CAPRICORN COPPER HOLDINGS PTY LTD

ABN 60 608 241 121

FINANCIAL REPORT

FOR THE YEAR ENDED

31 DECEMBER 2020

CAPRICORN COPPER HOLDINGS PTY LTD
CONSOLIDATED FINANCIAL REPORT
For the year ended 31 December 2020

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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 2020.

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 (resigned 31 May 2020)
- Peter Albert (appointed 20 May 2020)
- 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 $37,530,000 (2019: $27,670,000).

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 (2019: Nil).

Review of Operations

The results of the consolidated entity for the year ended 31 December 2020 include:

	2020	**2019**
Ore mined (dmt)	1,847,077	1,582,739
Ore milled (dmt)	1,808,493	1,605,079
Concentrate produced (dmt)	99,947	93,525
Copper in Concentrate (t)	22,458	23,319

There were no lost time injuries recorded during the year and the total recordable injury frequency rate improved to 9.03 at 31 December 2020 (2019: 12.95).

Activities undertaken during the year include:

- Independent sign off of Mineral Resource Estimate of 62.5Mt at 1.8% Cu.
- The Company entered into an agreement with BNP Paribas and Natixis, whereby each bank assumed 50% of the existing BNP facilities and in addition provided a revolving capital facility of US$7.22 million.
- Significant investment in water management infrastructure.
- In response to COVID-19 the Group initiated and maintained strict hygiene protocols across its operation and workplaces to minimise the potential transmission of COVID-19 and to ensure the well-being of our people and contractors. While the global COVID-19 pandemic required the Group to adjust some of its usual operating procedures during the year, the direct impact to the Group was limited to social distancing and additional risk mitigation strategies enabling the Group to maintain continuous operations. The ongoing COVID-19 pandemic, and its impacts on the Group’s business, people and stakeholders, is the subject of ongoing close monitoring and response development by management and the Board.

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 31 March 2021, the Group entered into an agreement with Metals X Limited to amend the terms of payment of the contingent consideration due as outlined in Note 14. Subject to the terms and conditions of the agreement, the first instalment must be made on or before 30 June 2021. In addition, an extension fee of $250,000 must be paid on or before 30 June 2021.

On the 16 March 2021, the Group obtained a waiver letter in relation to the Clean Down obligations of the revolving credit facility loans until 31 December 2021.

On 26 April 2021, the Group received a waiver letter in relation to a breach of the Debt Service Cover Ratio for the period ending 31 March 2021.

On 26 April 2021, the Group rolled at total of 1,680t of copper hedging contracted for April and May 2021 to the period June to November 2021.

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 Group is subject to environmental regulation under applicable laws in the State of Queensland, including numerous permits, approvals and authorities issued by relevant regulatory authorities.

During the reporting period, the Group was subject to an Environmental Protection Order ('EPO') issued by the Queensland Department of Environment and Science (the 'DES') in relation to certain non-compliances by the Company principally relating to the volume of water stored in the Group's on-site regulated water storage facilities at commencement of the Queensland wet season. The EPO required the Group to take certain steps directed at reducing the volume of water stored in the regulated water storage facilities on site. During the reporting period, the DES wrote to the Group regarding certain events, facts or circumstances that may constitute potential non-compliances by the Group with its obligations under the EPO and other environmental regulatory obligations. The Group responded to the DES' letter. Subsequent to the reporting period, the DES confirmed that no further action would be taken by the DES regarding the potential non-compliances and that the EPO was closed.

During the reporting period, the Group engaged extensively with DES regarding key environmental risks at the site, in particular, the volume of water stored in regulated water storage facilities on site, as well as a number of historic Court orders made against the Group (and/or the predecessor operators of the Group's assets). Following that engagement, in September 2020 the DES issued a new EPO requiring the Group to take certain actions directed at the reduction of the volume of water stored in regulated water storage facilities on or before the earlier of the date on which the volumes stored are below regulatory limits or 1 November 2022. The Group and the DES also applied to the Court for the vacation of the outstanding historic Court orders by consent, which application was upheld with the effect that the relevant historic Court orders are of no further force or effect.

The Group is monitoring its compliance with the requirements of the 2020 EPO.

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 2020 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.

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.

Owen Hegarty
Chairman
30 April 2021

Building a better working world

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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 2020, 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.

Ernst & Young

Ernst & Young

Andrew Carrick
Partner
30 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020 $'000	2019 $'000
Revenue	3	190,663	183,752
Cost of sales	4(a)	(197,254)	(184,248)
Gross profit/(loss)		**(6,591)**	**(496)**
Other income	5	369	290
Net loss on derivative financial instruments	4(e)	(13,874)	(6,022)
Net foreign exchange gains/(losses)	4(d)	8,502	(1,491)
Administration expenses	4(b)	(4,771)	(5,304)
Other expenses	4(c)	(10,000)	(4,738)
Profit/(loss) before net finance costs and income tax expense		**(26,365)**	**(17,761)**
Finance income		27	184
Finance costs	6	(11,192)	(10,093)
Profit/(Loss) before income tax expense		**(37,530)**	**(27,670)**
Income tax expense	7	-	-
Profit/(loss) after income tax for the year		**(37,530)**	**(27,670)**
Other comprehensive income/(loss), net of tax		-	-
Total comprehensive income/(loss) for the year		**(37,530)**	**(27,670)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	8	5,738	11,530
Trade and other receivables	9	13,563	10,505
Inventories	10	15,283	14,960
Prepayments		1,064	1,105
Total current assets		**35,648**	**38,100**
Non-current assets			
Exploration and evaluation expenditure	11	5,764	5,632
Mine properties	12	60,121	68,174
Property, plant and equipment	13	76,353	76,739
Right-of-use assets	17	22,624	27,998
Intangible assets		1,126	1,126
Total non-current assets		**165,988**	**179,669**
Total assets		**201,636**	**217,769**
Current liabilities			
Trade and other payables	14	67,802	53,034
Interest bearing liabilities	15	15,246	3,491
Lease liabilities	17	10,094	9,038
Financial liabilities	16	15,121	8,500
Provisions	18	3,647	3,373
Related party loans	19	8,999	9,759
Total current liabilities		**120,909**	**87,195**
Non-current liabilities			
Trade and other payables	14	5,000	-
Interest bearing liabilities	15	40,160	48,971
Lease liabilities	17	11,538	17,485
Provisions	18	29,787	32,346
Total non-current liabilities		**86,485**	**98,802**
Total liabilities		**207,394**	**185,997**
Net assets / (liabilities)		**(5,758)**	**31,772**
Equity/(Shareholder's Deficit)			
Contributed equity	20	153,817	153,817
Retained earnings/(Accumulated losses)		(159,575)	(122,045)
Total equity/(deficit)		**(5,758)**	**31,772**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Contributed Equity $'000	Accumulated Profit/(loss) $'000	Total Equity $'000
As at 31 December 2018	**120,429**	**(94,375)**	**26,054**
Profit/(loss) for the year	-	(27,670)	(27,670)
Transactions with owners:	-	-	-
Contributions of equity, net of transaction costs	33,388	-	33,388
As at 31 December 2019	**153,817**	**(122,045)**	**31,772**
Profit/(loss) for the year	-	(37,530)	(37,530)
Transactions with owners:	-	-	-
Contributions of equity, net of transaction costs	-	-	-
As at 31 December 2020	**153,817**	**(159,575)**	**(5,758)**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		193,766	184,360
Payments to suppliers, employees and others		(171,862)	(182,695)
BAS refunds		12,385	8,818
Variable lease payments		(3,628)	(3,065)
Interest received		26	183
Net cash flows from operating activities	23	**30,687**	**7,601**
Cash flows from investing activities			
Mine Development Expenditure		(19,924)	(17,182)
Payments for property, plant and equipment		(6,379)	(4,162)
Exploration expenditure		(1,941)	(2,731)
Net cash flows used in investing activities		**(28,244)**	**(24,075)**
Cash flows from financing activities			
Proceeds from issue of shares		-	33,169
Proceeds from related party borrowings		1,899	10,436
Repayment of related party borrowings		(2,656)	(1,077)
Proceeds from external borrowings		11,381	9,009
Repayments of external borrowings		(2,004)	(17,009)
Repayment of lease liabilities		(9,597)	(9,312)
Interest and borrowing costs paid		(8,745)	(8,468)
Net cash flows used in financing activities		**(9,722)**	**16,748**
Net increase/(decrease) in cash and cash equivalents		(7,279)	274
Net foreign exchange difference		1,487	(963)
Cash and cash equivalents at the beginning of the financial year		11,530	12,219
Cash and cash equivalents at the end of the financial year	8	**5,738**	**11,530**

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 2020 was authorised for issue in accordance with a resolution of the Directors on 30 April 2021. 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*. Capricorn Copper Holdings Pty Ltd is a for-profit entity for the purpose of preparing financial statements;
- 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, except for the valuation of selected financial assets and financial liabilities for which the fair value basis of accounting has been applied;
- 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 2020. Refer to note 2(w) 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 2020, the consolidated entity has a net current liability position of $85.2 million (2019: $49.1 million). The net current liability position is due to the combined impact of:

- An arrears of trade creditors. Included within trade creditors is contingent consideration payable within 12 months of $5.0 million;
- Repayments under the Group's Syndicated Facility – Term loan due within 12 months of $5.9 million, and the Group's revolving credit facility of $9.4 million;
- The current portion of "right of use" lease liabilities of $10.1 million;
- Copper commodity derivatives of $15.1 million; and
- A shareholder loan of $9.0 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 16 March 2021, the Group obtained a waiver letter in relation to the Clean Down obligations of the revolving credit facility loans until 31 December 2021.

On 26 April 2021, the Group rolled at total of 1,680t of copper hedging contracted for April and May 2021 to the period June to November 2021.

Notes to the Consolidated Financial Report

The Group is required to maintain certain debt covenants associated with its Syndicated Facility – Term loan (refer note 15).

On 26 April 2021, the Group received a waiver letter in relation to a breach of the Debt Service Cover Ratio for the period ending 31 March 2021 (refer to note 15 for further details).

Should the Group be unable to manage compliance with the terms of its arrangements then it may require a further waiver.

The above matters give rise to material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In the directors' opinion, the going concern basis of preparation remains appropriate because:

- The Group is forecast to generate operating cashflows for the 2021 financial year.
- The Group continues to closely monitor and manage working capital.
- The Group continues to have the support of its 100% beneficial owner EMR Capital Investment (No. 6B) Pte Ltd, including actively pursuing equity funding options that may include an initial public offering or trade sale;
- The Group continues to have the support of its major debt financiers BNP Paribas and Natixis, who have been amenable to a waiver of covenants associated with its debt facilities in the past;
- In the event funding options being pursued by the Group's beneficial owner do not proceed the Group may seek to raise additional equity funding or refinance existing debt.

The directors are of the view that, given the range of actions available to the Group as outlined above, the Group will be able to continue to satisfy its capital and operating commitments as and when they fall due.

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

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.

(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 2020 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 either the 'consolidated entity' or 'Group'.

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

Notes to the Consolidated Financial Report

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. As part of the acquisition method, contingent consideration is recognised and measured at fair value at the date of acquisition and any associated liability recognised as part of the business combination is carried at fair value through profit and loss. 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.

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 each of the group's entities is Australian dollars, which is the presentation currency of the consolidated entity.

(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.
- Mine properties – Unit of production basis

Notes to the Consolidated Financial Report

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.

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.

Notes to the Consolidated Financial Report

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

Mine property and development assets are 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.

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(s).

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

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:
- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); or
- Financial assets at fair value through profit or loss.

Notes to the Consolidated Financial Report

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.

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.

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. For inventory produced by the Group, 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 subject to provisional pricing are carried at fair value.

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.

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.

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 2020 no allowance for ECL's has been recognised as it is expected that all receivable amounts will be received in full when due.

(j) Cash and Cash Equivalents

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

(k) Share Capital

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

(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, to the extent that it is probable that future economic benefits 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 to the extent these risks are not reflected in the estimate of the future cash flows. 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.

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.

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.

(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 transaction price 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 copper concentrate is physically delivered to a location under the customer's control. For export shipments a holding certificate is issued by the customer upon delivery to a location under the customer's control. 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.

Notes to the Consolidated Financial Report

(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.

(v) Leases

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

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

(i) Right-of-use assets
The 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.
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 comprise of office equipment.

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

(i) New and revised accounting standards and interpretations effective for the year ended 31 December 2020

The Group has applied the following standards and amendments for the first time effective 1 January 2020:

Amendments to AASB 3: Definition of a Business
The amendment to AASB 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the Group, but may impact future periods should the Group enter into any business combinations.

AASB 2018-7 Amendments to AAS – Definition of Material
The amendments align the definition of 'material' across AASB 101 and AASB 108 and clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. The amendment did not impact the Group's financial statements.

Other New and Revised Standards
Other revised Standards and Interpretations which apply from 1 January 2020 did not have a material effect on the financial position or performance of the Company.

(ii) New and revised accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been issued that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of the relevant new and amended standards and interpretations is set out below.

Notes to the Consolidated Financial Report

Amendments to AASB 16 Covid-19 Related Rent Concessions
The amendments will apply from 1 January 2021 and provide relief to lessees from applying AASB 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under AASB 16, if the change were not a lease modification. The amendment is not expected to have an impact on the Group as the Group did not enter into any Covid-19 related rent concession arrangements with the lessors.

AASB 2020-1 Amendments to ASAs – Classification of Liabilities as Current or Non-Current
These amendments will apply from 1 January 2023. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 Presentation of Financial Statements to clarify the requirements for classifying liabilities as current or non-current. Specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management intention or expectation does not affect classification of liabilities.
- In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.

This amendment may affect the current vs non-current classification of the Group's interest-bearing liabilities based on facts and circumstances at the date of transition.

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 delivered to a location under the customer's control, as this coincides with the transfer of legal title and the risk and rewards of ownership. For export shipments a holding certificate is issued by the customer upon delivery to a location under the customer's control.

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.

Notes to the Consolidated Financial Report

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.

(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 under AASB 16

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

Notes to the Consolidated Financial Report

(vii) Estimating the incremental borrowing rate

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

Restatement of comparative information

The comparative information in the consolidated statement of comprehensive income and consolidated statement of financial position has been restated to align with changes in presentation in the current year. These changes in presentation were made to better reflect the nature of these items and where relevant, the results of the Group’s operations.

The changes in presentation in the consolidated statement of comprehensive income relate to:
- Presenting interest income as finance income which was previously included in other income.
- Presenting silver refining charges and penalties as cost of sales which was previously included in revenue.
- Presenting net loss on derivative financial instruments separately on the face of the consolidated statement of comprehensive income which was previously included in finance costs.
- Presenting net foreign exchange gain/(loss) separately on the face of the consolidated statement of comprehensive income which was previously included in other expenses.

The changes in presentation in the consolidated statement of financial position relate to:
- Presenting net GST receivable as trade and other receivables which was previously included in other assets.

Notes to the Consolidated Financial Report

	2020 $'000	2019 $'000
NOTE 3: REVENUE		
a) Revenue from contracts with customers		
Revenue from sales of copper concentrate	179,266	176,093
Revenue from sales of silver concentrate	7,004	6,330
Total revenue from contracts with customers	**186,270**	**182,423**
Realised and unrealised fair value movements on receivables subject to QP adjustment	4,393	1,329
Total Revenue	**190,663**	**183,752**

	2020 $'000	2019 $'000
NOTE 4: EXPENDITURE		
(a) Cost of sales		
Mining costs	67,069	60,923
Processing costs	44,049	46,270
Site services costs	17,842	14,071
Depreciation and amortisation	43,550	37,334
Royalties	8,927	8,305
Stockpile movements	593	3,466
Marketing and logistics costs	15,224	13,879
	197,254	**184,248**
(b) Administration expenses		
Other administration expenses	4,771	5,304
	4,771	**5,304**
(c) Other expenses		
Change in fair value of Contingent Consideration payable (Refer Note 14)	10,000	-
Rehabilitation expenses	-	4,738
	10,000	**4,738**
(d) Net foreign exchange (gains)/losses		
Net foreign exchange differences:		
- Loan facility	(6,526)	(1,047)
- Cash	(2,203)	2,543
- Other	227	(5)
	(8,502)	**1,491**
Unrealised (gains)/losses	(7,918)	233
Realised (gains)/losses	(584)	1,258
	(8,502)	**1,491**
(e) Net loss on derivative financial instruments		
Realised loss on derivative financial instruments	7,253	8,682
Unrealised loss/(gain) on derivative financial instruments	6,621	(2,660)
	13,874	**6,022**

Included in Cost of sales and Administration expenses is $8.34 million (2019: $8.64 million) relating to employee benefits expense.

Notes to the Consolidated Financial Report

NOTE 5: OTHER INCOME

	2020 $'000	2019 $'000
Other income	369	290
	369	**290**

NOTE 6: FINANCE COSTS

	2020 $'000	2019 $'000
Interest on bank loans	5,759	4,171
Interest on Advance Payment Agreement	1,921	1,911
Interest on leases	1,218	1,512
Unwinding of the discount on rehabilitation provision	506	493
Other costs of finance	1,788	2,005
	11,192	**10,093**

NOTE 7: INCOME TAX

	2020 $'000	2019 $'000
Accounting loss before income tax	(37,530)	(27,670)
Income tax using the Company's domestic tax rate of 30% (2019: 30%)	(11,259)	(8,301)
Prior year under / (over) provision	(2,942)	-
Non-deductible expenses	2,924	1,796
Other	-	306
Deferred tax asset not recognised on current year loss	11,277	6,199
Total Income tax	**-**	**-**

Unrecognised Deferred tax assets

	2020 $'000	2019 $'000
Provision for annual leave	277	194
Provision for incentives	101	245
Provision for rehabilitation	3,038	2,131
Copper forward contracts	4,536	2,550
Borrowing costs	(171)	(58)
Unrealised foreign exchange (gains)/losses	(1,243)	1,133
QP adjustment	(1,240)	78
Accrued expenses	236	115
Tax losses carried forward	61,658	58,441
Tax losses and temporary differences brought to account to reduce the deferred tax liability	(22,037)	(30,951)
Total unrecognised deferred tax assets	**45,155**	**33,878**

Notes to the Consolidated Financial Report

	2020 $'000	2019 $'000
Deferred tax liability		
Property, plant and equipment	20,140	28,689
Prepayments	99	327
Trade receivables	1,798	1,935
Deferred tax asset attributable to tax losses and temporary differences brought to account to reduce the deferred tax liability	(22,037)	(30,951)
	-	-

The Group has $205.53 million (2019: $194.80 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.

NOTE 8: CASH AND CASH EQUIVALENTS

	2020	2019
Cash on hand and at bank	**5,738**	**11,530**

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 15).

NOTE 9: TRADE AND OTHER RECEIVABLES

	2020	2019
Trade receivables – at fair value through profit and loss	13,557	9,517
Net GST Receivable – at amortised cost	6	923
Other receivables – at amortised cost	-	65
Total current trade and other receivables	**13,563**	**10,505**
Total trade and other receivables	**13,563**	**10,505**

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. Generally 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 upon a holding certificate being issued by the customer, 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.

Notes to the Consolidated Financial Report

NOTE 10: INVENTORIES

	2020 $'000	2019 $'000
Concentrates	5,027	7,528
Ore stockpiles	3,426	1,518
Consumables	6,830	5,914
	15,283	**14,960**

All inventory is valued at cost in 2020 and 2019.

NOTE 11: EXPLORATION AND EVALUATION EXPENDITURE

	2020 $'000	2019 $'000
Balance at the beginning of the year	5,632	24,424
Expenditure for the year	1,940	2,731
Transferred to mine properties	(1,808)	(21,523)
Depreciation and Impairments	-	-
Balance at the end of the year	**5,764**	**5,632**

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 (refer to Note 13).

NOTE 12: MINE PROPERTIES

	2020 $'000	2019 $'000
Balance at the beginning of the year	68,174	47,089
Development expenditure incurred during the year	19,924	17,182
Transfer from capital work in progress	58	1,429
Transfers from exploration and evaluation assets	1,808	21,523
Remeasurement of rehabilitation obligation	(2,962)	-
Amount amortised during the year	(26,881)	(19,049)
Balance at the end of the year	**60,121**	**68,174**
Gross carrying amount – at cost	207,135	188,307
Accumulated depreciation	(147,014)	(120,133)
Net carrying amount	**60,121**	**68,174**

The consolidated entity did not recognise any impairment charges during the current or previous reporting period (refer to Note 13).

Refer to Note 15 for all encumbrances in relation to mine properties.

Notes to the Consolidated Financial Report

NOTE 13: PROPERTY, PLANT AND EQUIPMENT

As at 31 December 2020	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	9,761	128,276	3,085	141,122
Additions	-	-	6,076	6,076
Transfers	225	5,024	(5,308)	(59)
Reclassifications	-	-	186	186
Disposals	-	-	-	-
Balance at the end of the year	**9,986**	**133,300**	**4,039**	**147,325**
Accumulated depreciation				
Balance at the beginning of the year	(1,412)	(62,971)	-	(64,383)
Depreciation	(973)	(5,616)	-	(6,589)
Transfers	-	-	-	-
Disposals	-	-	-	-
Balance at the end of the year	**(2,385)**	**(68,587)**	**-**	**(70,972)**
Net book value	**7,601**	**64,713**	**4,039**	**76,353**

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**

The consolidated entity did not recognise any impairment charges during the current or previous reporting period.
Refer to Note 15 for all encumbrances in relation to property, plant and equipment.

Notes to the Consolidated Financial Report

Impairment assessment

At 31 December 2020, the Group has performed an impairment indicator assessment, concluding indicators were present as a result of below budget operational and financial performance.

As a result of indicators being present, the Group performed impairment testing and assessed the recoverable amount of its Capricorn Copper Mine cash generating unit (CGU). The assessment of recoverable amount of non-current assets was performed using a fair value less costs of disposal methodology (level 3 in the fair value hierarch) using a discounted cash flow method. Key assumptions included:

- Forecast copper prices and exchange rates from third party sources
- A post tax real discount rate of 8%

The Group's assessment of the recoverable amount of its Capricorn Copper Mine CGU did not result in impairment at 31 December 2020.

NOTE 14: TRADE AND OTHER PAYABLES

	2020 $'000	**2019 $'000**
Current		
Trade payables – at amortised cost	34,004	28,536
Accruals – at amortised cost		
- Operational	14,597	14,422
- Government royalties	7,041	2,405
Other creditors – at amortised cost	7,072	6,746
Contingent consideration – at fair value through profit and loss	5,000	-
Goods received not invoiced – at amortised cost	89	925
Total current trade and other payables	**67,802**	**53,034**
Contingent consideration – at fair value through profit and loss	5,000	-
Total non-current trade and other payables	5,000	**-**
Total trade and other payables	**72,802**	**53,034**

Notes to the Consolidated Financial Report

Contingent consideration

On 27 October 2015, Capricorn Copper Holdings Pty Ltd acquired 100% of the issued ordinary shares of Capricorn Copper Pty Ltd from Paterson Copper Pty Ltd (formerly Aditya Birla Minerals Ltd), now a wholly-owned subsidiary of Metals X Limited. Under the terms of the Share Purchase Agreement, additional consideration of $10,000,000 is payable to Metals X Limited upon the three-month delivery quoted price for copper on the London Metals Exchange averaging at least A$4.20 per pound over any continuous six-month period, during the period commencing on 12 months after the date of first commercial production at the Capricorn Copper Mine and ending 36 months after the date of first commercial production.

At the acquisition date and at each subsequent annual reporting date, the fair value of the contingent consideration was estimated to be $nil. During the period ended 31 December 2020, the fair value of the contingent consideration was re-estimated to be $10,000,000. On 23 December 2020 the Group entered into binding terms with Metals X Limited that payment is to be made in two instalments:

- $5,000,000 to be paid on or before 31 March 2021; and
- $5,000,000 to be paid on or before 24 June 2022.

On 31 March 2021, the Group entered into an agreement with Metals X Limited to amend the terms of payment of the contingent consideration due. Subject to the terms and conditions of the agreement, the first instalment must be made on or before 30 June 2021. In addition, an extension fee of $250,000 must be paid on or before 30 June 2021.

NOTE 15: INTEREST BEARING LIABILITIES

	2020 $'000	2019 $'000
Current		
Syndicated Facility – Term loan (net)	5,872	3,491
Revolving credit facility	9,374	-
Total current borrowings	**15,246**	**3,491**
Non-current		
Advance Payment Agreement	19,475	21,410
Syndicated Facility – Term loan (net)	20,685	27,561
Total non-current borrowings	**40,160**	**48,971**
Total borrowings	**55,406**	**52,462**

Syndicated Facility – Term loan and Revolving cash facility

During the year the Group entered into an amendment agreement with BNP Paribas and Natixis, whereby each bank assumed 50% of the existing BNP facilities and in addition provided a revolving credit facility of US$7.22 million. Both facilities were fully drawn at 31 December 2020.

The amount outstanding on the term loan at the reporting date was US$21.1 million (2019: US$22.3 million). The term loan accrues interest daily at LIBOR + 4.5% per annum with the repayment schedule as follows:

- Monthly payments of US$405,465 from 31 January 2021 to 30 November 2022; and
- A final payment of US$11,533,476 on 31 December 2022.

Pursuant to the terms of the Syndicated Facility, the Group is required to ensure that at least once in every 12 months all outstanding revolving credit facilities have been repaid for not less than five consecutive business days before being available for redraw.

Notes to the Consolidated Financial Report

On the 16 March 2021, the Group obtained a waiver letter in relation to these Clean Down obligations until 31 December 2021.

On the 26 April 2021, the Group obtained a waiver letter in relation to a breach of the Debt Service Cover Ratio for the period ending 31 March 2021. In addition, the Group agreed to the following amendments to the Syndicated Facility:

- The Group must procure that the net proceeds of any initial public offering (IPO) are applied towards repayment of the facility;
- Inclusion of the following Review Events:
    - If an IPO does not occur on or before 30 June 2021, by 31 July 2021 the Group must deliver to the lenders a plan for refinancing the full amount of the facility by 31 December 2021; and
    - If a disposal of more than 10% of a Group's shareholder's shareholding occurs prior to 30 June 2021, the Group and the lenders will enter negotiations for a period of at least 30 days with the view to agreeing amendments to the facility documents acceptable to both parties.

The lenders provided waivers in relation to any financial covenants that were breached under this agreement during the year.

The Syndicated Facility is secured over the entire present and future undertaking, assets and rights of the Group.

Advance Payment Agreement

The amount outstanding on the Advance Payment Agreement at the reporting date was US$15,000,000 (2019: US$15,000,000). The agreement accrues interest at LIBOR + 6.0% per annum and is due for repayment at maturity on 31 March 2023.

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

The weighted average effective interest on borrowings is as follows:

	2020	**2019**
	%	%
Weighted average effective interest rate	**6.67**	**5.64**

Notes to the Consolidated Financial Report

NOTE 16: FINANCIAL LIABILITIES

	2020 $'000	2019 $'000
Derivatives not designated as hedging instruments		
Copper forward contracts	15,121	8,500
Total financial instruments at fair value	**15,121**	**8,500**

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

Maturity Profile	**2022**		**2021**	
	Mt	**Contract Price A$/mt**	**Mt**	**Contract Price A$/mt**
Maturity Date				
January to March	1,974	8,962	2,520	8,911
April to June	1,353	9,402	2,510	8,911
July to September	1,353	9,395	2,490	8,911
October to December	-	-	2,490	8,911
Total/average	**4,680**	**9,214**	**10,010**	**8,911**

NOTE 17: 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 contracts have lease terms between 2-7 years. There is a contract which contains a lease that includes extension and termination options and variable lease payments. The total amount of the future rental payments due to extension options within 5 years included in the lease term is $ 8.8 million.

a) Amounts recognised in the balance sheet

(i) Right-of-use assets

	Land & Buildings $'000	**Plant & Equipment $'000**	**Total $'000**
As at 1 January 2019	2,637	970	3,607
Recognised upon transition to AASB 16 at 1 January 2019		32,945	32,945
Depreciation expensed during the year	(270)	(8,284)	(8,554)
As at 31 December 2019	**2,367**	**25,631**	**27,998**

(i) Right-of-use assets (continued)

	Land & Buildings $'000	Plant & Equipment $'000	Total $'000
As at 1 January 2020	2,367	25,631	27,998
New leases recognised during the year	-	4,705	4,705
Depreciation expensed during the year	(270)	(9,809)	(10,079)
As at 31 December 2020	**2,097**	**20,527**	**22,624**

	2020 $'000	2019 $'000
(ii) Lease liabilities		
Opening Balance	26,523	32,845
Finance leases transferred from financial liabilities	-	2,990
New leases recognised during the year	4,705	-
Repayment during the year	(9,596)	(9,312)
Balance at the end of the year	**21,632**	**26,523**
Current	10,094	9,038
Non-current	11,538	17,485
Total	**21,632**	**26,523**

b) Amounts recognised in the statement of profit or loss

Depreciation expense on right-of-use assets	10,080	8,554
Interest expense on lease liabilities	1,232	1,503
Expense relating to variable lease payments not included in the measurement of the lease liability	3,628	3,065

The total cash outflow for leases in 2020 was $14.46 million (2019 $13.88 million).

Notes to the Consolidated Financial Report

NOTE 18: PROVISIONS

	2020 $'000	2019 $'000
Current		
Provision for rehabilitation and restoration	2,700	2,713
Employee benefits	947	660
	3,647	**3,373**
Non-current		
Provision for rehabilitation and restoration	**29,787**	**32,346**
Total provisions	**33,434**	**35,719**
Movement in rehabilitation and restoration		
Balance at the beginning of the year	35,059	36,016
Change in restoration provision	(2,962)	402
Provision utilised	(116)	(1,852)
Unwinding of discount	506	493
Balance at the end of the year	**32,487**	**35,059**

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 2020 equalled 3.00% (2019: 1.45%). The cash flows have been discounted over a 14 year life (2019: 15 years) taking into account when the rehabilitation activities will be undertaken.

Notes to the Consolidated Financial Report

NOTE 19: RELATED PARTY LOANS

	2020 $'000	2019 $'000
Classified as current liabilities		
Amounts payable to Lighthouse Minerals Pty Ltd	183	67
Shareholder loan	8,816	9,692
	8,999	**9,759**

Refer to Note 26 for further details of related party balances.

NOTE 20: CONTRIBUTED EQUITY

	2020 Shares	2019 Shares	2020 $	2019 $
A Class – fully paid ordinary shares	81,128,831	81,128,831	153,816,940	153,816,940
B Class – fully paid ordinary shares	11,200,000	11,200,000	1	1
	92,328,831	92,328,831	153,816,941	153,816,941

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.

The Group is not subject to any externally imposed capital management requirements.

NOTE 21: CONTINGENT LIABILITIES

The consolidated entity is required to provide financial assurance to the State of Queensland in the amount of A$35,974,231 (2019: A$35,974,231) for the estimated rehabilitation cost of the mine.

The consolidated entity has provided bank guarantees to third parties totalling $1,805,116 (2019: $4,635,349) 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 2020 that require disclosure in the financial report.

NOTE 22: 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 $1,764,500 (2019: $2,731,000) 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.

NOTE 23: CASH FLOW STATEMENT

	2020 $'000	2019 $'000
Reconciliation of net loss for the year to cash inflows from operations		
Net loss from ordinary activities after income tax	(37,530)	(27,670)
Adjustment for:		
Depreciation and amortisation	43,550	37,334
Movements in foreign exchange rates	(7,918)	233
Rehabilitation and restoration provision accretion	506	895
Interest and other costs of finance paid	10,637	9,070
Unrealised gain on derivative financial liabilities	6,621	(2,659)
Management fees (non-cash)	-	465
Changes in working capital:		
Trade and other receivables	(3,217)	(7,392)
Inventories	(323)	108
Trade and other payables	18,083	(1,234)
Provisions	278	(1,549)
Net cash inflows from operations	**30,687**	**7,601**

Notes to the Consolidated Financial Report

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	2019 $'000	Cash Flows	Leases Recognised during the year	Foreign Exchange Movement	Reclassification of Contract Liabilities	Other	2020 $'000
Interest bearing liabilities	52,462	9,377	-	(6,516)	-	83	55,406
Lease liabilities	26,523	(9,597)	4,706	-	-	-	21,632
Total liabilities from financing activities	**78,985**	**(220)**	**4,706**	**(6,516)**	**-**	**83**	**77,038**

			Non-cash changes				
	2018 $'000	Cash Flows	Adoption of AASB 16	Foreign Exchange Movement	Reclassification of Contract Liabilities	Other	2019 $'000
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**

NOTE 24: 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	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	8	5,738	11,530
Trade and other receivables	9	13,562	9,582
		19,300	21,112
Financial liabilities			
Trade and other payables	14	72,802	53,034
Interest bearing liabilities	15	55,406	52,462
Lease liabilities	17	21,632	26,523
Related party loans	19	8,999	9,759
		158,839	141,778

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. As at 31 December 2020, the Group's provisionally priced sales contracts amounted to $57.7 million (2019: $63.3 million). At the reporting date, if commodity prices increased/(decreased) by 10% and all other variables were held constant, the Group's after tax profit/loss would have changed as set out below:

	2020			2019		
	Commodity Price Movement	**Increase Profit $'000**	**Decrease Profit $'000**	**Commodity Price Movement**	**Increase Profit $'000**	**Decrease Profit $'000**
Commodity						
Copper	10%	5,559	(5,559)	10%	6,156	(6,156)
Silver	10%	212	(212)	10%	175	175
Total		5,771	(5,771)		6,331	(6,331)

The Group has entered into copper forward contracts in order to comply with terms of the Syndicated Facility. The exposure to copper forward contracts is detailed in Note 16.

Notes to the Consolidated Financial Report

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 8, whilst details of the consolidated entity's borrowings are set out in note 15. 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:

	2020 $'000	2019 $'000
Fixed rate instruments		
Term deposits	1,819	4,635
Lease liabilities	(21,632)	(26,523)
	(19,813)	(21,888)
Variable rate instruments		
Interest bearing liabilities	(55,406)	(52,462)
Cash and cash equivalents	3,919	6,895
	(51,487)	(45,567)

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

Variable rate instruments	2020 $'000 25bp increase	2020 $'000 25bp decrease	2019 $'000 25bp increase	2019 $'000 25bp decrease
Profit or loss	(129)	129	(114)	114
Equity	129	(129)	114	(114)

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:

USD denominated items	2020 $	2019 $
Cash and cash equivalents	341	5,702
Trade and other receivables	13,161	9,183
Trade and other payables	(5)	(38)
Interest bearing liabilities	(55,406)	(52,462)
Net exposure	(41,909)	(37,615)

The following significant exchange rates applied during the year:

	Average rate		31 Dec spot rate	
	2020	**2019**	**2020**	**2019**
AUD:USD	0.6906	0.6952	0.7702	0.7013

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 $4.2 million lower/higher (2019: $ 3.09 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% 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:

	2020 $'000	**2019 $'000**
Financial assets		
Cash and cash equivalents	5,738	11,530
Trade and other receivables	13,562	9,582
Net exposure	19,300	21,112

At 31 December 2020, the ageing of trade and other receivables, excluding GST receivable, that were not impaired was as follows:

Neither past due nor impaired	13,537	9,574
Past due 1-30 days	10	-
Past due 31-60 days	15	-
Past due over 60 days	-	8
	13,562	9,582

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

Australia	15,126	16,138
Asia	-	-
Europe	4,174	4,974
USA	-	-
	19,300	21,112

Notes to the Consolidated Financial Report

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 2020							
Trade and other payables	72,802	72,802	63,637	9,165	-	-	-
Interest bearing liabilities	55,406	60,398	14,242	4,202	22,171	19,784	-
Lease liabilities	21,632	23,231	5,381	6,063	10,879	906	-
Related party loans	8,999	8,999	8,999	-	-	-	-
	158,839	165,430	92,259	19,430	33,050	20,690	-
31 December 2019							
Trade and other payables	53,034	53,034	53,034	-	-	-	-
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	-
Related party loans	9,759	9,759	9,759	-	-	-	-
	141,778	156,263	71,792	8,110	19,171	57,190	-

Included within related party loans the Group has a loan from its major shareholder of $8.8 million (2019: $9.7 million). The related party has confirmed that it does not intend to call the loan within the next 12 months, other than in circumstances which result in adequate liquidity being available for the Group.

Refer to Note 16 for maturity of derivatives not designated as hedging instruments.

NOTE 25: FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:
- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

Fair value measurement
The categories of financial assets and financial liabilities measured at fair value for the Group are trade receivables (note 9), contingent consideration (note 14) and copper forward contracts (note 16). The fair value measurement is classified as Level 2 on the fair value hierarchy.

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

Notes to the Consolidated Financial Report

Fair value hierarchy
All assets for which fair value is recognised or disclosed are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole, as follows:
- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

There were no transfers between Level 1 and Level 2 fair value measurements and no transfers into or out of Level 3 fair value measurements, during the year ended 31 December 2020 or the comparative period ended 31 December 2019.

NOTE 26: 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:

	2020	**2019**
	$	**$**
Short-term employment benefits	121,667	1,019,378
Long-term benefits	-	-
Post-employment benefits	5,251	20,767
Termination benefits	-	-
	126,918	**1,040,145**

Other related party transactions

As disclosed in note 19, the Group has a net amount payable of $0.18 million (2019: $0.07 million) to Lighthouse Minerals Pty Ltd. Lighthouse Minerals Pty Ltd and the consolidated entity have the same parent entity.

The Group has a loan from its major shareholder of $8.8 million (2019: $9.7 million). The loan is non-interest bearing and repayable upon demand of the lender. The loan can be repaid either via capitalisation of all amounts outstanding in consideration for the issuance of new shares or a cash settlement. The lender has confirmed that it does not intend to call the loan within the next 12 months, other than in circumstances which result in adequate liquidity being available for the Group.

Lighthouse Minerals Pty Ltd has paid certain costs on behalf of the Group during the year totalling $0.69 million (2019: $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 (2019: nil).

Notes to the Consolidated Financial Report

NOTE 27: AUDITORS' REMUNERATION

	2020 $	2019 $
Ernst & Young		
Audit services	213,000	109,500
Other services	-	-
	213,000	**109,500**

NOTE 28: PARENT ENTITY INFORMATION

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

	2020	2019
Current assets	1,144	4,011
Non-current assets	4,175	4,175
Current liabilities	(15,321)	(9,215)
Non-current liabilities	(5,000)	-
Net assets/(liabilities)	**(15,002)**	**(1,029)**
Contributed equity	153,817	153,817
Other reserves	(132,681)	(130,658)
Accumulated losses	(36,137)	(24,188)
Total equity/(deficit)	**(15,002)**	**(1,029)**
Loss for the parent entity	**(11,950)**	**(2,681)**
Total comprehensive loss	**(11,950)**	**(2,681)**

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 2020 (2019: Nil).

Capital commitments
The parent entity did not have capital commitments at 31 December 2020 (2019: 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	2020 %	2019 %
Capricorn Copper Pty Ltd	Australia	100	100

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 31 March 2021, the Group entered into an agreement with Metals X Limited to amend the terms of payment of the contingent consideration due as outlined in Note 14. Subject to the terms and conditions of the agreement, the first instalment must be made on or before 30 June 2021. In addition, an extension fee of $250,000 must be paid on or before 30 June 2021.

On the 16 March 2021, the Group obtained a waiver letter in relation to the Clean Down obligations of the revolving credit facility loans until 31 December 2021. Refer to Note 15 for further information on this facility.

On 26 April 2021, the Group received a waiver letter in relation to a breach of the Debt Service Cover Ratio for the period ending 31 March 2021.

On 26 April 2021, the Group rolled at total of 1,680t of copper hedging contracted for April and May 2021 to the period June to November 2021.

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.

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 2020 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 2020 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
30 April 2021

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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 2020, 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 2020 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 (including Independence Standards)* (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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. 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.

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

► Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

Ernst & Young

Andrew Carrick
Partner
Brisbane
30 April 2021