

CAPRICORN COPPER HOLDINGS PTY LTD

ABN 60 608 241 121

FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2019

CAPRICORN COPPER HOLDINGS PTY LTD
CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2019

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The directors present their report on Capricorn Copper Holdings Pty Ltd and its controlled entities (the Group or consolidated entity) for the year ended 31 December 2019.

Corporate Information

Capricorn Copper Holdings 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

Nature of Operations and Principal Activities

During the financial year, the principal continuing activities of the consolidated entity are exploration, mining, processing and marketing of copper metal. There has been no significant change in the nature of these activities during the year.

Results

The net loss attributable to the members of Capricorn Copper Holdings Pty Ltd for the financial year was \$27,670,000 (2018: \$68,567,000).

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

The results of the consolidated entity for the year ended 31 December 2019 include:

	2019	2018
Ore mined (dmt)	1,582,739	1,251,199
Ore milled (dmt)	1,605,079	1,326,293
Concentrate produced (dmt)	93,525	81,821
Copper in Concentrate (t)	23,319	17,706

There were two lost time injuries recorded during the year and the total recordable injury frequency rate improved to 12.95 at 31 December 2019 (2018: 27.51).

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Activities undertaken during the year include:

- On 1 January 2019 an agreement to have Ausenco operate and maintain the process plant was signed, with the existing processing and maintenance workforce transferred from the consolidated entity to the contractor.
- Independent sign off of Mineral Resource Estimate of 69.9Mt at 1.79% Cu and Mineral Reserves of 15.4Mt at 1.92% Cu.
- Restructured debt facility with BNP Paribas converting A\$33 million term loan and revolving capital facility to US\$22 million term loan.
- Developing an Environmental Compliance Action Plan in conjunction with the DES which addresses legacy non-compliance aspects.

Significant Changes in the State of Affairs

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

Significant Events after the Balance Date

On 9 March 2020, the Group entered into an agreement with BNP Paribas and Natixis, whereby each bank assumed 50% of the existing BNP facilities and in addition a further revolving capital facility of US\$7.22 million has become available to be drawn. The Group drew down US\$3.75 million under this facility on 13 March 2020.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Group has implemented significant health security controls and to date has not seen a significant impact on its business. The outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of business. The Group will continue to monitor and implement best practice control measures, however the scale and duration of these developments remain uncertain as at the date of this report and they could have an impact on the Group's operations and consequently its cash flow.

No other matters or circumstances 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

Likely Developments and Expected Results

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation Performance

The consolidated entity 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.

The consolidated entity was operating under a Transitional Environmental Program (**TEP**) in relation to the Capricorn Copper mine between March 2014 to March 2019. Upon the expiry of the TEP, the regulator concluded that that the consolidated entity had not executed all of the requirements of the TEP and a penalty infringement notice was issued.

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An Environmental Protection Order (**EPO**) was issued to the consolidated entity on 2 December 2019. The EPO requires certain actions to be taken to reduce the volume of water held onsite, including installation of high volume discharge infrastructure, wet season pumps and a 2ML RO plant to be commissioned in early 2020. The EPO remains in force until 1 June 2020.

The consolidated entity is working with the DES on amendments required to enable compliance with its Environmental Authority.

Shares under option

There were no unissued ordinary shares of the consolidated entity under option outstanding at the date of this report.

Shares issued on the exercise of options

There were no ordinary shares of the consolidated entity issued on the exercise of options during the year ended 31 December 2019 and up to the date of this report.

Indemnification and Insurance of Directors and Officers

The consolidated entity has indemnified the directors and executives of the consolidated entity for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the consolidated entity paid a premium in respect of a contract to insure the directors and executives of the consolidated entity against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium

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 year:

- 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 consolidated entity for all or part of those proceedings.

Rounding

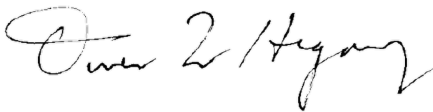
Capricorn Copper Holdings Pty Ltd is a consolidated entity of the kind specified in Australian Securities and Investment Commission Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191. In accordance with that class order, amounts in the financial report and the Directors' Report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

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Auditor Independence

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read "Owen Hegarty". The signature is written in a cursive style with a large initial 'O' and a long, sweeping tail.

Owen Hegarty
Chairman
1 April 2020



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Auditor's Independence Declaration to the Directors of Capricorn Copper Holdings Pty Ltd

As lead auditor for the audit of the financial report of Capricorn Copper Holdings 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 Capricorn Copper Holdings Pty Ltd and the entity it controlled during the financial year.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'Andrew Carrick', written in a cursive style.

Andrew Carrick
Partner
1 April 2020

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2019 \$'000	2018 \$'000
Revenue	4	184,372	122,986
Cost of sales	5(a)	(184,868)	(155,465)
Gross profit/(loss)		(496)	(32,479)
Other income	6	473	443
Administration expenses	5(b)	(5,304)	(6,105)
Finance costs	7	(16,114)	(26,529)
Other expenses	5(c)	(6,229)	(3,897)
Profit/(loss) before tax		(27,670)	(68,567)
Income tax expense	8	-	-
Profit/(loss) after income tax for the year		(27,670)	(68,567)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
(Gains)/losses transferred to the income statement		-	19,035
Net change in the fair value of cash flow hedges taken to equity		-	8,787
Total comprehensive income/(loss) for the year		(27,670)	(40,745)

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

**CAPRICORN COPPER HOLDINGS PTY LTD
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019**

	Note	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	9	11,530	12,219
Trade and other receivables	10	9,582	2,693
Inventories	11	14,960	15,069
Other Assets		2,028	1,618
Total current assets		38,100	31,599
Non-current assets			
Exploration and evaluation expenditure	12	5,632	24,424
Mine properties	13	68,174	47,089
Property, plant and equipment	14	76,739	87,704
Right-of-use assets	18	27,998	-
Intangible assets		1,126	1,126
Total non-current assets		179,669	160,343
Total assets		217,769	191,942
Current liabilities			
Trade and other payables	15	53,034	53,110
Contract liabilities		-	7,084
Interest bearing liabilities	16	3,491	20,114
Lease liabilities	18	9,038	1,755
Financial liabilities	17	8,500	11,159
Provisions	19	3,373	1,258
Related party loans	2020	9,759	- -
Total current liabilities		87,195	94,480
Non-current liabilities			
Contract liabilities		-	14,168
Interest bearing liabilities	16	48,971	19,989
Lease liabilities	18	17,485	1,235
Provisions	19	32,346	36,016
Total non-current liabilities		98,802	71,408
Total liabilities		185,997	165,888
Net assets		31,772	26,054
Equity			
Contributed equity	21	153,817	120,429
Retained earnings		(122,045)	(94,375)
Total equity		31,772	26,054

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

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity \$'000	Hedge Reserve \$'000	Accumulated Profit/(loss) \$'000	Total Equity \$'000
As at 31 December 2017	83,920	(27,822)	(25,808)	30,290
Profit/(loss) for the year	-	-	(68,567)	(68,567)
Cashflow hedge gains/(losses) transferred to the income statement	-	19,035	-	19,035
Fair value losses on cash flow hedges transferred from equity	-	8,787	-	8,787
<i>Transactions with owners:</i>				
Contributions of equity, net of transaction costs	36,509	-	-	36,509
As at 31 December 2018	120,429	-	(94,375)	26,054
Profit/(loss) for the year	-	-	(27,670)	(27,670)
<i>Transactions with owners:</i>	-	-	-	-
Contributions of equity, net of transaction costs	33,388	-	-	33,388
As at 31 December 2019	153,817	-	(122,045)	31,772

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

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CONSOLIDATED STATEMENT OF CASH FLOWS

	2019	2018
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	184,360	141,530
Payments to suppliers, employees and others	(182,695)	(141,513)
BAS refunds	8,818	15,261
Payments for short-term and variable leases	(3,065)	-
Interest received	183	32
Net cash flows from operating activities	24 <u>7,601</u>	<u>15,310</u>
Cash flows from investing activities		
Mine Development Expenditure	(17,182)	(14,631)
Payments for property, plant and equipment	(4,162)	(12,307)
Exploration expenditure	(2,731)	(8,209)
Net cash flows used in investing activities	<u>(24,075)</u>	<u>(35,147)</u>
Cash flows from financing activities		
Proceeds from issue of shares	33,169	36,176
Loans from/(to) related parties	9,359	(2,380)
Repayment of borrowings	(8,000)	(2,405)
Repayment of lease liabilities	(9,312)	(1,129)
Interest and borrowing costs paid	(8,468)	(5,043)
Net cash flows used in financing activities	<u>16,748</u>	<u>25,219</u>
Net increase/(decrease) in cash and cash equivalents	274	5,382
Net foreign exchange difference	(963)	(1,984)
Cash and cash equivalents at the beginning of the financial year	12,219	8,821
Cash and cash equivalents at the end of the financial year	9 <u>11,530</u>	<u>12,219</u>

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

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Notes to the Consolidated Financial Report

NOTE 1: CORPORATE INFORMATION AND BASIS OF PREPARATION

This general-purpose consolidated financial report of the Group (comprising Capricorn Copper Holdings Pty Ltd and the entity it controls) for the year ended 31 December 2019 was authorised for issue in accordance with a resolution of the Directors on 1 April 2020. Capricorn Copper Holdings Pty Ltd (the Company) is a company domiciled in Australia. The registered office of the Company is Level 3, 232 Adelaide Street, Brisbane QLD 4000.

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.

Going concern

At 31 December 2019, the consolidated entity has a net current liability position of \$49.1 million (2018: \$62.9 million). The net current liability position is due to the combined impact of arrears of trade creditors due in part to the level of capital expenditure during the 2019 financial year, recognition of lease liabilities pursuant to the adoption of AASB 16 of \$9.8 million, copper commodity derivatives of \$8.5 million and a shareholder loan of \$9.8 million. Pursuant to the loan agreement between the Company and its shareholder, the loan can be repaid either via the issuance of new shares or cash settlement.

On 9 March 2020, the Group entered into an agreement with BNP Paribas and Natixis, whereby each bank assumed 50% of the existing BNP facilities and a further revolving capital facility of US\$7.22 million. The Group drew down US\$3.75 million under this facility on 13 March 2020.

The Group is forecast to generate operating cashflows for the 2020 financial year that will assist in improving the net current liability position at 31 December 2019 and allowing the Group to pay its debts as and when they become due and payable.

The Group is required to maintain certain debt covenants associated with its Syndicated Facility – Term loan (refer note 16). Prior to 31 December 2020, should the Group be unable to manage compliance with its covenants through creditor management or support from its shareholder, then it may require a waiver. The Group maintains a transparent dialogue with its lenders who have been amenable to a waiver of these covenants in the past.

As part of the finalisation of the financial statements, the directors have received a comfort letter from EMR Capital Investment (No. 6B) Pte Ltd, the Group's 100% beneficial owner, confirming its support of the Group. This commitment is supported by its historic actions.

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The combined impact of the additional funding available through the revolving capital facility, cashflows to be generated from the ongoing operation of the mine, the continued close monitoring of working capital and the comfort letter received are forecast to enable the Group to pay its debts as and when they become due and payable in order to realise its assets and discharge its liabilities in the ordinary course of business.

Based on the above matters, the Directors are satisfied that it is appropriate the financial statements are prepared on a going concern basis.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal 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 incorporate the assets and liabilities of all subsidiaries of Capricorn Copper Holdings Pty Ltd ('company' or 'parent entity') as at 31 December 2019 and the results of all subsidiaries for the year then ended. Capricorn Copper Holdings Pty Ltd and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

(b) Foreign Currency Translation

(i) Functional and presentation currency

The functional currency of the consolidated entity is Australian dollars, which is the presentation currency of the consolidated entity.

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(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:

- Mining plant and equipment – Unit of production basis;
- Plant and machinery (other) – Straight line depreciation at a rate of 10% to 50% per annum, depending on the item of plant;
- Construction in progress – Not depreciated.

Depreciation and amortisation commences 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 economic extraction. Resource and Reserves estimates are reviewed annually. The depreciation and amortisation expense calculation reflects 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.

(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.

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Exploration and evaluation expenditure is expensed to the profit and loss as incurred except in the following circumstances in which case the expenditure may be capitalised:

- The existence of a commercially viable mineral deposit has been established and it is anticipated that future economic benefits are more likely than not to be generated as a result of the expenditure; and
- The exploration and evaluation activity is within an area of interest which was acquired as an asset acquisition or in a business combination and measured at fair value on acquisition.

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 economic extraction.

Resource and Reserves estimates are reviewed annually. The depreciation and amortisation expense calculation reflects 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.

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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 consolidated entity's business model for managing them. With the exception of trade receivables, the consolidated entity 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(r).

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 consolidated entity 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.

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Financial assets at amortised cost (debt instruments)

The consolidated entity 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 consolidated entity'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 consolidated entity 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 consolidated entity has transferred substantially all the risks and rewards of the asset, or (b) the consolidated entity has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment

The consolidated entity 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 consolidated entity 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 consolidated entity applies the simplified approach in calculating ECL's. Therefore, the consolidated entity 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 consolidated entity 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 consolidated entity's historical experience and informed credit assessment including forward-looking information.

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The consolidated entity considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the consolidated entity may also consider a financial asset to be in default when internal or external information indicates that the consolidated entity is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the consolidated entity. 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 consolidated entity 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, 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 consolidated entity 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 consolidated entity expects to receive, discounted at an approximation of the original effective interest rate (EIR). For receivables due in less than 12 months, the consolidated entity 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.

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(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.

(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 consolidated entity 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 consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

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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 consolidated entity 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 consolidated entity. 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 consolidated entity 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

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

(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. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(ii) Long-term employee benefits

The liability for 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 consolidated entity is principally engaged in the business of producing copper 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 consolidated entity expects to be entitled in exchange for those goods or services. The consolidated entity has generally concluded that it is the principal in its revenue contracts because it typically controls the goods before transferring them to the customer.

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(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 consolidated entity 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 consolidated entity's sales of metal in concentrate 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. The revenue is measured at the amount to which the consolidated entity expects to be entitled, being the estimate of the price expected to be received at the end of the quotational period (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.

(t) Dividend Distribution

Dividends are recognised when declared during the financial year and no longer at the discretion of the consolidated entity.

(u) 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.

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(v) New, Revised or Amended Accounting Standards or Interpretations

AASB 16 Leases

The Group has applied AASB 16 Leases. In accordance with the transition provisions in AASB 16 the new rules have been adopted using the modified retrospective approach with the cumulative effect of initially applying the new standard recognised on 1 January 2019. Comparatives for the 2018 financial year have not been restated. See note 3 below for further details on the impact of the change in accounting policy.

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 consolidated entity 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.

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 consolidated entity 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.

(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.

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(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 consolidated entity's competent person.

(iv) Income taxes and other taxes

Significant judgement is required in determining the tax position and the estimates and assumptions in relation to the provision for taxes and the recovery of tax assets, having regard to the nature and timing of their origination and compliance with the relevant tax legislation. There are some tax matters for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax balances in the accounting year in which such determination is made.

(v) 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.

(vi) Lease term

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.

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 Leases

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

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AASB 16 supercedes AASB 117 *Leases*, 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 Company adopted AASB 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. 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 Company assessed all contracts to establish whether they contain certain embedded leases. The Company elected to use the practical expedient 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). The Company elected to record the right-of-use asset at an amount equal to the lease liability

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	At 1 January
	2019	2019
	\$'000	\$'000
Assets		
Right-of-use assets – land & buildings	2,367	2,637
Right-of-use assets – plant & equipment	25,631	33,915
	27,998	36,552
Liabilities		
Lease liability - current	9,038	9,312
Lease liability – non-current	17,485	26,523
	26,523	35,835

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Reconciliation of right-of-use assets and lease liabilities

	Operating Leases \$'000	Finance Leases \$'000	Total Leases \$'000
Assets			
Opening Balance – 1 January 2019	-	3,607	3,607
Recognised on adoption of AASB 16	32,945	-	32,945
Amortisation for the year	(8,068)	(486)	(8,554)
Closing Balance – 31 January 2019	24,877	3,121	27,998
Liabilities			
Opening Balance – 1 January 2019	-	2,890	2,890
Recognised on adoption of AASB 16	32,945	-	32,945
Repayments	(7,674)	(1,638)	(9,312)
Closing Balance – 31 January 2019	25,271	1,252	26,523

Leases previously classified as Finance leases

The Group did not change the initial carrying amount of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under AASB 117). The requirements of AASB 16 were applied to these leases from 1 January 2019.

(a) Set out below are the new accounting policies of the consolidated entity upon adoption of AASB 16.

Leases previously accounted for as operating leases

(i) Right-of-use assets

The consolidated entity 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 consolidated entity 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 consolidated entity 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 consolidated entity and payments of penalties for terminating a lease, if the lease term reflects the consolidated entity 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.

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In calculating the present value of lease payments, the consolidated entity 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.

	2019	2018
	\$'000	\$'000
NOTE 4: REVENUE		
a) Revenue from contracts with customers		
Revenue from sales of copper concentrate	176,557	120,484
Revenue from sales of silver concentrate	6,486	4,372
Total revenue from contracts with customers	183,043	124,856
Realised and unrealised fair value movements on receivables subject to QP adjustment	1,329	(1,870)
Total Revenue	184,372	122,986

NOTE 5: EXPENDITURE

(a) Cost of sales

Mining costs	60,923	56,043
Processing costs	46,270	43,331
Site services costs	14,071	14,409
Depreciation and amortisation	37,334	22,194
Royalties	8,305	6,021
Stockpile movements	3,466	1,818
Other selling & distribution costs	14,499	11,649
	184,868	155,465

(b) Administration expenses

Other administration expenses	5,304	6,105
	5,304	6,105

(c) Other expenses

Rehabilitation expenses	4,738	(70)
Net foreign exchange differences:		
- Loan facility	(1,047)	938
- Cash	2,543	3,002
- Other	(5)	27
	6,229	3,897

Included in Cost of sales and Administration expenses is \$8.64 million (2018: \$15.69 million) relating to employee benefits expense.

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	2019	2018
	\$'000	\$'000
NOTE 6: OTHER INCOME		
Interest income	183	32
Other income	290	411
	473	443

NOTE 7: FINANCE COSTS

Hedging gain/loss	6,022	18,208
Interest on bank loans	3,346	2,794
Interest on customer contracts	1,911	850
Borrowing costs	825	496
Interest on finance leases	1,512	123
Unwinding of the discount on rehabilitation provision	493	942
Other costs of finance	2,005	3,116
	16,114	26,529

NOTE 8: INCOME TAX

Accounting loss before income tax	(27,670)	(68,567)
Income tax using the Company's domestic tax rate of 30% (2018: 30%)	(8,301)	(20,570)
Non-deductible expenses	1,796	351
Other	306	1
Deferred tax asset not recognised on current year loss	6,199	20,218
Total Income tax	-	-

Unrecognised Deferred tax assets

Provision for annual leave	194	378
Provision for incentives	245	100
Accrued superannuation	-	104
Provision for rehabilitation	2,131	1,861
Hedging	2,550	3,348
Borrowing costs	(58)	(702)
Unrealised foreign exchange losses	1,133	1,063
QP adjustment	78	477
Accrued expenses	115	98
Tax losses carried forward	58,441	40,665
Tax losses and temporary differences brought to account to reduce the deferred tax liability	(30,951)	(26,152)
Total unrecognised deferred tax assets	33,878	21,240

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	2019	2018
	\$'000	\$'000
Deferred tax liability		
Property, plant and equipment	28,689	24,653
Prepayments	327	147
Uninvoiced sales	1,935	1,352
Deferred tax asset attributable to tax losses and temporary differences brought to account to reduce the deferred tax liability	(30,951)	(26,152)
	<u>-</u>	<u>-</u>

The Group has \$194.80 million (2018: \$135.55 million) of tax losses carried forward. The Group neither have any taxable temporary difference nor any tax planning opportunities available that could partly support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses carried forward.

If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by \$58.44 million.

NOTE 9: CASH AND CASH EQUIVALENTS

Cash on hand and at bank	<u>11,530</u>	<u>12,219</u>
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The distribution of cash to the consolidated entity's shareholder is subject to ensuring a minimum prescribed cash balance and compliance with covenants which are included in the consolidated entity's Syndicated Facility Agreement (note 16).

NOTE 10: TRADE AND OTHER RECEIVABLES

Trade receivables	3,853	130
Contract assets	5,664	2,362
Other receivables	65	201
Total current trade and other receivables	<u>9,582</u>	<u>2,693</u>
Non-current		
Trade receivables	-	-
Total non-current trade and other receivables	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>9,582</u>	<u>2,693</u>

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 consolidated entity expects to receive, being the estimate of the price expected to be received at the end of the QP. Approximately 90% 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 under AASB15. 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.

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	2019	2018
	\$'000	\$'000
NOTE 11: INVENTORIES		
Concentrates	7,528	9,427
Ore stockpiles	1,518	3,085
Consumables	5,914	2,557
	14,960	15,069

All inventory is valued at cost in 2019 and 2018.

NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

Balance at the beginning of the year	24,424	18,289
Expenditure for the year	2,731	8,209
Transferred to mine properties	(21,523)	(1,428)
Depreciation and Impairments	-	(646)
Balance at the end of the year	5,632	24,424

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 consolidated entity did not recognise any impairment charges during the current or previous reporting period.

NOTE 13: MINE PROPERTIES

Balance at the beginning of the year	47,089	87,408
Development expenditure incurred during the year	17,182	13,208
Transfer from capital work in progress	1,429	-
Transfers from exploration and evaluation assets	21,523	1,428
Reclassifications	-	(38,910)
Amount amortised during the year	(19,049)	(16,045)
Balance at the end of the year	68,174	47,089
Gross carrying amount – at cost	188,307	147,528
Accumulated depreciation	(120,133)	(100,439)
Net carrying amount	68,174	47,089

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

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NOTE 14: PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2019	Land & Buildings \$'000	Plant & Machinery \$'000	Capital Work in Progress \$'000	Total \$'000
Gross carrying amount - at cost				
Balance at the beginning of the year	12,394	110,916	19,324	142,634
Adjustment for adoption of AASB 16	(2,704)	(1,179)	-	(3,883)
Restated opening cost	9,690	109,737	19,324	138,751
Additions	71	-	4,091	4,162
Transfers	-	18,539	(19,968)	(1,429)
Reclassifications	-	-	(362)	(362)
Disposals	-	-	-	-
Balance at the end of the year	9,761	128,276	3,085	141,122
Accumulated depreciation				
Balance at the beginning of the year	(442)	(54,488)	-	(54,930)
Adjustment for adoption of AASB 16	68	209	-	277
Restated opening accumulated depreciation	(374)	(54,279)	-	(54,653)
Depreciation	(1,038)	(8,692)	-	(9,730)
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at the end of the year	(1,412)	(62,971)	-	(64,383)
Net book value	8,349	65,305	3,085	76,739
As at 31 December 2018	Land & Buildings \$'000	Plant & Machinery \$'000	Capital Work in Progress \$'000	Total \$'000
Gross carrying amount – at cost				
Balance at the beginning of the year	-	52,605	35,904	88,509
Additions	6,060	3,442	5,713	15,215
Transfers	6,334	54,869	(22,293)	38,910
Disposals	-	-	-	-
Balance at the end of the year	12,394	110,916	19,324	142,634
Accumulated depreciation				
Balance at the beginning of the year	-	(49,427)	-	(49,427)
Depreciation	(442)	(5,061)	-	(5,503)
Disposals	-	-	-	-
Balance at the end of the year	(442)	(54,488)	-	(54,930)
Net book value	11,952	56,428	19,324	87,704

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

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	2019	2018
	\$'000	\$'000
NOTE 15: TRADE AND OTHER PAYABLES		
Current		
Trade payables	28,536	32,776
Accruals		
- Operational	14,422	7,823
- Government royalties	2,405	4,337
Other creditors	6,746	6,727
Goods received not invoiced	925	1,046
Related party payables	-	401
Total current trade and other payables	53,034	53,110
Total non-current trade and other payables	-	-
Total trade and other payables	53,034	53,110
NOTE 16: INTEREST BEARING LIABILITIES		
Current		
Syndicated Facility – Term loan (net)	3,491	15,114
Revolving cash facility	-	5,000
Total current borrowings	3,491	20,114
Non-current		
Advance Payment Agreement	21,410	-
Syndicated Facility – Term loan (net)	27,561	19,989
Total non-current borrowings	48,971	19,989
Total borrowings	52,462	40,103

During the year, the consolidated entity restructured its banking facilities with BNP such that the existing facility comprising of a term loan and revolving capital facility of A\$33 million was converted into a term loan of US\$22.2 million. The maturity date of the facility has also been extended to 31 December 2022. The consolidated entity made payments of A\$8 million during the year.

An offtake agreement for copper concentrate classified as a Contract Liabilities in 2018 was restructured during the year into an Advance Payment Agreement and maturity of the loan deferred until March 2023.

There were no undrawn facilities available at the end of the financial year.

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

	2019	2018
	%	%
Term loan	5.64	5.55

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	2019	2018
	\$'000	\$'000
NOTE 17: FINANCIAL LIABILITIES		
Derivatives not designated as hedging instruments		
Embedded derivatives	8,500	11,159
Total financial instruments at fair value	8,500	11,159

Derivatives not designated as hedging instruments reflect the change in fair value of those ineffective hedging contracts that do not qualify for hedge accounting, but were, nevertheless, intended to reduce the level of commodity risk for expected sales and purchases.

Hedging Profile	2020		2019		2018	
	Mt	Contract Price US\$/mt	Mt	Contract Price US\$/mt	Mt	Contract Price A\$/mt
Maturity Date						
January to March	2,145	4,964	-	-	3,864	7,470
April to June	2,150	4,964	-	-	3,864	7,470
July to September	-	-	-	-	3,864	7,470
October to December	-	-	2,145	4,964	-	-
Total/average	4,295	4,964	2,145	4,964	11,592	7,470

With the restructure of the Group's banking facilities into US dollars during the year, the hedge book was also converted into US\$ denominated settlements. The 2018 comparative is shown in A\$.

NOTE 18: LEASES

The consolidated entity has contracts which contain a lease for various items of land and buildings and plant and machinery used in its operations. These available-for use assets have lease terms between 2-7 years. There is a contract which contains a lease that includes extension and termination options and variable payments. Total value of the undiscounted potential future rental payments resulting from extension options within 5 years included in the lease term amounted to \$ 8.8 million from that lease.

The consolidated entity 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 consolidated entity 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	Plant & Equipment	Total
	\$'000	\$'000	\$'000
Transferred from finance leased assets	2,637	970	3,607
Recognised upon transition to AASB 16 at 1 January 2019	-	32,945	32,945
New leases recognised during the year	-	-	-
Depreciation expensed during the year	(270)	(8,284)	(8,554)
Balance at the end of the year	2,367	25,631	27,998

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	2019	2018
	\$'000	\$'000
(ii) Lease liabilities		
Recognised upon transition to AASB 16 at 1 January 2019	32,845	
Finance leases transferred from financial liabilities	2,990	
New leases recognised during the year	-	
Repayment during the year	(9,312)	
Balance at the end of the year	26,523	
Current	9,038	1,755
Non-current	17,485	1,235
Total	26,523	2,990

b) Amounts recognised in the statement of profit or loss

Depreciation expense on right-of-use assets	8,554	-
Interest expense on lease liabilities	1,503	-
Expense relating to short-term leases	-	-
Expense relating to low-value assets	-	-
Expense relating to variable lease payments not included in the measurement of the lease liability	3,065	-

The total cash outflow for leases in 2019 was \$13.88 million.

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	2019	2018
	\$'000	\$'000
NOTE 19: PROVISIONS		
Current		
Provision for rehabilitation and restoration	2,713	-
Employee benefits	660	1,258
	3,373	1,258
Non-current		
Provision for rehabilitation and restoration	32,346	36,016
Total provisions	35,719	37,274
Movement in rehabilitation and restoration		
Balance at the beginning of the year	36,016	35,144
Change in scope of restoration provision	402	(70)
Provision utilised	(1,852)	-
Unwinding of discount	493	942
Balance at the end of the year	35,059	36,016

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 1.45% (2018: 2.32%).

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	2019	2018
	\$'000	\$'000
NOTE 20: RELATED PARTY LOANS		
Classified as non-current liabilities		
Amounts payable to Lighthouse Minerals Pty Ltd	67	-
Shareholder loan	9,692	-
	<u>9,759</u>	<u>-</u>

NOTE 21: CONTRIBUTED EQUITY

	2019	2018	2019	2018
	Shares	Shares	\$	\$
A Class – fully paid ordinary shares	81,128,831	69,333,861	153,816,940	120,429,078
B Class – fully paid ordinary shares	11,200,000	11,200,000	1	1
	<u>92,328,831</u>	<u>80,533,861</u>	<u>153,816,941</u>	<u>120,429,079</u>

A Class – fully paid ordinary shares

A Class shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

B Class – convertible shares

B Class shares carry no rights to vote, receive dividends or participate in the winding up of the Company. B Class shares confer the right to be converted into ordinary shares on a liquidity event (as defined in the Company's constitution) in accordance with a conversion ratio (set out in the Company's constitution).

Capital Management

The Group's objectives when managing capital are:

- to safeguard its ability to continue as a going concern; and
- to maintain an optimum capital structure to reduce the cost of capital.

In common with many other mine production companies, funding is provided through the reinvestment of operating cashflows or debt financing. Also, the Parent Entity raises finance for the Company's activities through equity raisings.

The directors consider the current capital structure in relation to the operation of the Capricorn Copper mine appropriate for the Group's stage of growth.

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NOTE 22: CONTINGENT LIABILITIES

The consolidated entity is required to provide financial assurance to the State of Queensland in the amount of A\$35,974,231 (2018: A\$35,974,231) for the estimated rehabilitation cost of the mine.

The consolidated entity has provided bank guarantees to third parties totalling \$4,635,349 (2018: \$4,505,116) for supply contracts requiring a performance guarantee. Contracts for gas and power supply are subject take or pay provisions. The consolidated entity has assessed there are no other contingent assets or liabilities at 31 December 2019 that require disclosure in the financial report.

NOTE 23: COMMITMENTS

Exploration commitments

In order to maintain current rights of tenure to exploration tenements, the consolidated entity is required to outlay rentals and to satisfy minimum expenditure requirements which total \$2,731,000 (2018: \$1,510,000) over the next 12 months, in accordance with agreed work programmes submitted over the consolidated entity'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.

	2019	2018
	\$'000	\$'000
NOTE 24: CASH FLOW STATEMENT		
Reconciliation of net loss for the year to cash inflows from operations		
Net loss from ordinary activities after income tax	(27,670)	(68,567)
<i>Adjustment for:</i>		
Depreciation and amortisation	37,334	22,194
Movements in foreign exchange rates	233	3,170
Rehabilitation and restoration provision accretion	895	872
Interest and other costs of finance paid	9,070	5,665
Management fees (non-cash)	465	4,246
<i>Changes in working capital:</i>		
Trade and other receivables	(7,392)	(2,116)
Inventories	108	2,074
Trade and other payables	(1,234)	15,635
Provisions	(1,549)	665
Movement in borrowings	-	20,314
Movement in hedge liability	(2,659)	11,159
Net cash inflows from operations	7,601	15,310

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Reconciliation of liabilities arising from financing activities

	2018 \$'000	Cash Flows	Non-cash changes				2019 \$'000
			Adoption of AASB 16	Foreign Exchange Movement	Reclassification of Contract Liabilities	Other	
Interest bearing liabilities	40,103	(8,000)	-	(1,340)	21,410	289	52,462
Lease liabilities	2,890	(9,312)	32,945	-	-	-	26,523
Total liabilities from financing activities	42,993	(17,312)	32,945	(1,340)	21,410	289	78,985

	2017 \$'000	Cash Flows	Non-cash changes				2018 \$'000
			Adoption of AASB 16	Foreign Exchange Movement	Reclassification of Contract Liabilities	Other	
Interest bearing liabilities	43,405	(2,405)	-	-	-	(897)	40,103
Lease liabilities	4,019	(1,129)	-	-	-	-	2,890
Total liabilities from financing activities	47,424	(3,534)	-	-	-	(897)	42,993

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NOTE 25: FINANCIAL RISK MANAGEMENT

The consolidated entity'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 consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the consolidated entity's financial performance. The senior executives of the consolidated entity 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 consolidated entity'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	11,530	12,219
Trade and other receivables	10	9,582	2,693
		21,112	14,912
Financial liabilities			
Trade and other payables	15	53,034	53,110
Interest bearing liabilities	16	52,462	40,103
Lease liabilities	18	26,523	2,990
Related party loans	20	9,759	-
		141,778	96,203

Commodity price risk

The prices of copper and silver are affected by numerous factors and events that are beyond the control of the consolidated entity. 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 consolidated entity's financial assets balance to movements in commodity prices. Trade receivables relating to provisionally priced sales amounting to \$9.3 million (2018: \$2.6 million) are recognised at the estimated fair value of the total consideration of the receivable and subsequently remeasured at each reporting date. At the reporting date, if commodity prices increased/(decreased) by 10%, all other variables were held constant and excluding any derivatives that were in place, the consolidated entity's after-tax profit/loss would have changed as set out below:

	Commodity Price Movement	2019		Commodity Price Movement	2018	
		Increase Profit \$'000	Decrease Profit \$'000		Increase Profit \$'000	Decrease Profit \$'000
Commodity						
Copper	10%	917	(917)	10%	228	(228)
Silver	10%	11	(11)	10%	8	(8)
Total		928	(928)		236	(236)

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Interest rate risk

The consolidated entity is exposed to interest rate risk primarily through interest bearing borrowings and cash holdings. Deposits and borrowings at variable rates expose the consolidated entity to fair value interest rate risk. Details of the consolidated entity's cash and cash equivalents have been disclosed in note 9, whilst details of the consolidated entity's borrowings are set out in note 16. The consolidated entity 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 consolidated entity's interest-bearing financial instruments was:

	2019	2018
	\$'000	\$'000
Fixed rate instruments		
Term deposits	4,635	4,505
Lease liabilities	(26,523)	(2,990)
	<u>(21,888)</u>	<u>1,515</u>
Variable rate instruments		
Interest bearing liabilities	(52,462)	(40,103)
Cash and cash equivalents	6,895	7,715
	<u>(45,567)</u>	<u>(32,388)</u>

Cash flow sensitivity analysis for variable rate instruments

A change of 100 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.

	2019	2019	2018	2018
	\$'000	\$'000	\$'000	\$'000
Variable rate instruments	100bp increase	100bp decrease	100bp increase	100bp decrease
Profit or loss	(456)	456	(324)	324
Equity	456	(456)	324	(324)

Currency risk

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

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

	2019	2018
	\$	\$
USD denominated items		
Cash and cash equivalents	5,702	2,983
Trade and other receivables	9,183	2,362
Trade and other payables	(38)	(130)
Interest bearing liabilities	(52,462)	-
Net exposure	<u>(37,615)</u>	<u>5,215</u>

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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 consolidated entity's after-tax profit/loss for the year would have been \$3.09 million lower/higher (2018: \$0.20 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 consolidated entity. Credit risk arises from cash and deposits with financial institutions as well as credit exposures to outstanding receivables.

The consolidated entity 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 90-95% of estimated value at that time.

At the reporting date, the carrying amounts of financial assets are adjusted for any impairment and represent the consolidated entity'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	11,530	12,219
Trade and other receivables	9,582	2,693
Net exposure	<u>21,112</u>	<u>14,912</u>

At 31 December 2019, the ageing of trade and other receivables, excluding GST receivable, that were not impaired was as follows:

Neither past due nor impaired	9,574	2,693
Past due 1-30 days	-	-
Past due 31-60 days	-	-
Past due over 60 days	8	-
	<u>9,582</u>	<u>2,693</u>

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

Australia	16,138	12,551
Asia	-	-
Europe	4,974	2,361
USA	-	-
	<u>21,112</u>	<u>14,912</u>

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Liquidity risk

Liquidity risk is the risk that the consolidated entity will encounter difficulty in meeting the obligations associated with financial liabilities. The consolidated entity 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.

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	53,031	53,031	53,031	-	-	-	-
Interest bearing liabilities	52,462	64,836	3,155	3,620	10,387	47,674	-
Lease liabilities	26,523	28,634	5,844	4,490	8,784	9,516	-
	<u>132,016</u>	<u>146,501</u>	<u>62,030</u>	<u>8,110</u>	<u>19,171</u>	<u>57,190</u>	<u>-</u>
31 December 2018							
Trade and other payables	53,110	53,110	53,110	-	-	-	-
Interest bearing liabilities	40,103	41,647	13,909	10,921	15,711	1,106	-
Lease liabilities	2,990	3,142	906	906	1,330	-	-
	<u>96,203</u>	<u>97,899</u>	<u>67,925</u>	<u>11,827</u>	<u>17,041</u>	<u>1,106</u>	<u>-</u>

NOTE 27: RELATED PARTIES

Key management personnel remuneration

Key management personnel are accountable for planning, directing and controlling the affairs of the consolidated entity. Details of remuneration provided to key management personnel are as follows:

	2019 \$	2018 \$
Short-term employment benefits	1,019,378	977,228
Long-term benefits	-	-
Post-employment benefits	20,767	89,918
Termination benefits	-	344,359
	<u>1,040,145</u>	<u>1,411,505</u>

Other related party transactions

As disclosed in note 20, the Group has a net amount payable of \$0.07 million to Lighthouse Minerals Pty Ltd. Lighthouse Minerals Pty Ltd and the consolidated entity have the same parent entity.

The Group has also received a loan from its major shareholder of \$9.7 million during the year. The loan can be repaid either via capitalisation of all amounts outstanding in consideration for the issuance of new shares or a cash settlement.

Lighthouse Minerals Pty Ltd has paid certain costs on behalf of the Group during the year totalling \$0.64 million.

Other than as disclosed elsewhere in this report, there were no transactions with key management personnel and related parties during the year (2018: nil).

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	2019	2018
	\$	\$
NOTE 27: AUDITORS' REMUNERATION		
Ernst & Young		
Audit services	109,500	110,543
Other services	-	-
	109,500	110,543

NOTE 28: PARENT ENTITY INFORMATION

The disclosure below relates to the parent entity, Capricorn Copper Holdings Pty Ltd:

Current assets	4,011	3,844
Non-current assets	4,175	4,174
Current liabilities	(9,215)	(8,046)
Net assets	(1,029)	(28)
Contributed equity	153,817	120,429
Other reserves	(130,658)	(98,951)
Accumulated losses	(24,188)	(21,506)
Total equity	(1,029)	(28)
Loss for the parent entity	(2,681)	(7,088)
Total comprehensive loss	(2,681)	(7,088)

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).

NOTE 29: INTEREST IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 2:

Name	Country of incorporation	2019 %	2018 %
Capricorn Copper Pty Ltd	Australia	100	100

CAPRICORN COPPER HOLDINGS PTY LTD
CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2019

Notes to the Consolidated Financial Report

NOTE 30: PARENT AND THE ULTIMATE PARENT OF THE GROUP

The parent entity of Capricorn Copper Holdings Pty Ltd is EMR Capital Investment (No. 6B) pte.Ltd. which is a company incorporated and domiciled in Singapore. The ultimate parent entity of the Group is EMR Capital GP 1 Limited.

NOTE 31: SUBSEQUENT EVENTS

On 9 March 2020, the Group entered into an agreement with BNP Paribas and Natixis, whereby each bank assumed 50% of the existing BNP facilities and in addition a further revolving capital facility of US\$7.22 million has become available to be drawn. The Group drew down US\$3.75 million under this facility on 13 March 2020.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020.

The Group has implemented significant health security controls and to date has not seen a significant impact on its business. The outbreak and the response of Governments in dealing with the pandemic is impacting general activity levels within the community, the economy and the operations of business. The Group will continue to monitor and implement best practice control measures, however the scale and duration of these developments remain uncertain as at the date of this report and they could have an impact on the Group's operations and consequently its cash flow.

It is not possible to estimate the impact of the outbreak's near-term and longer effects or Governments' varying efforts to combat the outbreak and support businesses. This being the case, we do not consider it practicable to provide a quantitative or qualitative estimate of the potential impact of this outbreak on the Group at this time.

No adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19.

No other matters or circumstances 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 consolidated entity, the results of those operations or the state of affairs of the consolidated entity, in future financial years.

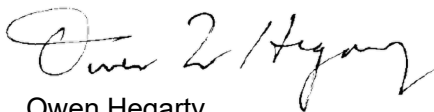
CAPRICORN COPPER HOLDINGS PTY LTD
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In accordance with a resolution of the directors of Capricorn Copper Holdings Pty Ltd, I state that:

In the opinion of the directors:

- (a) the financial statements and notes of Capricorn Copper Holdings Pty Ltd for the financial year ended 31 December 2019 are in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity'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
1 April 2020



Ernst & Young
111 Eagle Street
Brisbane QLD 4000 Australia
GPO Box 7878 Brisbane QLD 4001

Tel: +61 7 3011 3333
Fax: +61 7 3011 3100
ey.com/au

Independent Auditor's Report to the Members of Capricorn Copper Holdings Pty Ltd

Opinion

We have audited the financial report of Capricorn Copper Holdings Pty Ltd (the "Company") and its subsidiary (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.

Emphasis of Matter: Subsequent Events – Impact of the Coronavirus (COVID-19) Outbreak

We draw attention to Note 31 of the financial report which notes the World Health Organisation's declaration of the outbreak of COVID-19 as a global pandemic subsequent to 31 December 2019 and how this has been considered by the Directors in the preparation of the financial report. As set out in Note 31, no adjustments have been made to financial statements as at 31 December 2019 for the impacts of COVID-19. Our opinion is not modified in respect of this matter.



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.



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- 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.

A handwritten signature in black ink that reads 'Ernst + Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to be 'A Carrick', written in a cursive style.

Andrew Carrick
Partner
Brisbane
1 April 2020