Redhill Mining Hong Kong Limited

(incorporated in Hong Kong with limited liability)

Directors' Report and Consolidated Financial Statements For the year ended 31 December 2019

BDO

Directors' Report

The directors present their annual report together with the audited consolidated financial statements for the year ended 31 December 2019.

PRINCIPAL ACTIVITY

The principal activity of the Company and its subsidiary is exploration for mineral resources in the south of Chile. Details of the subsidiary are set out in note 9 to the financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The financial performance of the Group for the year ended 31 December 2019 and the financial position of the Group's affairs as at that date are set out in the consolidated financial statements on pages 6 to 33.

DIRECTORS

The directors of the Company during the year and up to the date of this report were as follows:

Name	Position	Period of Directorship
Current Directors		
Peter Herbert	Non-Executive Director	Appointed 12 September 2018
Robert Curtis	Non-Executive Director	Appointed 11 June 2014
Antony Manini	Non-Executive Director	Appointed 24 March 2017

The directors of the Company's subsidiary included in the consolidated financial statements during the year and up to the date of this report were as follows:

Walter Muehlebach Niederreuther
Pablo Mir Balmaceda

There being no provision in the Company's Articles of Association to the contrary, all current directors remain in office for the forthcoming year.

DIRECTORS' INTERESTS IN CONTRACTS

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company or its subsidiary was a party and in which a director of the Company or any entity connected with a director is or was materially interested, whether directly or indirectly, subsisted during or at the end of the year or at any time during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or its subsidiary a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

AUDITOR

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, BDO Limited.

Signed on behalf of the Directors

R. Curtis

Robert Curtis
Director
Australia, 12 May 2020

BDO

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF REDHILL MINING HONG KONG LIMITED

(incorporated in Hong Kong with limited liability)

REPORT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated financial statements of Redhill Mining Hong Kong Limited (the "Company") and its subsidiary (together the "Group") set out on pages 6 to 33, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the directors' report.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF REDHILL MINING HONG KONG LIMITED
(incorporated in Hong Kong with limited liability)

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements - Continued

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO Limited
Certified Public Accountants
Tony Yuk Tung Chan
Practising Certificate Number P04654

Hong Kong, 12 May 2020

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2019

	Note	2019 US$	2018 US$
Revenue	4	-	-
Interest income		-	-
Administrative expenditures		(429,769)	(560,329)
Foreign exchange loss		-	(650)
Impairment of exploration expenditure		(92,903)	-
Finance costs	12	(250,511)	(131,507)
Loss before income tax	5	(773,183)	(692,486)
Income tax	8	-	-
Loss for the year		(773,183)	(692,486)
Other net comprehensive income		(532,027)	(1,024,883)
Total comprehensive income		(1,305,210)	(1,717,369)

Consolidated Statement of Financial Position
As at 31 December 2019

	Note	2019 US$	2018 US$
NON-CURRENT ASSETS			
Property, plant and equipment	10	-	7,208
Exploration expenditure	11	8,821,321	9,290,064
TOTAL NON-CURRENT ASSETS		8,821,321	9,297,272
CURRENT ASSETS			
Cash and cash equivalents		64,893	43,952
Other assets		2,319	2,483
TOTAL CURRENT ASSETS		67,212	46,435
TOTAL ASSETS		8,996,065	9,343,707
NON-CURRENT LIABILITIES			
Borrowings	12	2,401,168	-
TOTAL NON-CURRENT LIABILITIES		2,401,168	-
CURRENT LIABILITIES			
Trade and other payables		20,958	21,432
Borrowings	12	-	1,550,658
TOTAL CURRENT LIABILITIES		20,958	1,572,090
TOTAL LIABILTIES		2,422,126	1,572,090
NET CURRENT ASSETS/(LIABILTITES)		46,254	(1,525,655)
NET ASSETS		**6,466,407**	**7,771,617**
EQUITY			
Share capital	13	11,861,163	11,861,163
Foreign exchange reserve		(1,795,774)	(1,263,747)
Accumulated losses		(3,598,982)	(2,825,799)
TOTAL EQUITY		**6,466,407**	**7,771,617**

Signed on behalf of the Directors

Peter Herbert **Director**	**Robert Curtis** **Director**

Consolidated Statement of Changes in Equity
For the year ended 31 December 2019

	Share capital	Foreign exchange reserve	Accumulated losses	Total
	US$	US$	US$	US$
At 1 January 2018	11,861,163	(238,864)	(2,133,313)	9,488,986
Comprehensive loss:				
Loss for the year	-	-	(692,486)	(692,486)
Other comprehensive income	-	(1,024,883)	-	(1,024,883)
Total comprehensive loss	-	(1,024,883)	(692,486)	(1,717,369)
At 31 December 2018	11,861,163	(1,263,747)	(2,825,799)	7,771,617
At 1 January 2019	11,861,163	(1,263,747)	(2,825,799)	7,771,617
Comprehensive loss:				
Loss for the year	-	-	(773,183)	(773,183)
Other comprehensive income	-	(532,027)	-	(532,027)
Total comprehensive loss	-	(532,027)	(773,183)	(1,305,210)
At 31 December 2019	11,861,163	(1,795,774)	(3,598,982)	6,466,407

Consolidated Statement of Cash Flows
For the year ended 31 December 2019

	2019 US$	2018 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before income tax	(773,183)	(692,486)
Adjustments for:		
Depreciation	7,137	12,212
Impairment of exploration expenditure	92,903	-
Capitalised loan interest	250,511	131,507
Foreign exchange loss	3,143	650
Operating loss before working capital changes	(419,489)	(548,117)
Working capital changes:		
Trade payables and accruals	(6,832)	(12,657)
Net cash used in operating activities	(426,321)	(560,774)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for exploration expenditure	(151,578)	(331,698)
Net cash used in investing activities	(151,578)	(331,698)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	-	-
Proceeds from borrowings	600,000	650,000
Net cash generated by financing activities	600,000	650,000
Net increase/(decrease) in cash and cash equivalents held	22,101	(242,472)
Net foreign exchange differences	(1,160)	(3,052)
Cash and cash equivalents at the beginning of the financial year	43,952	289,476
Cash and cash equivalents at the end of the year	64,893	43,952

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the material accounting policies adopted by the Group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

General Information

Redhill Mining Hong Kong Limited ("the Company) is incorporated in Hong Kong and is a limited liability company. The Company's registered office is located at 33 Hysan Avenue, Causeway Bay, Hong Kong. The Company's principal place of business is located at 111 Calle Roca, Punta Arenas, Chile.

The Group, comprising the Company and its subsidiary, are engaged in the exploration for mineral resources in the south of Chile. The Group's holding company is EMR Capital Investment (No.4B) Pte Ltd, a limited liability incorporated in Singapore.

NOTE 2 BASIS OF PREPARATION

<u>Statement of compliance</u>
The financial statements have been prepared in accordance with HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the provisions of the Hong Kong Companies Ordinance concerning the preparation of financial statements.

<u>Basis of measurement</u>
The financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss, which are measured at fair value as explained in the accounting policies set out below.

For the financial year ended 31 December 2019, the Group incurred an operating loss of US$773,183 and accumulated losses of US$3,598,982. These conditions indicate the existence of an uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

These financial statements have been prepared on a going concern basis, the validity of which depends upon the undertakings from the holding company to provide financial support to the Group. The holding company has confirmed its intention to provide continual financial support to maintain the Group as a going concern, and hence, the directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis

<u>Functional and presentation currency</u>
The financial statements have been prepared in US dollars ("US$"), which is the functional currency of the Consolidated Entity.

NOTE 2 BASIS OF PREPARATION - Continued

Critical accounting estimates and judgements

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Consolidated Entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Key judgements – exploration & evaluation expenditure

The Consolidated Entity performs regular reviews on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. These reviews are based on detailed surveys and analysis of drilling results performed to balance date.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary ("the Group"). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred are expensed.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

a. Principles of Consolidation - Continued

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiaries is the amount of those interests at initial recognition plus the non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Subsidiaries
A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the Company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists the Company considers all relevant facts and circumstances, including:

- The size of the Company's voting rights relative to both the size and dispersion of other parties who hold voting rights;
- Substantive potential voting rights held by the Company and other parties who hold voting rights;
- Other contractual arrangements; and
- Historic patterns in voting attendance.

In the Company's statement of financial position, the investment in subsidiary is stated at cost less impairment loss, if any. The results of the subsidiary are accounted for by the Company on the basis of dividend received and receivable.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiary, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

c. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of property, plant and equipment constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

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

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Property, Plant and Equipment - Continued

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the consolidated group starting from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of the unexpired period of the lease and the estimated useful lives of the improvements.

The depreciation rates used for plant and equipment is 20%.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

d. Leasing

Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model.

Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability. For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

The Group accounts for leasehold land and buildings which is held for own use under HKAS 16 and are carried at fair value.

Lease liability
The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

Leasing (accounting policies applied until 31 December 2018)
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases. Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

e. Financial Instruments

(i) Financial assets

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classified its debt instruments as amortised cost.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment loss on financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost. The ECLs are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and contract assets using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.

(iii) Financial liabilities

The Group classifies its financial liabilities depending on the purpose for which the liabilities were incurred. Financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial liabilities at amortised cost including accruals and amount due to a related Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

f. Impairment of Other Assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

If the recoverable amount (i.e. the greater of the fair value less cost to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

g. Foreign currency

Transactions entered into by the Group in currencies other than the currency of the primary economic environment in which it operates (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as foreign exchange reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as foreign exchange reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the foreign exchange reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

h. Revenue & Other Income

Interest income is recognised using the effective interest rate method which, for floating rate financial assets, is the rate inherent in the instrument.

i. Exploration evaluation and development expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. Such expenditures comprise net direct costs and an appropriate portion of related overhead expenditure but do not include overheads or administration expenditure not having a specific nexus with a particular area of interest.

Exploration costs are capitalised only when the Group has either a granted tenement in its name or an interest through a joint venture arrangement. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or sale of the respective area of interest and where activities in the area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves and active or significant operations in relation to the area are continuing.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. Accumulated cost in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

A regular review has been undertaken on each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

j. Payables and accruals

A liability is recorded for goods and services received prior to balance date, whether invoiced to the Group or not. Trade payables are normally settled within 30 days.

k. New Standards and Standards Not Yet Adopted

Adoption of new/revised HKFRSs – effective 1 January 2019

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use asset and a lease liability, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

As the Group applied the exemption of not recognising right-of-use assets and lease liabilities for leases with terms that will end within 12 months from the date of initial application (1 January 2019) and accounted for those leases as short-term leases. There was no significant impact on opening balances of the financial statements as at 1 January 2019.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES – Continued

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

For right-of-use asset that meets the definition of an investment property, they are carried at fair value and for right-of-use asset that meets the definition of a leasehold land and buildings held for own use, they are carried at fair value.

For the Group, leasehold land and buildings that were held for rental or capital appreciation purpose would continue to be accounted for under HKAS 40 and would be carried at fair value. For leasehold land and buildings which is held for own use would continue to be accounted for under HKAS 16 and would be carried at fair value.

The adoption of HKFRS 16 therefore does not have any significant impact on these right-of-use assets. Other than the above right-of-use assets, the Group also has leased a number of properties under tenancy agreements which the Group exercises its judgement and determines that it is a separate class of asset apart from the leasehold land and buildings which is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

(iv) Transition

As mentioned above, the Group has no significant impact of initially applying HKFRS 16 at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

New/revised HKFRSs issued but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]

[1] Effective for annual periods beginning on or after 1 January 2020
[2] Effective for annual periods beginning on or after 1 January 2021

The Directors are in the process of making an assessment of the potential impact of these new/revised HKFRSs on their initial adoption.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

l. Going Concern

The Group incurred a net loss of $773,183 for the year ended 31 December 2019. As at 31 December 2019 the Group had cash reserves of $64,893, net current assets of $46,254 and net assets of $6,466,407. The Group has not generated revenues from operations during the year.

The ability of the Group to continue as a going concern is principally dependent upon one or more of the following:

- the ability of the Group to raise additional capital in the future; and
- the successful exploration and subsequent exploitation of the Group's tenements.

These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

The Directors believe that the going concern basis of preparation is appropriate due to the following reasons:

- To date the Group has funded its activities through issuance of equity securities and through loans from its shareholders. It is expected that the Group will be able to fund its future activities through further issuances of equity securities and shareholder loans; and
- The Directors believe there is sufficient cash available for the Group to continue operating until it can raise sufficient further capital to fund its ongoing activities.

Should the Group be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements.

This financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts or classification of liabilities and appropriate disclosures that may be necessary should the Group be unable to continue as a going concern.

m. Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;
(ii) has significant influence over the Group; or
(iii) is a member of key management personnel of the Group or the Company's parent.

NOTE 3 SIGNIFICANT ACCOUNTING POLICIES - Continued

m. Related parties - Continued

(b) An entity is related to the Group if any of the following conditions apply:

(i) The entity and the Group are members of the same group.
(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;
(ii) children of that person's spouse or domestic partner; and
(iii) dependents of that person or that person's spouse or domestic partner.

NOTE 4 REVENUE

The Group did not generate operating profit during the year.

NOTE 5 LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging:

	2019 US$	2018 US$
Auditor's remuneration	17,536	18,386
Staff costs (note 6)	282,953	390,574
Depreciation of property, plant and equipment	7,137	12,212

NOTE 6 STAFF COSTS

	2019 US$	2018 US$
Staff costs (including directors) comprise:		
Salaries	282,953	390,574
Short-term non-monetary benefits	-	-
Contributions on defined contribution retirement plans	-	-
	282,953	390,574

During the year no directors' salaries were capitalised as part of exploration expenditure (2018: $Nil).

NOTE 7 DIRECTORS' EMOLUMENTS

Director's emoluments disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap. 622) (the Ordinance) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap.622G) (the Regulation) are as follows:

	2019 US$	2018 US$
Fees	-	28,989
Other emoluments:		
Salaries and allowance	-	-
Share-based payments	-	-
Contributions to retirement plan	-	-
Performance related incentive plan	-	-
	-	28,989

NOTE 8 INCOME TAX

No Hong Kong profits tax has been provided in the financial statements as the Group does not have assessable profit for the year (2018: nil)

Under the two-tiered profits tax rates regime, commencing for the financial years ending after 1 April 2018, Hong Kong profits tax is calculated at 8.25% on first HK$2 million of assessable profits and 16.5% on the assessable profits above HK2 million.

Reconciliation of income tax applicable to accounting loss before income tax

	2019 US$	2018 US$
Loss before income tax	(773,183)	(692,486)
Tax calculated at statutory tax rate: (2019: 16.5% Hong Kong, 27.0% Chile) (2018: 16.5% Hong Kong, 26.0% Chile	(177,388)	(157,654)
Tax effect of tax losses not recognised	177,388	157,654
Income tax	-	-

NOTE 8 INCOME TAX - Continued

No deferred tax asset has been recognised in respect to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

NOTE 9 SUBSIDIARY AND PRINCIPAL ACTIVITY

	2019 US$	2018 US$
	Company	
Unlisted shares, at cost	607,037	607,037
Less: Impairment loss	(607,037)	(607,037)
	-	-

Details of the Company's subsidiary are summarised as follows:

Name	Form of business structure	Place of Incorporation and operation	Principal activity	Description of shares held	Percentage of ownership interests held directly
Redhill Magallanes SPA	Corporation	Chile	Exploration for mineral resources	Ordinary US$607,037	100%

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

	2019 US$	2018 US$
Gross carrying amount – Equipment		
Balance at beginning of the year	79,089	88,888
Additions	-	-
Movements in foreign translation	(5,197)	(9,799)
Balance at end of the year	73,892	79,089
Accumulated depreciation - Equipment		
Balance at beginning of the year	(71,881)	(68,028)
Depreciation expense	(7,137)	(12,212)
Movements in foreign translation	5,126	8,359
Balance at end of the year	(73,892)	(71,881)
Net book value	-	7,208

NOTE 11 EXPLORATION EXPENDITURE

	2019 US$	2018 US$
Balance at beginning of the year	9,290,064	10,011,311
Current period expenditure	151,578	299,370
Impairment	(92,903)	-
Movements in foreign translation	(527,418)	(1,020,617)
Balance at end of the year	8,821,321	9,290,064

Recoverability of the carrying amount of exploration assets is dependent on the successful development and commercial exploitation of areas of interest, and the sale of minerals or the sale of the respective areas of interest.

	2019 US$	2018 US$
NOTE 12 BORROWINGS		
Convertible loan	2,401,168	1,550,658
Movements during the year		
Balance at beginning of the year	1,550,658	769,151
Amounts drawn	600,000	750,000
Accrued interest	250,510	19,151
Amounts converted to equity	-	-
Balance at end of the year	2,401,168	1,550,658

The Group entered into a convertible loan agreement with the Group's holding company, EMR Capital Investment (No.4B) Pte Ltd. The loan facility is $2,050,000 principal and the interest rate is 12% per annum.

The loan facility has a term of 2 years and expires on 31 January 2021. As at 31 December 2019 the Group had drawn down $2,000,000 in loan principal. Subsequent to year end, EMR Capital Investment (No.4B) Pte Ltd extended the loan facility by an additional $500,000.

NOTE 13 SHARE CAPITAL

	Number	HK$	US$
Issued and fully paid ordinary shares:			
At 31 December 2018	3,711,680	90,356,248	11,861,163
At 31 December 2019	3,711,680	90,356,248	11,861,163

NOTE 14 FINANCIAL AND CAPITAL RISK MANAGEMENT

Financial Risk Management

The Consolidated Entity's financial instruments consist of deposits with banks and accounts receivable and payable. The main risk arising from the financial instruments is credit risk. There have been no substantive changes in the Consolidated Entity's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The Board has overall responsibility for the determination of the Consolidated Entity's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Consolidated Entity's competitiveness and flexibility.

NOTE 14 FINANCIAL AND CAPITAL RISK MANAGEMENT - Continued

Capital management

When managing capital, the directors' objective is to ensure the entity continues as a going concern and to maintain a structure that ensures the lowest cost of capital available and to ensure adequate capital is available for exploration and evaluation of tenements.

Consistent with other exploration companies, the Consolidated Entity monitors capital on the basis of forecast exploration and development expenditure required to reach a stage which permits a reasonable assessment of the existence or otherwise of an economically recoverable reserve. The Consolidated Entity has no minimum capital requirements.

Credit Risk Exposure

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Consolidated Entity incurring a financial loss. This usually occurs when debtors fail to settle their obligations owing to the Consolidated Entity.

The maximum exposure to credit risk at balance date in relation to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no collateral held as security at 31 December 2019.

Credit risk is reviewed regularly by the Board. It arises from exposure to customers as well as through deposits with financial institutions. The Consolidated Entity did not have any material credit risk exposure to debtors or group of debtors under financial instruments entered into by the Consolidated Entity.

The credit quality of the Consolidated Entity's cash and cash equivalents holding is considered strong. The counterparty to these financial assets is National Australia Bank and Banco de Chile; financial institutions with strong credit ratings.

Liquidity risk

Liquidity risk is the risk that the Consolidated Entity may encounter difficulties raising funds to meet financial obligations as they fall due. Liquidity risk is reviewed regularly by the Board. The Consolidated Entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash resources are maintained.

NOTE 14 FINANCIAL AND CAPITAL RISK MANAGEMENT - Continued

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 31 December 2019. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are:

	2019 US$	2018 US$
Less than one year		
Trade payables and accrued expenses	20,959	21,432
Convertible loan	2,401,168	1,550,658

Terms and conditions relating to the above financial instruments:

Trade creditors are unsecured, non-interest bearing and are normally settled on 7 - 30 day terms

Other creditors are unsecured and non-interest bearing

The total loan facility is $2,050,000 and the interest rate is 12% per annum. The loan facility has a term of 2 years and expires on 31 January 2021. As at 31 December 2019 the Group had drawn down $2,000,000 in loan principal.

Interest rate risk

Interest rate risk is managed by constant monitoring of interest rates. The Consolidated Entity's interest rate exposure is limited to its variable rate cash and cash equivalent assets.

Interest rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the interest rates at reporting date had been 100 basis points higher or lower, with all other variables held constant. This level of sensitivity was considered reasonable given the current level of both short-term and long-term US interest rates. The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date.

At 31 December, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower)		Equity Higher/(Lower)	
	2019 US$	2018 US$	2019 US$	2018 US$
+1.00% (100 basis points)	649	440	649	440
-1.00% (100 basis points)	(649)	(440)	(649)	(440)

NOTE 14 FINANCIAL AND CAPITAL RISK MANAGEMENT – Continued

Foreign Currency Risk

Foreign currency risk arises as a result of having assets/cash flows denominated in a currency other than the functional currency in which they are reported. At 31 December 2019, the Consolidated Entity had the following exposure to foreign currency:

	Dec 2019 Foreign Currency	Dec 2018 Foreign Currency	Dec 2019 US$ Equivalent	Dec 2018 US$ Equivalent
Australian Dollar	AUD 2,089	AUD 14,072	1,462	10,228
Chilean Peso	CLP 256,161	CLP 39,462,190	344	32,578
US Dollar	-	-	63,087	1,146
			64,893	43,952

	2019 US$	2018 US$
Financial Assets:		
Cash and cash equivalents – Australian Dollar	1,462	10,228
Cash and cash equivalents – Chilean Peso	344	32,578
	1,806	42,806
Financial Liabilities:		
Trade and other payables – Australian Dollar	3,500	7,058
Trade and other payables – Chilean Peso	17,459	14,374
	20,959	21,432

Exchange rates over the 12 month period were analysed and a sensitivity determined to show the effect on profit and equity after tax if the exchange rates at reporting date had been 10% basis higher or lower, with all other variables held constant. The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

Judgements of reasonably possible movements:	Post Tax Profit Higher/(Lower) 2019 US$	Post Tax Profit Higher/(Lower) 2018 US$	Equity Higher/(Lower) 2019 US$	Equity Higher/(Lower) 2018 US$
+10.00%	(1,915)	2,137	(1,915)	2,137
-10.00%	1,915	(2,137)	1,915	(2,137)

NOTE 15 HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

Statement of Financial Position
As at 31 December 2019

	Note	2019 US$	2018 US$
NON-CURRENT ASSETS			
Investment in subsidiary	9	-	-
Exploration expenditure		1,393,833	1,393,833
TOTAL NON-CURRENT ASSETS		1,393,833	1,393,833
CURRENT ASSETS			
Amount due from subsidiary		11,174,423	10,679,423
Cash and cash equivalents		64,548	11,374
TOTAL CURRENT ASSETS		11,238,971	10,690,797
TOTAL ASSETS		12,632,804	12,084,630
NON-CURRENT LIABILITIES			
Borrowings		2,401,168	-
TOTAL NON-CURRENT LIABILITIES		2,401,168	-
CURRENT LIABILITIES			
Trade and other payables		3,500	7,058
Borrowings		-	1,550,658
TOTAL CURRENT LIABILITIES		3,500	1,557,716
TOTAL LIABILTIES		2,404,668	1,557,716
NET LIABILITIES		**10,265,556**	**10,526,914**
EQUITY			
Share capital	13	11,861,163	11,861,163
Accumulated losses		(1,633,027)	(1,334,249)
TOTAL EQUITY		**10,265,556**	**10,526,914**

Signed on behalf of the Directors

P Herbert

Peter Herbert
Director

R. Curtis

Robert Curtis
Director

NOTE 16 APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 12 May 2020.