

**EMR Capital RF II Golden Grove, LP**  
(An Australian Limited Partnership)

Financial statements for the year ended December 31, 2020

# **EMR Capital RF II Golden Grove, LP**

## **Financial Statements**

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## Independent Auditor's Report

The General Partner  
EMR Capital RF II Golden Grove, LP

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of EMR Capital RF II Golden Grove, LP (the "Fund") which comprise the statement of assets and liabilities, including the schedule of investments, as at December 31, 2020, and the statement of operations, statement of changes in partners' capital and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2020, and its financial performance and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Fund in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and the General Partner for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The General Partner is responsible for overseeing the Fund's financial reporting process.

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

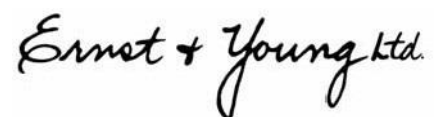
This report is made solely to the General Partner, as a body. Our audit work has been undertaken so that we might state to the General Partner those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and the General Partner as a body, for our audit work, for this report, or for the opinions we have formed.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Fund'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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the General Partner 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.



March 18, 2021

# EMR Capital RF II Golden Grove, LP

## Statement of assets and liabilities

December 31, 2020

(Stated in United States dollars)

	Notes	USD
<b>Assets</b>		
Investments in securities, at fair value (cost: USD Nil)	7, 11	\$ 360,000,000
Other assets	6	5,968,856
Receivable from related parties	8	<u>3,044,717</u>
<b>Total assets</b>		<b><u>369,013,573</u></b>
<b>Liabilities</b>		
Payable to related party	8	7,703,508
Tax payable	9	3,044,717
Other payables and accrued expenses		<u>109,141</u>
<b>Total liabilities</b>		<b><u>10,857,366</u></b>
<b>Partners' capital</b>		<b><u>\$ 358,156,207</u></b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## EMR Capital RF II Golden Grove, LP

### Schedule of investments

December 31, 2020

(Stated in United States dollars)

Description	Number of Shares	Cost base USD	Fair Value USD	% of Partners' Capital
<b>Investments in securities</b>				
<b>Private resources companies - mining</b>				
<b>Australia</b>				
EMR Capital Golden Grove Pty Ltd	89,877,910	\$ -	\$ 360,000,000	100.51 %
<b>Total investments in private resources companies - mining</b>		-	360,000,000	<b>100.51</b>
<b>Total investments in securities</b>		<b>\$ -</b>	<b>\$ 360,000,000</b>	<b>100.51 %</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

# EMR Capital RF II Golden Grove, LP

## Statement of operations

For the year ended December 31, 2020

(Stated in United States dollars)

	<b>USD</b>
<b>Expenses</b>	
Insurance expense	\$ (392,086)
Professional fees	(228,593)
Administration fee	(51,660)
Compliance costs	(3,300)
<b>Total investment expenses</b>	<u>(675,639)</u>
<b>Net investment loss</b>	<u>(675,639)</u>
<b>Net realized gain and change in unrealized loss on investments and foreign currency transactions</b>	
Net realized gain on investments	115,000,000
Net change in unrealized loss on investments	(70,300,000)
Net change in unrealized gain on foreign currency translation of other assets and liabilities	2,149
	<u>44,702,149</u>
<b>Net increase in partners' capital resulting from operations</b>	<u>\$ 44,026,510</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## EMR Capital RF II Golden Grove, LP

### Statement of changes in partners' capital

For the year ended December 31, 2020

(Stated in United States dollars)

	<b>Carried Interest Holder USD</b>	<b>Limited Partners USD</b>	<b>Total USD</b>
<b>Partners' capital at the beginning of the year</b>	\$ 72,021,378	\$ 357,108,319	\$ 429,129,697
Capital distributions	-	(115,000,000)	(115,000,000)
Allocation of net increase in partners' capital resulting from operations	-	44,026,510	44,026,510
Reversal of allocation of carried interest to Carried Interest Holder	(19,413,871)	19,413,871	-
<b>Partners' capital at the end of the year</b>	<u>\$ 52,607,507</u>	<u>\$ 305,548,700</u>	<u>\$ 358,156,207</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.



## EMR Capital RF II Golden Grove, LP

### Statement of cash flows

For the year ended December 31, 2020

(Stated in United States dollars)

	USD
<b>Cash flows from operating activities</b>	
Net increase in partners' capital resulting from operations	\$ 44,026,510
Adjustments to reconcile net increase in partners' capital resulting from operations to net cash flows provided by operating activities:	
Investment proceeds received	115,000,000
Net realized gain on investments	(115,000,000)
Net change in unrealized loss on investments	70,300,000
Changes in operating assets and liabilities:	
Decrease in receivable from related parties	7,275,269
Increase in other assets	(4,160,445)
Decrease in tax payable	(7,275,269)
Increase in payable to related party	5,608,014
Decrease in other payables and accrued expenses	(774,079)
<b>Net cash flows provided by operating activities</b>	<u>115,000,000</u>
<b>Cash flows used in financing activities</b>	
Capital distributions paid to investors	(115,000,000)
<b>Net cash flows used in financing activities</b>	<u>(115,000,000)</u>
Net change in cash and cash equivalents	-
Cash and cash equivalents at the beginning of the year	-
<b>Cash and cash equivalents at the end of the year</b>	<u>\$ -</u>

During the financial year, the Fund did not maintain its own bank account.

The accompanying notes to the financial statements should be read in conjunction with this statement.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 1. Organization

EMR Capital RF II Golden Grove, LP (the “Fund”) is an Australian Limited Partnership, registered in and governed under the laws of New South Wales, Australia pursuant to a limited partnership deed dated February 13, 2017, which was amended and restated on December 11, 2017.

The Fund was established to act as an Alternative Investment Vehicle with respect to EMR Capital Resources Fund II, LP (“Fund II”) and is organized for the principal purposes of (a) investing directly or indirectly in EMR Capital Golden Grove Pty Ltd, (b) managing, supervising and disposing of such investments, and (c) engaging in such other activities incidental or ancillary thereto as EMR Capital GP II Golden Grove Pty Ltd (the “General Partner”) deems necessary or advisable.

The Fund holds an indirect interest in the Golden Grove polymetallic mine in Western Australia (“Golden Grove”) via EMR Capital Golden Grove Pty Ltd, an Australian proprietary limited company.

The term of the Fund will be ten years from June 3, 2016, being the initial closing date of Fund II or such earlier time as determined by the General Partner subject to approval by the Advisory Committee, or may be extended by the General Partner with the approval of Limited Partners holding two thirds of the Commitments for a maximum of two additional one-year periods.

EMR Capital Advisors Pty Ltd. (the “Manager”) has been appointed to manage the operations of the Fund. This appointment, however, does not relieve the General Partner of its ultimate responsibility for the management of the business, assets, conduct and affairs of the Fund. Apex Fund Services Ltd. (the “Administrator”) is the administrator of the Fund.

Capitalized terms used herein but are not otherwise defined shall have the meaning ascribed to them in the Limited Partnership Agreement of the Fund.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 2. Significant accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The Fund is an investment company and follows the accounting and reporting guidance applicable to investment companies in the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 946, *Financial Services – Investment Companies* (“ASC 946”).

The Fund’s functional and reporting currency is the United States dollar (“USD”).

The financial statements have been prepared on a historical cost basis except for certain financial instruments which are stated at fair value.

The Fund’s General Partner has made an assessment of the Fund’s ability to continue as a going concern and is satisfied that the Fund will be able to pay its debts as and when they fall due. Management considers there to be no conditions or events that, considered individually or in aggregate, raise doubt about the Fund’s ability to continue as a going concern within one year after the date the financial statements are issued.

#### Expenses

All expenses are recognized in the statement of operations on an accrual basis.

#### Foreign currency translation

The Fund maintains its books and records in USD. Transactions in other currencies during the year are translated into USD at the exchange rates in effect as at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into USD at the exchange rates in effect at the reporting date. Any gains or losses arising from a change in exchange rates subsequent to the date of the transactions are included in net change in unrealized gains and losses on foreign currency translation of other assets and liabilities in the statement of operations.

The Fund does not isolate that portion of the results of operations arising from the effect of changes in foreign exchange rates on investments from fluctuations arising from changes in market prices of investments held. Those fluctuations are included in unrealized gain on investments in the statement of operations.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 2. Significant accounting policies (continued)

#### Payables and accrued expenses

Payables and accrued expenses are recognized when the Fund becomes obliged to make future payments resulting from the purchases of securities and accrued expenses.

#### Receivables

Trade and other receivables are recorded at estimated realizable value.

#### Income allocation

All income, gain, loss, expense and deduction of the Fund is generally allocated between the partners in the ratio in which the proceeds of such income, gain, loss, expense and deduction form part, or would be distributed pursuant to the Limited Partnership Agreement; provided that if there are no investment proceeds of which such loss, expense or deduction forms part, such loss, expense or deduction shall (i) to the extent such loss, expense or deduction relates to a specific investment, allocated to the limited partners pro-rata based on their sharing percentages with respect to such investment, (ii) to the extent such loss, expense or deduction relates to payment of the Management Fee, allocated to the limited partners pro-rata based on their management fee percentages, and (iii) otherwise, allocated to the limited partners pro-rata based on their commitments.

#### Recognition of financial instruments

Purchases and sales of securities are recorded on a trade-date basis. Proceeds received from investments in private resources companies first reduce the carrying value of the investment, as a return of capital until such point all the capital invested is deemed to be received. Subsequently, all further movements are recorded as net gains on investments at fair value through profit or loss. Changes in unrealized gains and losses are included in the statement of operations.

#### Fair value measurements

The fair value of the Fund's assets and liabilities that qualify as financial instruments under ASC 825, *Financial Instruments* ("ASC 825"), approximates the carrying amounts presented in the statement of assets and liabilities.

The fair value of a financial instrument is the amount that would be received upon sale of an asset or paid to transfer a liability (i.e. the "exit price") in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 2. Significant accounting policies (continued)

#### Fair value measurements (continued)

In determining fair value, the Fund uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Market price observability is affected by a number of factors, including the type of financial instrument and the characteristics specific to the financial instrument. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity.

Financial instruments with readily available active quoted prices or for which fair value can be measured from actively quoted prices generally will have a higher degree of market price observability and a lesser degree of judgement used in measuring fair value. Unobservable inputs are inputs that reflect the Fund's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 – valuations based on quoted prices in active markets for identical assets and liabilities which the Fund is able to access. An active market for the financial instrument is a market in which transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis, as well as at the reporting date.

Level 2 – valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Observable inputs other than Level 1 prices such as either (a) quoted market prices for similar assets or liabilities in active markets; (b) quoted prices for identical or similar assets or liabilities in non-active markets; (c) inputs other than quoted prices that are observable for the asset or liability; or (d) inputs derived principally from or which can be corroborated by observable market data by correlation or other means.

Level 3 – valuations based on inputs that are unobservable and significant to the overall fair value measurement inputs (including the Fund's own assumptions in determining the fair value of investments).

The availability of valuation techniques and observable inputs can vary from investment to investment and is affected by a wide variety of factors, including the type of investment, the stage of production, the liquidity of markets, and other characteristics particular to the investment. To the extent that valuation is based on models or inputs that are less observable or unobservable to the market, determining fair value requires more judgement. Due to the inherent uncertainty of valuation, estimated values may be materially higher or lower than the values that would have been used had a ready market for the investment existed. Accordingly, the degree of judgement exercised by the Fund in determining fair value is greatest for investments which are categorized in Level 3.

# **EMR Capital RF II Golden Grove, LP**

## **Notes to the financial statements**

**December 31, 2020**

**(Stated in United States dollars)**

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### **2. Significant accounting policies (continued)**

#### **Fair value measurements (continued)**

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

The Fund used the following methods and assumptions to estimate fair value:

#### **Private resources companies**

Private resources companies may consist of common stock, preferred stock, and debt investments in privately owned portfolio companies. The transaction price, excluding transaction costs, is typically the Fund's best estimate of the fair value at acquisition. At each subsequent measurement date, the Fund reviews the valuation of each investment and records adjustments as necessary to reflect the expected exit value of the investment under current market conditions. Ongoing reviews are based on an assessment of the type of investment, the stage of development, performance trends and the credit profile at each measurement date.

The Fund uses an independent valuer to review the Fund's valuation of private resource companies annually typically using an income approach or a market approach. In certain instances, the Fund may use multiple valuation approaches for a particular investment and estimate the fair value based on a weighted average or a selected outcome within a range of multiple valuation results based on the investment type and information available.

When applying valuation techniques used to estimate fair value, the Fund assumes a reasonable period of time for estimating cash flows and considers the financial condition and operating results of the investment. The Fund also considers the nature of the investment, restrictions on marketability, macroeconomic forecasts, market conditions, foreign currency exposures, geopolitical trends, and other factors. When determining the fair value of investments, the Fund exercises significant judgement and uses the best information available as of the measurement date. Due to the inherent uncertainty of valuations, the fair values reflected in the financial statements as of the measurement date may differ from both the values that would have been used had an active market existed for each investment and the value that may ultimately be realized.

Inputs used under an income approach may include annual projected cash flows for each investment through its expected remaining economic life discounted to present value using appropriate risk-adjusted discount rates. These cash flow assumptions may be probability-weighted to reflect the risks associated with achieving expected performance levels across various production scenarios.

# **EMR Capital RF II Golden Grove, LP**

## **Notes to the financial statements**

**December 31, 2020**

**(Stated in United States dollars)**

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### **2. Significant accounting policies (continued)**

#### **Private resources companies (continued)**

Inputs used under an income approach may include an assessment of the credit profile of the investment, its operating performance, trends in the liquidity and financial leverage ratios as of the measurement date, and an estimation of the enterprise value and liquidation value.

Inputs used under a market approach may include valuation multiples applied to corresponding performance metrics such as earnings before interest, tax, depreciation and amortization (“EBITDA”), revenue, or net earnings. The selected valuation multiples are estimated through a comparative analysis of the performance and characteristics of each investment within a range of comparable companies or transactions of comparable companies which may be used as a basis to develop implied valuation multiples. Investment valuations under a market approach may also consider factors such as liquidity, credit, and market risk factors.

#### **Use of estimates**

The preparation of financial statements in conformity with U.S. GAAP requires the General Partner to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. In presenting the statement of assets and liabilities, management makes estimates regarding valuations of assets and liabilities requiring fair value estimates. Actual results could differ from those estimates, and it is possible that such changes could occur in the near term.

#### **Income taxes**

The Fund, its investment, and all its wholly-owned subsidiaries are part of a tax-consolidated group under Australian taxation law. The Fund is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognized in the separate financial statements of the members of the tax-consolidated group using the ‘separate taxpayer within group’ approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognized by the Fund (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognized as payable to or receivable by the Fund and each member of the group in relation to the tax contribution amounts paid or payable between the Fund and the other members of the tax-consolidated group in accordance with the arrangement.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 3. Management fees

Because the Fund is an Alternative Investment Vehicle of Fund II, under which management fees are also payable by Fund II to its general partner or designated affiliate, the Limited Partnership Agreement of the Fund expressly provides that, in order to avoid duplication of management fees, no management fee shall be incurred or payable by the Fund to the extent the management fee paid by Fund II is the same as the management fee that would have been required to be paid if the Fund did not exist and all activities of the Fund were undertaken by Fund II. As such, the Manager is effectively remunerated on an arm's length basis by the Limited Partners for its fund management services through the broader management company structure which includes the General Partner of Fund II and other related entities. The Fund incurred no management fees for the year ended December 31, 2020.

### 4. Carried Interest Holder allocation

As per the Limited Partnership Agreement, investment proceeds from any investment shall be apportioned preliminarily among the Limited Partners in proportion to their sharing percentages with respect to the applicable investment. The amount so apportioned to any Limited Partner shall be distributed to such Limited Partner, and the amount so apportioned to each other Limited Partner shall be distributed between the Carried Interest Holder and such Limited Partner as follows:

- (a) first, 100% to such Partner until such Partner has received cumulative distributions pursuant to this section equal to such Partner's aggregate investment contributions and cost contributions;
- (b) second, 100% to such Partner until the unpaid preferred return of such Partner is reduced to zero;
- (c) third, 80% to the Carried Interest Holder and 20% to such Partner until the Carried Interest Holder has received cumulative distributions with respect to such Partner pursuant to this section equal to 20% of the cumulative amount of distributions made to such Partner pursuant to section (b) and made or being made to the Carried Interest Holder with respect to such Partner pursuant to this section; and
- (d) fourth, thereafter, (i) 20% to the Carried Interest Holder and (ii) 80% to such Partner.

Upon winding-up and dissolution of the Fund, if there has been any distribution to the Carried Interest Holder and (i) if the distributions received by the Limited Partners have been insufficient to provide the required return of capital and Preferred Return, or (ii) there has been an overpayment of Carried Interest, the Carried Interest Holder will be obligated to return previously received distributions to the Limited Partners (the 'give back'). The give back is limited to the after-tax amount of the distributions to the Carried Interest Holder and is more fully described in section 9.4 of the Limited Partnership Agreement.



# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 5. Partners' Capital

As at December 31, 2020, the aggregate capital contributed from the Limited Partners was USD Nil as all previously contributed capital has been repaid to the Limited Partners.

During the year ended December 31, 2020, a distribution of USD 115,000,000 was paid to Limited Partners of the Fund. The distribution was sourced from a recapitalization event at the portfolio company level.

### 6. Other assets

	<u>USD</u>
Transaction costs recoverable from affiliate	\$ 3,075,525
Insurance prepaid	2,893,331
	<u>\$ 5,968,856</u>

### 7. Financial instruments with off-balance sheet risk and concentrations of price risk

Financial instruments including equity securities are subject to various risks including market (comprising of equity price risk, commodity price risk, currency risk and interest rate risk), credit, liquidity, operational and off-balance sheet risks. The Fund manages these risks on an aggregate basis along with the risks associated with its investing activities as part of its overall risk management policies.

#### **Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market variables such as equity prices, interest rates, commodity prices and foreign currency exchange rates.

Furthermore, the Fund's investment was made in a private resources company whose shares do not trade on an established exchange. The Fund's ability to liquidate its investments in the private resources company and realize value is subject to limitations and uncertainties, including prices and currency fluctuations.

#### ***Commodity price risk***

Commodity price risk is the risk that the value of a financial instrument will fluctuate due to changes in the market price of commodities. The Fund's investment is primarily exposed to market fluctuations in the price of copper, zinc, lead and gold. The value of this investment may be affected favorably or unfavorably by the current spot market price, futures price, and long-term market prices of these commodities. The Fund does not hedge its exposure to commodity prices.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 7. Financial instruments with off-balance sheet risk and concentrations of price risk (continued)

#### Market risk (continued)

##### *Currency risk*

Currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund has liabilities which are denominated in the Australian dollar. Accordingly, the value of such liabilities may be affected favorably or unfavorably by fluctuations in currency rates.

##### *Interest rate risk*

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. As at December 31, 2020, the Fund does not have any debt instruments. Therefore, the Fund is not exposed to interest rate risk as at December 31, 2020.

##### *Equity price risk*

Equity price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from commodity price risk, interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or factors affecting all instruments traded in the market.

The Fund has one equity investment of USD 360,000,000 as at December 31, 2020. The investment in EMR Capital Golden Grove Pty Ltd is valued as outlined in Note 11 below.

### 8. Related party transactions

The Fund considers Fund II, its principal owners, members of management, members of their immediate families and entities under common control to be related parties to the Fund. Amounts due from and due to related parties are generally settled in the normal course of business without formal payment terms.

As at December 31, 2020, USD 7,703,508 was payable to Fund II relating to cumulative operating costs and insurance premiums paid on behalf of the Fund.

As at December 31, 2020, USD 3,044,717 was receivable relating to income tax payable on behalf of EMR Capital Golden Grove Pty Ltd and its controlled entities.

Mr. Anthony Manini and Mr. Owen Hegarty, both of whom are Directors of the General Partner, are also Directors of EMR Capital Golden Grove Pty Ltd and its wholly owned subsidiaries.

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

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### 9. Tax Payable

The Fund has recognized a liability for Australian income tax of USD 3,044,717 relating to the estimated tax payable by the operating entities within the tax-consolidated group. This amount will be reimbursed to the Fund by those operating entities and thus, the Fund has recognized a receivable from related parties of USD 3,044,717 as detailed in Note 8.

### 10. Risk factors

Management of the Fund seeks investment opportunities that offer the possibility of attaining substantial capital appreciation. Certain events particular to the natural resources industry in which the Fund invests, and general economic and political conditions, may have a significant negative effect on the investee company's operations and profitability. The Fund and its investee company are subject to changing regulatory and tax environments. These events are beyond the Fund's control and the likelihood that they may occur cannot be predicted. Furthermore, the Fund's investment is made in a private natural resource project which does not trade on an established exchange. While it is expected that this investment may pursue an initial public offering, trade sale, or other liquidation event, there is generally no public market for this investment at the current time. The Fund's ability to liquidate its private investment and realize value is subject to significant limitations and uncertainties.

### 11. Fair value measurements

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. Refer to Note 2 for the Fund's policies regarding this hierarchy.

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis as of December 31, 2020.

Assets	Fair value as of reporting date			
	Level 1	Level 2	Level 3	Total
	USD	USD	USD	USD
Investments in securities, at fair value				
Private resources companies	\$ -	\$ -	\$ 360,000,000	\$ 360,000,000
<b>Total investments at fair value</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 360,000,000</b>	<b>\$ 360,000,000</b>

# EMR Capital RF II Golden Grove, LP

## Notes to the financial statements

December 31, 2020

(Stated in United States dollars)

### 11. Fair value measurements (continued)

The following table provides information on the valuation techniques and significant unobservable inputs used to determine the value of Level 3 investments.

	Fair value December 31, 2020 USD	Valuation technique	Life of Mine	Discount Rate	LT FX Rate	Commodity Price	Other
EMR Capital Golden Grove Pty Ltd	\$ 360,000,000	Discounted cash flows	End of 2035	WACC: 8% (real)	LT 0.73 AUD:USD	LT Copper: \$3.00/lb LT Zinc: \$1.00/lb LT Lead: \$0.85/lb LT Gold: \$1,400/oz LT Silver: \$18.0/oz	Resource: Copper 25.1Mt, Zinc 32.8Mt, Copper equivalent 2.5Mt Reserves: Copper 6.8Mt, Zinc 8.5Mt, Gold 0.3Mt, Copper equivalent 0.8Mt

In accordance with Article 10 of the Limited Partnership Agreement, the investments are valued at fair market value in such manner as the General Partner may reasonably determine and in accordance with the International Private Equity and Venture Capital Valuation Guidelines and adjusted to the extent necessary to comply with U.S. GAAP.

### 12. Financial highlights

Financial highlights for the year ended December 31, 2020 are as follows:

#### Internal rate of return ("IRR"), since inception:

Beginning of the year	64.59%
End of the year	57.50%

#### Return multiple (based on capital contributions)

4.03x

#### Ratios to average limited partners' capital:

Expenses before carried interest to Carried Interest Holder	(0.17%)
Reversal of carried interest to Carried Interest Holder	4.93%
Expenses, including reversal of carried interest to Carried Interest Holder	4.76%
Net investment loss	(0.17%)

**USD**

Net asset value, beginning of year	\$ 429,129,697
Net asset value, end of year	\$ 358,156,207

The net investment loss ratio does not reflect the effect of carried interest to the Carried Interest Holder.

# **EMR Capital RF II Golden Grove, LP**

## **Notes to the financial statements**

**December 31, 2020**

**(Stated in United States dollars)**

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### **12. Financial highlights (continued)**

The IRR and return multiple of the Limited Partner class since inception of the Fund are net of carried interest to the Carried Interest Holder and fund expenses, and are computed based on the due dates of capital contributions, distributions, and the ending aggregate Limited Partners' capital balance.

Financial highlights are calculated for the Limited Partner class taken as a whole. An individual Limited Partner's return and ratios may vary based on different management fee and carried interest arrangements.

### **13. Commitments and contingencies**

In the normal course of business, the Fund enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made that have not yet occurred. However, based on its experience, the Fund expects the risk of loss to be remote.

### **14. Subsequent events**

These financial statements were approved by the General Partner and available for issuance on March 18, 2021. Subsequent events have been evaluated through this date and there are no subsequent events to be disclosed.