EMR CAPITAL GOLDEN GROVE PTY LTD

ABN 76 616 179 705

CONSOLIDATED FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2019

EMR CAPITAL GOLDEN GROVE PTY LTD
CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2019

CONTENTS	**PAGE**

The Directors present their report on EMR Capital Golden Grove Pty Ltd and its controlled entities (the Group) for the year ended 31 December 2019.

Corporate Information

EMR Capital Golden Grove Pty Ltd (the Company) is a for profit company limited by shares that is incorporated and domiciled in Australia.

Directors

The names and details of the Directors of the Company in office during the financial year and until the date of this report are as follows. Directors were in office for the entire year unless otherwise stated.

- Owen Hegarty
- Ian Smith
- John Chomley
- Ralph Ferguson (resigned 17/10/19)
- Antony Manini
- Stefanie Loader

Nature of Operations and Principal Activities

The principal activities of the entity during the year were:

- copper and zinc ore mining;
- base and precious metals concentrate production; and
- exploration.

There has been no significant change in the nature of those activities during the year.

Results

The net profit after tax for the financial year was $126,152,000 (2018: $88,175,000).

Dividend

The Directors do not recommend the payment of a dividend and no amount has been paid or declared by way of a dividend to the date of this report (2018: Nil).

Review of Operations – Golden Grove

The financial results of the Group for the year ended 31 December 2019 include:

	2019 (dmt)	2018 (dmt)
Ore mined	1,372,749	1,214,960
Ore milled	1,291,440	1,248,496
Concentrate produced:		
- Zinc	119,019	128,812
- Copper	94,116	65,884
- HPM	19,722	24,893

There were no lost time injuries recorded during the year and the total recordable injury frequency rate improved to 8.2 at 31 December 2019 (2018: 9.72).

Activities undertaken during the year include:

- **Projects**:
  - A secondary crusher was installed and commissioned underpinning an increase in mill capacity to 1.7Mtpa.
  - Completion of long-term cooling solutions for Gossan Hill through the installation of two major cooling plants at the southern and far northern downcast.
  - Completed a positive scoping study on the Gossan Valley deposit indicating that the resource can support at least 450-500ktpa over a 12 year period. Pre-feasibility study underway.
- **Resources and Reserves:** There was a 34% increase in the mineral resource estimate at 30 June 2019 compared to the mineral resource estimate at 30 June 2018.

  There was a 13% increase in the mineral reserve estimate at 30 June 2019 compared to the mineral reserve estimate at 30 June 2018.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company that occurred during the year.

Significant Events after the Balance Date

There have not been any events that have arisen in the interval between the end of the financial year and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to materially affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future financial years.

Likely Developments and Expected Results

The likely developments in the operations of the Company and the expected results of those operations in the coming financial year are as follows:

a) Exploration activities seeking to expand on the current reserve and resource base;

b) Updating life of mine plans arising from ongoing studies and exploration activities; and

c) Continued production of zinc, copper and HPM concentrates.

Environmental Regulation Performance

The Company holds licences and abides by Acts and Regulations issued by the relevant mining and environmental protection authorities in Australia. These licences, Acts and Regulations specify limits and regulate the management of discharges to the air, surface waters and groundwater associated with the mining operations as well as the storage and use of hazardous materials.

There have been no significant known breaches of the Company's licence conditions or of the relevant Acts and Regulations.

Indemnification and Insurance of Directors and Officers

An insurance policy that protects the directors and officers against certain liabilities arising as a result of work performed in their capacity as directors and officers is in place for EMR Capital Golden Grove Pty Ltd and its subsidiary companies.

The Group has paid an insurance premium for the policy. The contract of insurance prohibits disclosure of the amount of the premium and the nature of the liabilities insured.

Indemnification of Auditors

The Company's auditor is Ernst & Young.

The Company has agreed with Ernst & Young, as part of its terms of engagement, to indemnify Ernst & Young against certain liabilities to third parties arising from the audit engagement. The indemnity does not extend to any liability resulting from a negligent, wrongful or wilful act or omission by Ernst & Young.

During the financial period:

- the Company has not paid any premium in respect to any insurance for Ernst & Young or a body corporate related to Ernst & Young; and
- there were no officers of the Company who were former partners or directors of Ernst & Young, whilst Ernst & Young conducted the audit of the Company.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Rounding

EMR Capital Golden Grove Pty Ltd is a company of the kind specified in Australian Securities and Investment Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that class order, amounts in the financial report and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

Auditor Independence

Refer to page 6 for the Auditor's Independence Declaration to the Directors of EMR Capital Golden Grove Pty Ltd.

Signed in accordance with a resolution of the Directors.

Owen Hegarty
Chairman
28 February 2020

Type text here

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of EMR Capital Golden Grove Pty Ltd

As lead auditor for the audit of the financial report of EMR Capital Golden Grove Pty Ltd for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit*;* and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of EMR Capital Golden Grove Pty Ltd and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
28 February 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 $'000	2018 $'000
Revenue	4	473,418	402,363
Cost of sales	5(a)	(284,609)	(251,972)
Gross profit		**188,809**	**150,391**
Other income	6	9,055	6,054
Administration expenses	5(b)	(4,036)	(2,082)
Finance costs	7	(11,526)	(11,841)
Other expenses	5(c)	(2,418)	(10,059)
Profit before tax		**179,884**	**132,463**
Income tax expense	8	(53,732)	(44,288)
Net profit for the year attributable to members of EMR Capital Golden Grove Pty Ltd		**126,152**	**88,175**
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year attributable to members of EMR Capital Golden Grove Pty Ltd		**126,152**	**88,175**
Earnings per share			
Basic and diluted EPS attributable to ordinary equity holders (in $)	28	1.03	0.59

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	9	115,966	78,936
Trade and other receivables	10	13,050	11,218
Inventories	11	29,727	21,944
Prepayments		4,145	3,460
Total current assets		**162,888**	**115,558**
Non-current assets			
Trade and other receivables	10	4,401	-
Exploration and evaluation expenditure	12	16,235	12,523
Mine properties	13	195,289	163,699
Property, plant and equipment	14	128,880	129,449
Right-of-use assets	17	17,129	-
Total non-current assets		**361,934**	**305,671**
Total assets		**524,822**	**421,229**
Current liabilities			
Trade and other payables	15	33,805	26,467
Interest bearing liabilities	16	23,296	56,047
Lease liabilities	17	11,184	-
Intercompany tax funding payable	8	14,975	10,605
Provisions	18	5,567	5,626
Total current liabilities		**88,827**	**98,745**
Non-current liabilities			
Trade and other payables	15	-	298
Interest bearing liabilities	16	82,726	106,095
Lease liabilities	17	3,136	-
Provisions	18	66,592	66,457
Deferred tax liabilities	8	21,981	14,226
Total non-current liabilities		**174,435**	**187,076**
Total liabilities		**263,262**	**285,821**
Net assets		**261,560**	**135,408**
Equity			
Contributed equity	19	122,641	122,641
Reserves		(126,612)	(126,612)
Retained earnings		265,531	139,379
Total equity		**261,560**	**135,408**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Contributed Equity $'000	Retained Earnings $'000	Reserves $'000	Total Equity $'000
As at 31 December 2017		**181,846**	**51,204**	**-**	**233,050**
Profit for the period		-	88,175	-	88,175
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income			88,175		88,175
Transactions with owners in their capacity as owners					
Share buy back	19	(59,205)	-	(126,612)	(185,817)
As at 31 December 2018		**122,641**	**139,379**	**(126,612)**	**135,408**
Profit for the year		-	126,152	-	126,152
Other comprehensive income/(loss)		-	-	-	-
Total comprehensive income			126,152		126,152
As at 31 December 2019		**122,641**	**265,531**	**(126,612)**	**261,560**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		514,444	441,749
Payments to suppliers, employees and others		(280,257)	(220,481)
Tax paid		-	(3,697)
Tax payment under tax funding agreement with head entity		(42,213)	(30,388)
Payment for transaction costs related to acquisition of business		(759)	(16,214)
Income received		1,568	994
Payments for short-term leases and variable lease payments not included in the measurement of lease liabilities		(4,296)	-
Net cash flows from operating activities	23	**188,487**	**171,963**
Cash flows from investing activities			
Payments for property, plant and equipment		(25,952)	(11,060)
Proceeds from the sale of property, plant and equipment		47	1,386
Payments for development activities		(39,930)	(25,172)
Exploration expenditure		(3,712)	(7,589)
Net cash flows used in investing activities		**(69,547)**	**(42,435)**
Cash flows from financing activities			
Loans from/(to) related parties		1,123	-
Proceeds from borrowings		-	115,841
Repayment of borrowings		(57,278)	(71,117)
Repayment of lease liabilities		(15,491)	-
Share buy back	19	-	(185,817)
Interest and borrowing costs paid		(9,520)	(11,324)
Net cash flows from financing activities	23	**(81,166)**	**(152,417)**
Net increase/(decrease) in cash and cash equivalents		37,774	(22,889)
Net foreign exchange difference		(744)	9,719
Cash and cash equivalents at the beginning of the financial period		78,936	92,106
Cash and cash equivalents at the end of the financial year	9	**115,966**	**78,936**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Report

NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION

This general purpose consolidated financial report of the Group (comprising EMR Capital Golden Grove Pty Ltd and the entities it controls) for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 28 February 2020. EMR Capital Golden Grove Pty Ltd (the Company) is a company domiciled in Australia. The registered office of the Company is Suite 1, 38 Colin Street, West Perth, WA.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

The financial report is a general purpose financial report which:

- has been prepared in accordance with Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*;
- complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standards Board (IASB);
- has been prepared on an historical cost basis;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars ($'000) unless otherwise stated, in accordance with Instrument 2016/191, issued by the Australian Securities and Investments Commission;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Company and effective from 1 January 2019. Refer to note 3 for further details;
- does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective. Refer to note 2(w) for further details.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies applied in the preparation of these general purpose financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in note 3.

(a) Consolidation and business combinations

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Company re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Notes to the Consolidated Financial Report

The profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the statement of comprehensive income. Any investment retained is recognised at fair value.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in the statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument, is measured at fair value with the changes in fair value recognised in the income statement.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in the statement of comprehensive income.

In the separate financial statements of the Company, investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of the investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

Notes to the Consolidated Financial Report

(b) Foreign Currency Translation

(i) Functional and presentation currency

The functional currency of the Company and its subsidiaries is Australian dollars, which is the presentation currency of the Company.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or reporting date where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in the statement of comprehensive income.

(c) Property, Plant and Equipment

(i) Cost

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of property, plant and equipment includes the estimated cost of mine rehabilitation, restoration and dismantling.

(ii) Depreciation and amortisation

The major categories of property, plant and equipment are depreciated over the estimated useful lives of the assets on a unit of production or reducing balance basis as indicated below. The useful lives below are subject to the lesser of the asset categories' useful life and the life of the mine:

- Freehold land – Not depreciated;
- Buildings – Reducing balance 2.5%
- Plant and machinery (mining and processing) – Unit of production (tonnes mined and milled) or straight line over the useful life of the asset as applicable;
- Plant and machinery (other) – Reducing balance 3–5 years;
- Construction in progress – Not depreciated.

Depreciation and amortisation commence when an asset is available for use.

The unit of production method is applied based on assessments of proven and probable Ore Reserves and a portion of Mineral Resources probable of extraction. Resource and Reserve estimates are reviewed annually. The depreciation and amortisation expense calculation reflect the estimates in place at the reporting date, prospectively.

Major spare parts are carried as property, plant and equipment when an entity expects to use them during more than one year, or when they can be used only in connection with an item of property, plant and equipment. The carrying amount of any part replaced is subsequently derecognised. All other repairs and maintenance are expensed in the statement of comprehensive income during the accounting year in which they are incurred.

(iii) Disposal of property, plant and equipment

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

Notes to the Consolidated Financial Report

(d) Exploration and Evaluation Expenditure

Exploration and evaluation activities include expenditure to identify potential Mineral Resources, determine the technical feasibility and assess the commercial viability of the potential Mineral Resources.

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through the successful development of an area of interest, or by its sale, or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying value of expenditure exceeds its estimated recoverable amount. The area of interest is then written down to its recoverable amount and the impairment losses are recognised in profit or loss.

Upon approval for the commercial development of an area of interest, exploration and evaluation assets are tested for impairment and transferred to mine properties. No amortisation is charged during the exploration and evaluation phase.

(e) Mine Properties

Mine property and development assets include costs incurred in accessing the ore body and costs to develop the mine to the production phase, once the technical feasibility and commercial viability of a mining operation has been established. At this stage, exploration and evaluation assets are reclassified to mine properties.

Mine property and development assets are stated at historical cost less accumulated amortisation and any accumulated impairment losses recognised. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and for qualifying assets (where relevant), borrowing costs. Any ongoing costs associated with mining which are considered to benefit mining operations in future periods are capitalised.

The balance for mine property includes mine development assets and the expected cost for the decommissioning, restoration and dismantling of an asset after its use.

(i) Amortisation

Development expenditure is amortised over the estimated useful life of the mine on a unit of production basis. The unit of production method is applied based on assessments of proven and probable Ore Reserves and a portion of Mineral Resources probable of extraction.

Resource and Reserves estimates are reviewed annually. The depreciation and amortisation expense calculation reflect the estimates in place at the reporting date, prospectively.

(f) Impairment of Non-Financial Assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of the fair value less costs of disposal and value in use of an asset. For the purposes of impairment assessment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment loss related to non-financial assets is reviewed and may be reversed at subsequent reporting dates. A reversal of previously recognised impairment loss is limited to the lesser of the amount that would not cause the carrying amount to exceed its recoverable amount or the carrying amount that would have been determined (net of accumulated depreciation) had no impairment loss been recognised.

(g) Financial Assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables are measured at the transaction price determined by the revenue recognition accounting policy in note 2(s).

In order for a financial asset to be measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. This assessment referred to as the SPPI test is performed at an instrument level.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows which do not pass the SPPI test are classified and measured at fair value through profit or loss, irrespective of the business model. Debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the profit or loss.

This category includes trade receivables subject to provisional pricing (QP adjustment), derivative instruments and listed equity investments which the Group has not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Notes to the Consolidated Financial Report

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective 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.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the profit or loss. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing), other receivables and term deposits.

Derecognition

A financial asset is primarily derecognised when:

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

Impairment

The Group recognises an allowance for estimated credit losses (ECL's) for all debt instruments not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. ECL's are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL's are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECL's. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL when there has not been a significant increase in credit risk since origination. The 12-month ECL is the proportion of lifetime ECL's that results from default events on a financial instrument that are possible within 12 months after the reporting date. When there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

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

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

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

(h) Inventories

Inventories comprise raw materials, stores and consumables, work in progress and finished goods. Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and less applicable variable selling expenses.

Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs include the costs of direct materials, overburden removal, mining, processing, labour, related transportation costs to the point of sale, an appropriate proportion of related production overheads, mine rehabilitation costs incurred in the extraction process and other fixed and variable costs directly related to mining activities.

(i) Trade and Other Receivables

Trade receivables are carried at fair value. Provisional payments in relation to trade receivables are due for settlement within 30 days from the date of recognition, with any mark to market adjustment due for settlement usually from 60-120 days.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), trade and other receivables are classified as current assets. If not, they are presented as non-current assets.

The Group recognises an allowance for ECL's for all receivables not held at fair value through profit or loss. ECL's are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Group expects to receive, discounted at an approximation of the original effective interest rate (EIR). For receivables due in less than 12 months, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The expected credit loss is based on its historical credit loss experience in the past two years, current financial difficulties of the debtor and is adjusted for forward-looking factors specific to the debtor and the economic environment. As at 31 December 2019 no allowance for ECL's has been recognised as it is expected that all receivable amounts will be received in full when due.

(j) Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible to known amounts of cash, and bank overdrafts. In the statement of financial position, bank overdrafts, if any, are shown within borrowings in current liabilities.

(k) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Consolidated Financial Report

(l) Mine Rehabilitation, Restoration and Dismantling Obligations

Provisions are made for the estimated cost of rehabilitation, restoration and dismantling relating to areas disturbed during the mine's operations up to the reporting date, but not yet rehabilitated. Provision has been made in full for all the disturbed areas at the reporting date based on current estimates of costs to rehabilitate such areas, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, top soiling and revegetation to meet legislative requirements. Changes in estimates are dealt with on a prospective basis as they arise.

Uncertainty exists as to the amount of rehabilitation obligations that will be incurred due to the impact of changes in environmental legislation, and many other factors, including future developments, changes in technology, price increases and changes in interest rates. The amount of the provision relating to mine rehabilitation, restoration and dismantling obligations is recognised at the commencement of the mining project and/or construction of the assets to date, where a legal or constructive obligation exists at that time.

The provision is recognised as a liability, separated into current (estimated costs arising within 12 months) and non-current components, based on the expected timing of these cash flows. A corresponding asset is included in mine property and property, plant and equipment, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, otherwise a corresponding expense is recognised in the statement of comprehensive income.

At each reporting date, the rehabilitation liability is remeasured in line with changes in discount rates, and the expected timing or amounts of the costs to be incurred. Rehabilitation, restoration and dismantling provisions are adjusted for changes in estimates. Adjustments to the estimated amount and timing of future rehabilitation and restoration cash flows are a normal occurrence in light of the significant judgements and estimates involved. Changes in the liability relating to mine rehabilitation, restoration and dismantling obligations are added to or deducted from the related asset, other than the unwinding of discount on provisions, which is recognised as a finance cost in the statement of comprehensive income. Changes to capitalised costs result in an adjustment to future depreciation charges.

(m) Provisions and Contingent Liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. A provision is recognised for the amount expected to be paid under short-term or long-term incentive plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Contingent liabilities are possible obligations that arise from past events and whose existence will only be confirmed by the occurrence of one or more future events not wholly within the control of the Group.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability and the consideration paid, including any non-cash assets, is recognised in the statement of comprehensive income as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the period.

All other borrowing costs are recognised in profit and loss in the year in which they are incurred.

(p) Current and Deferred Income tax

Tax consolidated group
With effect from 11 December 2017, the Group became a member of the EMR Capital RF II Golden Grove, LP tax consolidated group. EMR Capital RF II Golden Grove, LP is the head entity of the tax consolidated group.

Members of the tax consolidated group entered into a tax sharing agreement that determines the income tax liabilities between the entities should the head entity default on its tax payment obligations. In accordance with the tax sharing agreement, EMR Capital RF II Golden Grove, LP is required to determine the contribution amount for each member of the tax consolidated group on a stand-alone basis. Possibility of default by the head entity is considered remote.

Tax expense/benefit, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognized in the separate financial statements of the members of the tax consolidated group using the ‘stand-alone taxpayer’ approach. Deferred tax on temporary differences are measured in the separate financial statements on tax bases as determined by the tax consolidated group.

Members of the tax consolidated group entered into a tax funding agreement that determined the amount payable by each member for their portion of the group’s current tax and deferred tax liability. The tax funding agreement determined that each member’s funding amount was calculated as if the member was a stand-alone entity and not an entity of the tax consolidated group.

Amounts payable to, or receivable by, each member of the group in relation to income tax liability or benefit is recorded in the statement of financial position as intercompany tax funding payable or intercompany tax funding receivable.

Notes to the Consolidated Financial Report

(q) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(r) Employee Benefits

(i) Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits and other short-term benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long-term employee benefits

The liability for long-term employee benefits including long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to future expected wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(s) Revenue from Contracts with Customers

The Group is principally engaged in the business of producing base and precious metals concentrates. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

For the Group's metal in concentrate sales not sold under Cost Insurance and Freight (CIF) Incoterms, the performance obligation is the delivery of the concentrate. For the Group's metal in concentrate sales sold under CIF Incoterms, the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping services also represent separate performance obligations.

(i) Concentrate sales

Revenue is initially recognised based on the most recently determined estimate of metal in concentrate using the expected value approach based on initial internal assay and weight results. The Group has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in the fair value based on the customer's final assay and weight results are recognised in revenue at the end of the QP.

The majority of the Group's sales of metal in concentrate are sold under CIF and allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements where the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price then occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and five months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel as a majority of the Group's sales of metal in concentrate are sold under CIF. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised.

For these provisional pricing arrangements, any future changes that occur during the QP are embedded within the provisionally priced trade receivables. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test and will be required to be measured at fair value through profit or loss from the time of initial recognition until the date of settlement. These subsequent changes in fair value are recognised in profit or loss each period and presented in other revenue. Changes in fair value until the end of the QP, are estimated by reference to updated forward market prices for the metal in concentrate as well as taking into account relevant other fair value considerations, including interest rate and credit risk adjustments.

(ii) Shipping services

For CIF arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration is received from the customer at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the shipping services yet to be provided is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with these shipping services are also recognised over the same period of time as incurred.

(t) Leases (up to the financial period ended 31 December 2018)

As explained in note 2(w)(i), the Group has changed its accounting policy for leases with effect from 1 January 2019.

Group as a leasee

A lease was classified at the inception date as a finance lease or an operating lease. A lease that transferred substantially all the risks and rewards incidental to ownership to the Group was classified as a finance lease.

Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges were recognised in finance costs in the statement of comprehensive income. A leased asset was depreciated over the useful life of the asset. However, if there was no reasonable certainty that the Group would obtain ownership by the end of the lease term, the asset was depreciated over the shorter of the estimated useful life of the asset and the lease term.

An operating lease was a lease other than a finance lease. Operating lease payments were recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

(u) Dividend distribution

Dividends are recognised as a liability in the year in which the dividends are approved by the Company's Shareholders or the Board, as appropriate.

Notes to the Consolidated Financial Report

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- When the GST incurred on a sale or purchase of assets or services is not payable to or recoverable from the taxation authority, in which case the GST is recognised as part of the revenue or the expense item or as part of the cost of acquisition of the asset, as applicable; and
- When receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

(w) New, revised or amended Accounting Standards or Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 31 December 2019. The Group has reviewed these new accounting standards and interpretations and concluded that adoption of these new accounting standards and interpretations is not expected to have a significant impact on the financial performance and position of the Group.

Critical Accounting Estimates and Judgements

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

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

Estimates and judgements

(i) Revenue recognition

Control of the product is transferred to the customer when the copper concentrate is physically transferred onto a vessel as this coincides with the transfer of legal title and the risk and rewards of ownership as a majority of the Group's sales of metal in concentrate are sold under CIF.

Revenue is initially recognised based on the most recently determined estimate of contained metal in concentrate based on initial internal assay and weight results. The Group has determined that it is highly unlikely that a significant reversal of the amount of revenue recognised will occur due to variations in assay and weight results. Subsequent changes in value based on the customer's final assay and weight results are recognised in revenue.

Notes to the Consolidated Financial Report

(ii) Mine rehabilitation, restoration and dismantling obligations

Provision is made for the anticipated costs of future restoration, rehabilitation and dismantling of mining areas from which natural resources have been extracted in accordance with the accounting policy. These provisions include future cost estimates associated with reclamation, plant closures, waste site closures, monitoring, demolition, decontamination, water purification and permanent storage of historical residues. These future cost estimates are discounted to their present value. The calculation of these provision estimates requires assumptions such as the application of environmental legislation, the scope and timing of planned activities, available technologies, engineering cost estimates and discount rates. A change in any of the assumptions used may have a material impact on the carrying value of mine rehabilitation, restoration and dismantling provisions. For non-operating sites, changes to estimated costs are recognised immediately in the statement of comprehensive income.

The discount rate used in the calculation of the provision as at 31 December 2019 equalled 1.992% (2018: 2.814%). The cash flows have been discounted over a 28 year life (2018: 29 years) taking into account when the rehabilitation activities will be undertaken.

(iii) Mineral Resources and Ore Reserves estimates

The estimated quantities of economically recoverable Mineral Resources and Ore Reserves are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of short and long-term exchange rates, estimates of short and long-term commodity prices, future capital requirements and future operating performance. Changes in reported Reserves and Resources estimates can impact the carrying value of property, plant and equipment through depreciation, provisions for mine rehabilitation, restoration and dismantling obligations, the recognition of deferred tax assets, as well as the amount of depreciation and amortisation charged to the statement of comprehensive income. The changes are effective from the next financial year following completion of the updated Reserve and Resource estimates by the Group's competent person.

(iv) Recoverability of non-financial assets

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the statement of profit or loss.

(v) Lease term under AASB 16

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). This determination is reviewed if a significant event or a significant change in circumstances occurs that is within the control of the lessee.

(vi) Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available and to make adjustments to reflect the terms and conditions of the lease.

Notes to the Consolidated Financial Report

NOTE 3: CHANGES IN ACCOUNTING POLICIES

The Group applies, for the first time, AASB 16 *Leases* (AASB 16). The nature and effect of these changes are disclosed below.

Other revised Standards and Interpretations which apply from 1 January 2019 did not have a material effect on the financial position or performance of the Group.

AASB 16

This note explains the impact of adoption of AASB 16 *Leases* (AASB 16) on the Group's financial report and discloses the new accounting policies that have been applied from 1 January 2019.

AASB 16 supersedes AASB 117 *Leases (AASB 117)*, Interpretation 4 *Determining whether an Arrangement contains a Lease*, Interpretation 115 *Operating Leases-Incentives* and Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

The Group adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Comparatives for the 2018 reporting period have not been restated as permitted under the specific transition provisions in the standard. In accordance with AASB 16, at the transition date, the Group assessed all contracts to establish whether they contain a lease. The Group elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (short-term leases), and lease contracts for which the underlying asset is of low value (low-value assets).

On transition, the Group elected to record the right-of-use asset at an amount equal to the lease liability. There were no related prepaid and accrued lease payments previously recognised that required the lease assets to be adjusted. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The principal component of lease payments is now recognised as a financing activity in the statement of cashflow (previously presented as an operating activity).

On transition the Group also applied the available practical expedients wherein it:

- applied the short-term leases exemption to leases with lease terms that ends within 12 months of the date of initial application; and
- used hindsight with regards to determination of the lease term.

The impact on the statement of financial position as at 1 January 2019 on adoption of AASB 16 and the carrying values of right-of-use assets and lease liability at 31 December 2019 are set out in the table below:

	At 31 December 2019 $'000	At 1 January 2019 $'000
Assets		
Right-of-use assets – land & buildings	661	827
Right-of-use assets – plant & equipment	16,468	27,161
	17,129	**27,988**
Liabilities		
Lease liability – current	11,184	14,979
Lease liability – non-current	3,136	13,009
	14,320	**27,988**

	2019 $'000
The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:	
Operating lease commitments as at 31 December 2018	29,524
Less:	
Present value discounting of lease liabilities	(1,536)
Lease liabilities as at 1 January 2019	**27,988**

Lease liabilities were discounted using a weighted average incremental borrowing rate as at 1 January 2019 of 5.33%.

The Group recognised rent expense from short-term leases of $2,262,000 and leases of low-value assets of nil for the 12 months ended 31 December 2019.

<u>Policy applied from 1 January 2019 – Group as Lessee</u>

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and lease assets representing the right to use the underlying assets.

(i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter period of its estimated useful life and the lease term (2-7 years). Right-of-use assets are subject to impairment.

(ii) Lease liabilities

At the commencement date of the contract identified as containing a lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that are based on an index or rate and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

(iii) Short-term leases and leases of low-value assets

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option. Low-value assets are assets with a value of less than US$5,000.

Notes to the Consolidated Financial Report

NOTE 4: REVENUE

a) Revenue from contracts with customers

	2019 $'000	2018 $'000
Revenue from sale of concentrate (point in time)	463,035	395,719
Revenue from shipping services (over time)	10,356	9,165
Total revenue from contracts with customers	**473,391**	**404,884**
Realised and unrealised fair value movements on receivables subject to QP adjustment	27	(2,521)
Total Revenue	**473,418**	**402,363**

b) Revenue from contracts with customers by type of product/service

	2019 $'000	2018 $'000
Zinc concentrate	168,274	116,128
Copper concentrate	132,371	110,314
HPM concentrate	162,390	169,277
Shipping revenue	10,356	9,165
	473,391	**404,884**

NOTE 5: EXPENDITURE

	2019 $'000	2018 $'000
(a) Cost of sales		
Mining cost	127,162	112,107
Processing costs	62,909	52,231
Site services cost	22,020	20,588
Depreciation and amortisation	50,139	35,789
Stockpile movements	(7,973)	5,308
Government royalties	19,995	17,351
Other production and shipping costs	10,357	8,598
	284,609	**251,972**
(b) Administration expenses		
Other administration expenses	4,036	2,082
	4,036	**2,082**
(c) Other expenses		
Write off of property, plant and equipment	-	3,029
Other expenses	-	224
Net foreign exchange differences:		
- Loan facility	1,248	17,543
- Cash	745	(9,719)
- Other	425	(1,018)
	2,418	6,806
	2,418	**10,059**

Included in Cost of sales and Administration expenses is an amount of $33.64 million (2018: $30.18 million) relating to employee benefits expense.

Notes to the Consolidated Financial Report

NOTE 6: OTHER INCOME

	2019 $'000	2018 $'000
Interest income calculated using the effective interest rate method	1,579	994
Other income	7,476	5,060
	9,055	**6,054**

NOTE 7: FINANCE COSTS

	2019 $'000	2018 $'000
Interest expense	8,167	8,595
Interest expense on lease liabilities	1,106	-
Amortisation of capitalised borrowing costs	395	2,583
Unwinding of discount on provision for rehabilitation	1,858	663
	11,526	**11,841**

NOTE 8: INCOME TAX

The major components of income tax expense are:

	2019 $'000	2018 $'000
Current income tax charge	48,259	34,217
Deferred tax relating to temporary differences	5,340	5,534
Adjustment in respect of income and deferred tax of prior year		
- Income	(2,282)	1,490
- Deferred tax	2,415	3,047
Income tax expense	**53,732**	**44,288**

Reconciliation of income tax expense to accounting profit:

	2019 $'000	2018 $'000
Accounting profit before income tax	**179,884**	**132,463**
Income tax at the Australian tax rate of 30% (2018: 30%)	53,965	39,739
Increase/(decrease) in income tax due to:		
Non-deductible expenses	-	12
Other	(366)	-
Adjustment in respect of income and deferred tax of prior year	133	4,537
Income tax expense	**53,732**	**44,288**

Movement in deferred income tax

	2019 $'000	2018 $'000
Opening balance	(14,226)	(5,646)
Charged to profit or loss	(7,755)	(8,580)
Closing balance	**(21,981)**	**(14,226)**

Notes to the Consolidated Financial Report

	2019 $'000	2018 $'000
Deferred tax asset/(liabilities) comprises temporary differences attributable to:		
Deferred tax asset		
Provision for employee benefits	1,875	1,883
Provision for rehabilitation and restoration	19,837	19,803
Other	3,669	3,935
	25,381	**25,621**
Deferred tax liabilities		
Receivables	(82)	(67)
Inventories	-	(973)
Property, plant and equipment including assets under construction	(13,114)	(10,668)
Exploration expenditure	(4,870)	(3,794)
Mine properties	(28,453)	(23,640)
Other	(843)	(705)
	(47,362)	**(39,847)**
Net deferred tax (liability)	**(21,981)**	**(14,226)**
Intercompany tax funding payable	**14,975**	**10,605**

NOTE 9: CASH AND CASH EQUIVALENTS

Cash on hand and at bank	**115,966**	**78,936**

The distribution of cash to shareholders is subject to ensuring a minimum prescribed cash balance and compliance with covenants which are included in the Group's Syndicated Facility Agreement (note 16).

NOTE 10: TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Current		
Trade receivables – at fair value	11,086	10,821
Other receivables – at amortised cost	1,897	330
Security deposits – at amortised cost	67	67
Total current trade and other receivables	**13,050**	**11,218**
Non-current		
Trade receivables – at amortised cost (1)	4,401	-
Total non-current trade and other receivables	**4,401**	**-**
Total trade and other receivables	**17,451**	**11,218**

Trade receivables (subject to provisional pricing) are non-interest bearing, are exposed to future commodity price movements over the QP and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. These trade receivables are initially measured at the amount which the Group expects to receive, being the estimate of the price expected to be received at the end of the QP. Approximately 90 - 100% of the provisional invoice (based on the provisional price (calculated as the average price in the week prior to delivery)) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognised. The QP's can range between one and five months post shipment and final payment is due within 30 days from the end of the QP.

(1) The Company has commenced proceedings to recover certain monies that remain owing to it under an agreement for the mining of open pit material by a customer. The Company and its counsel are confident of a ruling in the Company's favour. The Company has reclassified the receivable to non-current given the current legal proceedings.

NOTE 11: INVENTORIES

	2019 $'000	2018 $'000
Concentrates	4,395	9,071
Ore stockpiles	14,355	1,706
Consumables	13,012	12,973
Provision for obsolete stock – consumables	(2,035)	(1,806)
	29,727	**21,944**

All inventory is valued at cost except for the zinc concentrate stockpile amounting to $3.6 million which has been recorded at net realisable value. In 2018 all inventory was valued at cost.

Notes to the Consolidated Financial Report

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

	2019 $'000	2018 $'000
Balance at the beginning of the year	12,523	4,934
Expenditure for the year	3,712	7,589
Balance at the end of the year	**16,235**	**12,523**

Recoverability of the carrying amount of exploration and evaluation 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.

The Group did not recognise any impairment charges during the current or previous reporting period.

NOTE 13: MINE PROPERTIES

	2019 $'000	2018 $'000
Balance at the beginning of the year	163,699	149,770
Development expenditure incurred during the year	43,375	25,150
Transfers from property, plant and equipment (note 14)	9,378	960
Movements in rehabilitation obligations	(1,745)	3,904
Amount amortised during the year	(19,418)	(16,085)
Balance at the end of the year	**195,289**	**163,699**
Gross carrying amount – at cost	245,800	194,792
Accumulated depreciation and amortisation	(50,511)	(31,093)
Net carrying amount	**195,289**	**163,699**

The Group did not recognise any impairment charges during the current or previous reporting period.

Refer to note 16 for all encumbrances in relation to mine properties.

Notes to the Consolidated Financial Report

NOTE 14: PROPERTY, PLANT & EQUIPMENT

As at 31 December 2019	Land and buildings $'000	Plant and machinery $'000	Capital work in progress $'000	Total $'000
Gross carrying amount – at cost				
Balance at the beginning of year	34,114	127,824	6,076	168,014
Additions	-	-	26,848	26,848
Transfers	331	7,563	(17,271)	(9,377)
Balance at the end of year	**34,445**	**135,387**	**15,653**	**185,485**
Accumulated depreciation and impairment				
Balance at the beginning of year	(8,679)	(29,886)	-	(38,565)
Depreciation for the year	(2,416)	(15,624)	-	(18,040)
Balance at the end of year	**(11,095)**	**(45,510)**	**-**	**(56,605)**
Net book value	**23,350**	**89,877**	**15,653**	**128,880**
As at 31 December 2018				
Gross carrying amount – at cost				
Balance at beginning of year	**34,103**	**123,694**	**3,977**	**161,774**
Additions	11	-	11,120	11,131
Transfers	-	8,061	(9,021)	(960)
Write off of plant and equipment	-	(3,931)	-	(3,931)
Balance at the end of year	**34,114**	**127,824**	**6,076**	**168,014**
Accumulated depreciation and impairment				
Balance at the beginning of year	(4,265)	(15,285)	-	(19,550)
Depreciation for the year	(4,414)	(15,279)	-	(19,693)
Reversal on write off of plant and equipment	-	678	-	678
Balance at the end of year	**(8,679)**	**(29,886)**	**-**	**(38,565)**
Net book value	**25,435**	**97,938**	**6,076**	**129,449**

Refer to note 16 for all encumbrances in relation to property, plant and equipment.

Notes to the Consolidated Financial Report

NOTE 15: TRADE AND OTHER PAYABLES

	2019 $'000	2018 $'000
Current		
Trade payables	4,767	3,142
Accruals		
- Operational	18,624	13,941
- Government royalties	6,763	4,941
Other creditors	1,257	1,812
Goods received not invoiced	2,394	2,631
Total current trade and other payables	**33,805**	**26,467**
Non-current		
Other creditors (including accruals)	-	298
Total non-current trade and other payables	**-**	**298**
Total trade and other payables	**33,805**	**26,765**

NOTE 16: INTEREST BEARING LIABILITIES

	2019 $'000	2018 $'000
Current		
Insurance premium funding	261	208
Syndicated Facility – Term loan (net)	23,035	55,839
Total current borrowings	**23,296**	**56,047**
Non-current		
Syndicated Facility – Term loan (net)	82,726	106,095
Total non-current borrowings	**82,726**	**106,095**
Total borrowings	**106,022**	**162,142**

The Group has a US$160 million Syndicated Facility in place comprising a US$150 million term loan and a US$10 million revolving capital facility. The amount outstanding on the term loan at the reporting date was US$76 million (2018: US$116 million). The term loan has fixed quarterly repayments with the final repayment due on 30 June 2023. The facility is fully secured over the entire present and future undertakings, assets and rights of EMR Golden Grove Holdings Pty Ltd and EMR Golden Grove Pty Ltd.

	2019 US$'000	2019 A$'000	2018 US$'000	2018 A$'000
Undrawn facilities available at balance date:				
Syndicated Facility – Revolving capital facility	10,000	14,259	10,000	14,178
	10,000	**14,259**	**10,000**	**14,178**

The weighted average effective interest on the term facility is as follows:

	2019 %	2018 %
Term facility	**5.10**	**5.80**

Notes to the Consolidated Financial Report

NOTE 17: LEASES

The Group has contracts which contain a lease for various items of land and buildings and plant and machinery used in its operations. These right-of-use assets have lease terms between 2-7 years. There are several contracts which contain a lease that include extension and termination options and variable payments, which are further discussed below.

The Group also has certain contracts which contain a lease with terms of 12 months or less and contracts which contain a lease of low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these.

a) Amounts recognised in the balance sheet

(i) Right-of-use assets

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
Recognised upon transition to AASB 16 at 1 January 2019	827	27,161	27,988
Lease recognised during the year	-	1,823	1,823
Depreciation expensed during the year	(166)	(12,516)	(12,682)
Balance at the end of the year	**661**	**16,468**	**17,129**

(ii) Lease liabilities

	2019 $'000	2018 $'000
Recognised upon transition to AASB 16 at 1 January 2019	27,988	-
Lease recognised during the year	1,823	-
Repayment during the year	(15,491)	-
Balance at the end of the year	**14,320**	**-**
Current	11,184	-
Non-current	3,136	-
Total	**14,320**	**-**

	2019 $'000	2018 $'000
b) Amounts recognised in the statement of profit or loss		
Depreciation expense on right-of-use assets	12,682	-
Interest expense on lease liabilities	1,106	-
Expense relating to short-term leases	2,262	-
Expense relating to low-value assets	-	-
Expense relating to variable lease payments not included in the measurement of the lease liability	4,044	-

The total cash outflow for leases in 2019 was $16.597 million.

The variable lease payments relate to contracts which are based on usage (tonnes moved and equipment hired).

NOTE 18: PROVISIONS

	2019 $'000	2018 $'000
Current		
Employee benefits	5,567	5,626
	5,567	**5,626**
Non-current		
Provision for rehabilitation and restoration	66,125	66,012
Employee benefits	467	445
	66,592	**66,457**
Total provisions	**72,159**	**72,083**
Movement in rehabilitation and restoration		
Carrying amount at the beginning of the financial year	66,012	61,445
Change in scope of restoration provision	(1,745)	3,904
Accretion expense	1,858	663
Carrying amount at the end of the financial year	**66,125**	**66,012**

The rehabilitation provision is based on the net present value of the estimated cost of rehabilitating and restoring the environmental disturbance which is expected to be incurred up to the end of the life of mine plan. Significant estimates and assumptions are made in determining the rehabilitation provision so there are numerous factors that will affect the ultimate liability payable. These factors include estimates of the extent and costs of rehabilitation activities, technological charges, regulatory charges, cost increases as compared to the inflation rates and changes in discount rates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision at the reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

The discount rate used in the calculation of the provision as at 31 December 2019 equalled 1.992% (2018: 2.814%). The cash flows have been discounted over a 28 year life (2018: 29 years) taking into account when the rehabilitation activities will be undertaken.

Notes to the Consolidated Financial Report

NOTE 19: CONTRIBUTED EQUITY

	2019 $'000	2018 $'000
Ordinary share capital		
122,641,443 ordinary fully paid shares	**122,641**	**122,641**
Movement in equity during the year:		
Balance at the beginning of the year	122,641	181,846
Shares bought back during the year	-	(59,205)
Balance at the end of the year	**122,641**	**122,641**

	2019 Number	2018 Number
Movement in number of shares during the year:		
Balance at the beginning of the year	122,641,443	181,846,463
Shares bought back during the year	-	(59,205,020)
Balance at the end of the year	**122,641,443**	**122,641,443**

On 12 June 2018, the Company completed a share buyback of 59,205,020 shares, at a share price of $3.14 per share, with all the shares bought back subsequently cancelled. The issued capital has been reduced pro-rata based on the number of shares bought back, with the excess consideration for the 59,205,020 ordinary shares bought back being recorded in a capital distribution reserve in the statement of changes in equity. There has been no movement in ordinary share capital in the current year.

Ordinary shares entitle the holder to share dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. Every share is entitled to one vote equally.

NOTE 20: RESERVES

Capital Distribution Reserve

The capital distribution reserve records the excess consideration paid on buy back of ordinary shares when the consideration paid for a share buy back exceeded the issue price of the shares.

NOTE 21: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities which require disclosure in the financial statements for the year ended 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Report

NOTE 22: EXPLORATION COMMITMENTS

In order to maintain current rights of tenure to exploration tenements, the Group is required to outlay rentals and to satisfy minimum expenditure requirements which total $1,538,000 (2018: $1,524,000) over the next 12 months, in accordance with agreed work programmes submitted over the Group's exploration licences. Financial commitments for subsequent periods are contingent upon future exploration results. There are no material exploration commitments further out than one year.

NOTE 23: CASH FLOW STATEMENT

	2019 $'000	2018 $'000
Reconciliation of net profit for the year to cash inflows from operations		
Net profit from ordinary activities after income tax	126,152	88,175
Adjustment for:		
Depreciation and amortisation	50,139	35,789
Write off of property, plant and equipment	-	3,029
Movement in foreign exchange rates	3,164	7,890
Rehabilitation and restoration provision accretion	1,858	663
Interest and other costs of finance paid	8,563	11,178
Changes in working capital:		
Trade and other receivables	(6,920)	34,874
Inventories	(7,783)	3,403
Trade and other payables	1,827	(24,490)
Provisions	(36)	(2,448)
Current income tax charge	3,765	5,319
Deferred tax relating to temporary differences	7,758	8,581
Net cash inflows from operations	**188,487**	**171,963**

Notes to the Consolidated Financial Report

Reconciliation of liabilities arising from financing activities

			Non-cash changes			
	2018 $'000	Cash Flows	Adoption of AASB 16	Foreign Exchange Movement	Other	2019 $'000
Interest bearing liabilities	(162,142)	57,278	-	(1,120)	(38)	(106,022)
Lease liabilities	-	15,491	(29,811)	-	-	(14,320)
Total liabilities from financing activities	**(162,142)**	**72,769**	**(29,811)**	**(1,120)**	**(38)**	**(120,342)**

			Non-cash changes			
	2017 $'000	Cash Flows	Adoption of AASB 16	Foreign Exchange Movement	Other	2018 $'000
Interest bearing liabilities	(100,909)	(44,724)	-	(17,544)	1,035	(162,142)
Total liabilities from financing activities	**(100,909)**	**(44,724)**	**-**	**(17,544)**	**1,035**	**(162,142)**

Notes to the Consolidated Financial Report

NOTE 24: FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including commodity price risk, interest rate risk, currency risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The senior executives of the Group meet on a regular basis to analyse treasury risks and evaluate treasury management strategies in the context of the prevailing economic conditions and forecasts. Risk management policies are approved and reviewed by the Board on a regular basis.

The Group's financial instruments consist of deposits with banks, accounts receivables and payables, loans and leases. The totals for each category of financial instruments are as follows:

	Note	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	9	115,966	78,936
Trade and other receivables	10	17,451	11,218
		133,417	**90,154**
Financial liabilities			
Trade and other payables	15	33,804	26,765
Interest bearing liabilities	16	106,022	162,142
Lease liabilities	17	14,320	-
Intercompany tax funding payable	8	14,975	10,605
		169,121	**199,512**

Commodity price risk

The prices of copper, zinc, lead, gold and silver are affected by numerous factors and events that are beyond the control of the Group. These metal prices change on a daily basis and can vary significantly up and down over time. The factors impacting metal prices include both broader macro-economic developments and micro-economic considerations relating more specifically to the particular metal concerned.

The following table details the sensitivity of the Group's financial assets balance to movements in commodity prices. As at 31 December 2019, the Group's provisionally priced sales contract amounted to $177 million (US$123 million) (2018: $203 million (US$151 million)). At the reporting date, if commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's after tax profit/loss would have changed as set out below:

	2019			2018		
	Commodity Price Movement	Increase Profit $'000	Decrease Profit $'000	Commodity Price Movement	Increase Profit $'000	Decrease Profit $'000
Concentrate						
Copper	10%	6,407	(6,407)	10%	5,984	(5,984)
HPM	10%	4,810	(4,810)	10%	5,284	(5,284)
Zinc	10%	6,483	(6,483)	10%	9,048	(9,048)
Total		**17,700**	**(17,700)**		**20,316**	**(20,316)**

Notes to the Consolidated Financial Report

Interest rate risk

The Group is exposed to interest rate risk primarily through interest bearing borrowings and cash holdings. Deposits and borrowings at variable rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents have been disclosed in note 9, whilst details of the Group's borrowings are set out in note 16. The Group monitors its interest rate risk to ensure that there are no undue exposures to significant interest rate movements.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

	2019 $'000	2018 $'000
Fixed rate instruments		
Term deposits	14,259	14,178
Interest bearing liabilities	(261)	(208)
Lease liabilities	(14,320)	-
	(322)	**13,970**
Variable rate instruments		
Cash and cash equivalents	101,706	64,758
Interest bearing liabilities	(105,761)	(161,934)
	(4,055)	**(97,176)**

Cash flow sensitivity analysis for variable rate instruments

A change of 25 basis points in interest rates would have increased or decreased equity and before tax profit/loss by the amounts shown below. This analysis assumes all other variables remain constant.

Variable rate instruments	**2019 $'000 25bp increase**	**2019 $'000 25bp decrease**	**2018 $'000 25bp increase**	**2018 $'000 25bp decrease**
Profit or loss	(10)	10	(243)	243
Equity	10	(10)	243	(243)

Currency risk

The Group is exposed to currency risk from bank balances, payables and receivables that are denominated in a currency other than the functional currency of the Group, being Australian dollars.

The Australian dollar carrying amount of the Group's financial assets and liabilities by its currency risk exposure at the reporting date is disclosed below:

USD exposure	2019 $'000	2018 $'000
Cash and cash equivalents	109,321	70,943
Trade and other receivables	11,056	9,852
Prepayments	55	43
Trade and other payables	(204)	(300)
Interest bearing liabilities	(105,937)	(162,076)
Net exposure	**14,291**	**(81,538)**

Notes to the Consolidated Financial Report

The following significant exchange rates applied during the year:

	Average rate		31 Dec spot rate	
	2019	**2018**	**2019**	**2018**
AUD:USD	0.6952	0.7458	0.7013	0.7053

Sensitivity analysis
Based on the financial instruments held at reporting date, had the functional currency weakened/strengthened by 10% and all other variables held constant, the Group's after tax profit/loss for the year would have been $1.43 million lower/higher (2018: $8.15 million lower/higher).

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Credit risk arises from cash and deposits with financial institutions as well as credit exposures to outstanding receivables.

The Group is exposed to counterparty credit risk through sales of metal products on normal terms of trade, through deposits of cash and settlement risk on foreign exchange transactions. While the most significant exposure to credit risk is through sales of metal products on normal terms of trade, the majority of sales for mining operations were made under contractual arrangements whereby provisional payment is received promptly after delivery and is generally 90-100% of estimated value at that time.

At the reporting date the carrying amounts of financial assets are adjusted for any impairment and represent the Group's maximum exposure to credit risk, excluding the value of any collateral or other security, which was as follows:

	2019 $'000	**2018 $'000**
Financial assets		
Cash and cash equivalents	115,966	78,936
Trade and other receivables	17,451	11,218
Net exposure	**133,417**	**90,154**

The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

Australia	121,349	65,122
Asia	3,828	15,902
Europe	5,856	6,355
USA	2,384	2,775
	133,417	**90,154**

Liquidity risk
Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with financial liabilities. The Group manages liquidity risk by conducting regular reviews of the timing of cash outflows and short and long-term cash flow forecasts in order to ensure sufficient funds are available to meet its obligations.

Notes to the Consolidated Financial Report

Financial liability maturity analysis

	Carrying amount $'000	Total $'000	0-6 months $'000	6-12 months $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
31 December 2019							
Trade and other payables	33,804	33,804	33,804	-	-	-	-
Bank borrowings	108,370	119,262	11,289	18,172	39,225	50,576	-
Insurance funding	261	275	275	-	-	-	-
Lease liabilities	14,320	14,846	5,821	5,804	2,802	285	134
	156,755	**168,187**	**51,189**	**23,976**	**42,027**	**50,681**	**134**
31 December 2018							
Trade and other payables	26,765	26,765	26,019	448	298	-	-
Bank borrowings	164,469	183,197	35,327	28,904	29,459	89,507	-
Insurance funding	208	227	227	-	-	-	-
Lease liabilities	-	-	-	-	-	-	-
	191,442	**210,189**	**61,573**	**29,352**	**29,757**	**89,507**	**-**

NOTE 25: FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair value measurement
The only category of financial asset measured at fair value for the Group is trade receivables (note 10). The fair value measurement is classified as Level 2 on the fair value hierarchy.

The carrying value of other financial assets and liabilities approximate fair value.

Fair value hierarchy
All assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level
input that is significant to the fair value measurement as a whole, as follows:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 31 December 2019 or the comparative period ended 31 December 2018.

Notes to the Consolidated Financial Report

NOTE 26: RELATED PARTIES

Key management personnel remuneration

Key management personnel (KMP) are accountable for planning, directing and controlling the affairs of the Group. Details of remuneration provided to key management personnel are as follows:

	2019 $	2018 $
Short-term employment benefits	2,892,258	2,171,576
Long-term benefits	-	-
Post-employment benefits	108,577	107,552
Termination benefits	37,751	49,292
	3,038,586	**2,328,420**

Other related party transactions

There were no transactions with key management personnel and related parties during the year other than as disclosed elsewhere in the financial statements (2018: nil).

NOTE 27: AUDITORS' REMUNERATION

Ernst & Young		
Audit services	162,500	150,726
Other services	-	-
	162,500	**150,726**

NOTE 28: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted earnings per share are the same as there are no instruments on issue that have a dilutive effect on earnings.

	2019	2018
Net profit attributable to ordinary shareholders ($'000)	126,152	88,175
Weighted average number of ordinary shares	122,641,443	148,918,740
Basic and diluted earnings per ordinary share ($)	**1.03**	**0.59**

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

Notes to the Consolidated Financial Report

NOTE 29: SEGMENT DISCLOSURES

An operating segment is a component of the Group that engage in business activities from which it may earn revenue and incur expenditure and about which financial information is available that is evaluated regularly by the Group's Chief Operating Decision Makers (CODM) in deciding how to allocate resources and in assessing performance.

The Group has one reportable segment, "Golden Grove Operations and Exploration", which is the Group's strategic business unit. The notes to the financial statements reflect the results of this single business unit.

Information about geographical areas and product

All of the Group's revenue is generated from the Golden Grove Mine in Western Australia. In 2019, based on insructions received from customers, a majority of the product was sent to Asia for processing (92% (2018: 76%)) with the remainder (5% (2018: 11%)) to Australia for processing.

Three customers (2018: five customers) individually accounted for more than ten percent of total revenue during the year. Sales revenue from these major customers ranged from 10%-35% of total revenue, in combination contributing approximately 70% of total revenue (2018: 85%).

NOTE 30: PARENT ENTITY DISCLOSURES

The disclosure below relates to the parent entity, EMR Capital Golden Grove Pty Ltd (the parent entity):

	2019 $'000	2018 $'000
Current assets	4,218	4,114
Non-current assets	122,640	122,641
Current liabilities - intercompany loans	(4,122)	(4,092)
Net assets	**122,736**	**122,663**
Contributed equity	122,641	122,641
Retained earnings	95	22
Total equity	**122,736**	**122,663**
Profit/(loss) for the parent entity	**73**	**(464)**
Total comprehensive profit/(loss) for the parent entity	**73**	**(464)**

The Company is in a net current asset position at 31 December 2019 of $96,000 (2018: $22,000) due to the intercompany loans. The related parties have confirmed they will not call the loans within the next 12 months from the date of this report.

Guarantees entered into by the parent entity
The parent entity has not provided any securities or guarantees over its assets.

Contingent liabilities
The parent entity did not have any contingent liabilities at 31 December 2019 (2018: Nil).

Capital commitments
The parent entity did not have capital commitments at 31 December 2019 (2018: Nil).

Notes to the Consolidated Financial Report

NOTE 31: SUBSEQUENT EVENTS

There have not been any events that have arisen in the interval between the end of the financial year and the date of this report or any other item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to materially affect the operations of the Company, the results of those operations or the state of affairs of the Company, in future financial years.

NOTE 32: PARENT AND THE ULTIMATE PARENT OF THE GROUP

The parent entity of EMR Capital Golden Grove Pty Ltd and the ultimate parent entity of the Group is EMR Capital GP II Golden Grove Pty Ltd.

NOTE 33: CONTROLLED ENTITIES

The consolidated financial statements of the Group include:

	Principal Activity	Country of incorporation	2019 % equity interest	2018 % equity interest
EMR Golden Grove Holdings Pty Ltd	Holding Company	Australia	100%	100%
EMR Golden Grove Pty Ltd	Copper & Zinc mining	Australia	100%	100%

EMR CAPITAL GOLDEN GROVE PTY LTD
DIRECTORS' DECLARATION
For the year ended 31 December 2019

In the opinion of the Directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*;

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Directors

Owen Hegarty
Chairman
28 February 2020

Building a better
working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent Auditor's Report to the Members of EMR Capital Golden Grove Pty Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of EMR Capital Golden Grove Pty Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also 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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, 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.

- 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 financial report 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 financial report, including the disclosures, and whether the financial report represents 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 financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

Ernst & Young

Ernst & Young

Fiona Drummond
Partner
Perth
28 February 2020