair value through profit or loss	Fair value through other comprehensive income	Amortised cost	Total	Fair value
	Notes	US\$	US\$	US\$	US\$	US\$
Trade and other payables	17	—	—	27,833,823	27,833,823	27,833,823
Loan from vendor's company	18	—	—	523,947	523,947	523,947
Derivatives - non-hedging	14	14,763,507	—	—	14,763,507	14,763,507
Derivatives - hedging	14	—	1,053,429	—	1,053,429	1,053,429
Lease liabilities	5	—	—	495,392	495,392	495,392
Bank overdraft	10	—	—	35,838	35,838	35,838
Borrowings	13	—	—	293,450,790	293,450,790	293,450,790
		<u>14,763,507</u>	<u>1,053,429</u>	<u>322,339,790</u>	<u>338,156,726</u>	<u>338,156,726</u>

Capital risk management

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

The capital structure and gearing ratio of the Target Company at each of the reporting date was as follows:

	<i>Notes</i>	Year ended 31 December		
		2021	2022	2023
		<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
Loan from vendor' company	18	180,888	210,238	523,947
Lease liabilities	5	695,277	537,325	495,392
Trade and other payables	17	31,552,316	34,970,947	35,644,401
Borrowings	13	<u>316,480,896</u>	<u>320,167,987</u>	<u>293,450,790</u>
Total borrowings		<u>348,909,377</u>	<u>355,886,497</u>	<u>330,114,530</u>
Cash and cash equivalents	10	<u>(40,200,640)</u>	<u>(59,197,125)</u>	<u>(33,783,118)</u>
Net borrowings		<u>308,708,737</u>	<u>296,689,372</u>	<u>296,331,412</u>
Stated capital	11	428,780,611	438,780,611	438,780,611
Gearing ratio		72%	68%	68%

Financial risk management

Overview

The Target Group is exposed to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk (foreign currency risk and interest rate risk).

The main risks arising from the Target Group's financial instruments are liquidity risk and credit risk on other receivables.

Credit risk

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

With respect to credit risk arising from the financial assets of the Target Group, which comprise trade and other receivables, the Target Group's exposure to credit risk arises from the potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

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

Notes	Year ended 31 December									
	2021			2022			2023			
	Gross carrying amount	Credit loss allowance	Amortised cost/ fair value	Gross carrying amount	Credit loss allowance	Amortised cost/ fair value	Gross carrying amount	Credit loss allowance	Amortised cost/ fair value	
	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	
Loans to vendor's companies	6	6,516,807	—	6,516,807	6,752,652	—	6,752,652	6,074,046	—	6,074,046
Trade and other receivables	9	6,285,505	—	6,285,505	6,141,886	—	6,141,886	5,832,525	—	5,832,525
		<u>12,802,312</u>	<u>—</u>	<u>12,802,312</u>	<u>12,894,538</u>	<u>—</u>	<u>12,894,538</u>	<u>11,906,571</u>	<u>—</u>	<u>11,906,571</u>

The probability of default on the items listed in the table was evaluated and considered to be low credit risk items and therefore no expected credit losses were recognised on these items.

Liquidity risk

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

The maturity profile of contractual cash flows of non-derivative financial liabilities are presented in the following table. The cash flows are undiscounted contractual amounts.

2021

	Notes	Less than 1 year US\$	More than 1 year US\$	Total US\$	Carrying amount US\$
Non-current liabilities					
Borrowings	13	—	302,239,842	302,239,842	302,239,842
Lease liabilities	5	—	810,649	810,649	561,764
Current liabilities					
Trade and other payables	17	25,984,696	—	25,984,696	25,984,696
Loan from vendor's company	18	180,888	—	180,888	180,888
Borrowings	13	14,241,054	—	14,241,054	14,241,054
Lease liabilities	5	193,561	—	193,561	133,513
Bank overdraft	10	31,609	—	31,609	31,609
Related party payable	31	140,337	—	140,337	140,337
		<u>40,772,145</u>	<u>303,050,491</u>	<u>343,822,636</u>	<u>343,513,703</u>

2022

	<i>Notes</i>	Less than 1 year US\$	More than 1 year US\$	Total US\$	Carrying amount US\$
Non-current liabilities					
Borrowings	13	—	291,087,982	291,087,982	291,087,982
Lease liabilities	5	—	597,750	597,750	463,299
Current liabilities					
Trade and other payables	17	24,086,572	—	24,086,572	24,086,572
Loan from vendor's company	18	210,238	—	210,238	210,238
Borrowings	13	29,080,005	—	29,080,005	29,080,005
Lease liabilities	5	122,351	—	122,351	74,026
Bank overdraft	10	30,467	—	30,467	30,467
Related party payable	31	149,962	—	149,962	149,962
		<u>53,679,595</u>	<u>291,685,732</u>	<u>345,365,327</u>	<u>345,182,551</u>

2023

	<i>Notes</i>	Less than 1 year US\$	More than 1 year US\$	Total US\$	Carrying amount US\$
Non-current liabilities					
Borrowings	13	—	372,279,228	372,279,228	275,553,022
Lease liabilities	5	—	504,189	504,189	406,674
Current liabilities					
Trade and other payables	17	27,833,823	—	27,833,823	27,833,823
Loan from vendor's company	18	523,947	—	523,947	523,947
Borrowings	13	59,907,728	—	59,907,728	17,897,768
Lease liabilities	5	132,907	—	132,907	88,718
Bank overdraft	10	35,838	—	35,838	35,838
		<u>88,434,243</u>	<u>372,783,417</u>	<u>461,217,660</u>	<u>322,339,790</u>

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

2021

	<i>Note</i>	Less than 1 year US\$	1 to 2 years US\$	Total US\$	Carrying amount US\$
Non-hedging derivative liability					
Copper derivative	14	—	21,234,677	21,234,677	21,234,677
Hedging derivative liability					
Forward exchange contract	14	—	45,976,967	45,976,967	45,976,967
		—	67,211,644	67,211,644	67,211,644

2022

	<i>Note</i>	Less than 1 year US\$	1 to 2 years US\$	Total US\$	Carrying amount US\$
Non-hedging derivative liability					
Copper derivative	14	6,395,492	13,192,576	19,588,068	19,588,068
Hedging derivative liability					
Forward exchange contract	14	13,568,484	—	13,568,484	13,568,484
		19,963,976	13,192,576	33,156,552	33,156,552

2023

	<i>Note</i>	Less than 1 year US\$	1 to 2 years US\$	Total US\$	Carrying amount US\$
Non-hedging derivative liability					
Copper derivative	14	7,277,395	7,486,112	14,763,507	14,763,507
Hedging derivative liability					
Forward exchange contract	14	<u>1,053,429</u>	<u>—</u>	<u>1,053,429</u>	<u>1,053,429</u>
		<u>8,330,824</u>	<u>7,486,112</u>	<u>15,816,936</u>	<u>15,816,936</u>

Foreign currency risk

The Target Group is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilising foreign forward exchange contracts where necessary. The foreign currencies in which the Target Group deals primarily are Canadian Dollar (“CAD”), BWP and South African Rand (“ZAR”).

Exposure in foreign currency amounts

The net carrying amounts, in foreign currency of the above exposure was as follows:

	Year ended 31 December		
	2021	2022	2023
	<i>US\$</i>	<i>US\$</i>	<i>US\$</i>
CAD exposure:			
Asset:			
Cash and cash equivalents			
- 2021: CAD111,608, 2022: CAD87,829, 2023: CAD86,235	<u>87,591</u>	<u>64,876</u>	<u>65,102</u>
ZAR exposure:			
Assets:			
Loans to vendor's companies 2021: ZAR7,345,953, 2022: ZAR18,261,665, 2023: ZAR Nil	461,123	1,073,746	—
Cash & Cash equivalents 2021: ZAR4,570,250, 2022: ZAR177,540, 2023: ZAR10,652,388	286,886	10,439	582,264
Trade and other receivables - ZAR115,400	—	—	6,308
Liability:			
Trade and other payables 2021: ZAR11,572,025, 2022: ZAR10,678,805, 2023: ZAR24,253,764	<u>(726,404)</u>	<u>(627,890)</u>	<u>(1,325,721)</u>
Net ZAR exposure	<u>21,605</u>	<u>456,295</u>	<u>(737,149)</u>
BWP exposure:			
Assets:			
Cash and cash equivalents 2021: BWP29,896,656, 2022: BWP42,258,151, 2023: BWP11,217,443	2,545,134	3,313,060	837,946
Trade and other receivables 2021: BWP83,077,931, 2022: BWP31,911,534, 2023: BWP80,883,237	7,072,513	2,501,880	6,042,002
Liability:			
Trade and other payables 2021: BWP292,069,787, 2022: BWP10,678,805, 2023: BWP24,253,764	<u>(24,864,213)</u>	<u>(6,916,068)</u>	<u>(5,856,125)</u>
Net BWP exposure	<u>(15,246,566)</u>	<u>(1,101,128)</u>	<u>1,023,823</u>
Net exposure to foreign currency amounts	<u><u>(15,137,370)</u></u>	<u><u>(579,957)</u></u>	<u><u>351,776</u></u>

Foreign currency sensitivity analysis

The Target Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to CAD, ZAR and BWP. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

At 31 December 2021, 2022 and 2023, if the currency had strengthened/weakened by 10% against the CAD with all other variables held constant, loss/profit for the year would have been impacted by \$8,759, \$6,488 and \$6,510 respectively, mainly as a result of foreign exchange gains or losses on translation of cash and cash equivalents, trade payables, other financial liabilities and loans from vendor's companies.

At 31 December 2021, 2022 and 2023, if the currency had strengthened/weakened by 10% against the ZAR with all other variables held constant, loss/profit for the year would have been impacted by \$2,160, \$45,629 and \$73,715 respectively, mainly as a result of foreign exchange gains or losses on translation of cash and cash equivalents, trade payables, other financial liabilities and loans from vendor's companies.

At 31 December 2021, 2022 and 2023, if the currency had strengthened/weakened by 10% against the BWP with all other variables held constant, loss/profit for the year would have been impacted by \$1,524,657, \$110,113 and \$102,382 respectively, mainly as a result of foreign exchange gains or losses on translation of cash and cash equivalents, trade payables and loans to vendor's companies.

Interest rate risk

The Target Group is exposed to interest rate risk arising from the Synthetic LIBOR (London Interbank Offered Rate) and SOFR (Secured Overnight Financing Rate). Interest rate risk arises from future interest payments relating to the borrowings.

No sensitivity analysis is disclosed as the Management considers that the exposure of interest rate risk arising from borrowings is insignificant.

35. DIVIDENDS

No dividends were declared or paid during the years 2021, 2022 and 2023.

36. EVENTS AFTER THE RELEVANT PERIODS

On 26 April 2023, the Target Group announced the current shareholders' intention to sell the Target Company. KCM, DCB and Cupric Africa are wholly owned subsidiaries within the Target Group. The formal sales process was initiated during May 2023 with a Sale and Purchase Agreement signed with a subsidiary of MMG Limited., in November 2023 with various Conditions Precedent (CPs). Subsequent to the year-end, all CPs were met with financial close on 22 March 2024. As part of the transaction, the external borrowings have been replaced with an inter-company loan from a company within the MMG Group in March 2024.

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

Subsequent Financial Statements

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2023.