# OK TEDI MINING LIMITED

# FINANCIAL REVIEW 2019

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# AT THE END OF 2019 THE COMPANY HELD PGK 357 MILLION IN CASH AND REMAINED DEBT FREE.

## OK TEDI IS WELL POSITIONED FOR A PROSPEROUS FUTURE.


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# ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

## FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors are pleased to present their report on the affairs of the Company and the Group, including the financial statements, for the year ended 31 December 2019.

### Activities

The Group's principal activity is mining and processing copper ore. Sales for the year totalled 454,648 (2018: 361,460) dry metric tonnes of copper concentrate.

### Financial Results

The Group made a profit after tax of K755,029,000 for the year (2018 profit of K465,774,000).

### Directors

The Directors as at balance date were:

Sir M. Avei (Chairman)

Mr P. Graham (Managing Director/CEO)

Dr R. Higgins

Mr G. Kuri

Mr J. Chan

Mr R. Kaiyun

Mr A. Mano

The Company Secretary as at balance date was:

Mr Cameron Clark

### Dividends

K400,000,000 dividends were declared during the year (2018: K100,000,000).

### Auditors

Details of amounts paid to the auditors PricewaterhouseCoopers for audit and other services are shown in note 5 to the financial statements.

### Donations

The total amount of donations made by the Company is stated in note 5 to the financial statements.

### Accounting Policies

Any changes in accounting policies are stated in note 1 to the financial statements.

### Interest Register

No entries were made in the interest register in 2019.

Signed for, and on behalf of, the Board on 27 February 2020.

Mr Peter Graham
DIRECTOR

Sir Moi Avei
DIRECTOR

pwc

# INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE COMPANY AND THE GROUP

### Our opinion

We have audited the financial statements of OK Tedi Mining Limited (the Company), which comprise the statements of financial position as at 31 December 2019, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 31 December 2019 or from time to time during the financial year.

In our opinion, the accompanying financial statements:

- comply with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea; and
- give a true and fair view of the financial position of the Company and the Group as at 31 December 2019, and their financial performance and cash flows for the year then ended.

### 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the area of taxation services. The provision of these other services has not impaired our independence as auditor of the Company and the Group.

### Information other than the financial statements and auditor's report

The directors are responsible for the annual report which includes other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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 statements

The directors are responsible, on behalf of the Company, for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and other generally accepted accounting practice in Papua New Guinea and the Companies Act 1997, and for such internal control as the directors determine 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, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group, or to cease operations, or have no realistic alternative but to do so.

**PricewaterhouseCoopers**
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# INDEPENDENT AUDITOR'S REPORT

## TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

### Auditor's responsibilities for the audit of the financial statements

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 the ISAs, we exercise professional judgement and maintain professional scepticism 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 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 statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

### Report on other legal and regulatory requirements

The Companies Act 1997 requires that in carrying out our audit we consider and report on the following matters. We confirm in relation to our audit of the financial statements for the year ended 31 December 2019:

- We have obtained all the information and explanations that we have required;
- In our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

### Who we report to

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1997. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditor's report and for no other purpose. We do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

PricewaterhouseCoopers

Christopher Hansor
Partner
Registered under the Accountants Act 1996

Port Moresby
27 February 2020

# STATEMENTS OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | NOTE | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **Continuing Operations** | | | | | |
| **OPERATING REVENUE:** | | | | | |
| Sales revenue | 4 (a) | 3,803,592 | 2,793,247 | 3,803,592 | 2,793,247 |
| Other operating income/(expense), net | 4 (b) | 1,332 | 1,730 | (3,681) | (3,231) |
| **TOTAL OPERATING REVENUE** | | **3,804,924** | **2,794,977** | **3,799,911** | **2,790,016** |
| Mining costs | | (610,141) | (473,973) | (610,141) | (473,973) |
| Processing costs | | (647,626) | (682,171) | (647,626) | (682,171) |
| Increase (Decrease) in inventories of product on hand and in process | | (196,233) | 181,766 | (196,233) | 181,766 |
| General and administrative costs | 5 | (454,491) | (558,319) | (452,770) | (554,748) |
| Depreciation and amortisation | 8, 9 ,10 | (397,657) | (270,736) | (395,988) | (270,285) |
| Exploration costs | | (52,830) | (38,022) | (52,830) | (38,022) |
| Marketing costs | | (383,245) | (332,884) | (383,246) | (332,884) |
| **TOTAL OPERATING COSTS** | | **(2,742,223)** | **(2,174,339)** | **(2,738,834)** | **(2,170,317)** |
| **PROFIT FROM OPERATING ACTIVITIES** | | **1,062,701** | **620,638** | **1,061,077** | **619,699** |
| Finance income | 6 (a) | 51,259 | 64,773 | 51,255 | 64,765 |
| Finance cost | 6 (b) | (54,553) | (24,160) | (54,548) | (24,160) |
| **PROFIT BEFORE INCOME TAX** | | **1,059,407** | **661,251** | **1,057,784** | **660,304** |
| Income tax expense | 7 | (304,378) | (195,477) | (303,909) | (195,206) |
| **NET PROFIT FOR THE YEAR** | | **755,029** | **465,774** | **753,875** | **465,098** |

This statement is to be read in conjunction with the accompanying notes.

# STATEMENTS OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | | CONSOLIDATED | | | COMPANY | |
|---|---|---|---|---|---|---|
| | NOTE | ORDINARY SHARES K'000 | RETAINED EARNINGS K'000 | TOTAL K'000 | RETAINED EARNINGS K'000 | TOTAL K'000 |
| **BALANCE AT 1 JANUARY 2018** | | **195,102** | **3,259,219** | **3,454,321** | **3,256,513** | **3,451,615** |
| **COMPREHENSIVE INCOME** | | | | | | |
| Net profit for the year | | - | 465,774 | 465,774 | 465,098 | 465,098 |
| Dividends declared | 23 | - | (100,000) | (100,000) | (100,000) | (100,000) |
| **BALANCE AT 31 DECEMBER 2018** | | **195,102** | **3,624,993** | **3,820,095** | **3,621,611** | **3,816,713** |
| Effect of IFRS 16 implementation | 1, 20 | - | (36,355) | (36,355) | (36,355) | (36,355) |
| **COMPREHENSIVE INCOME** | | | | | | |
| Net profit for the year | | - | 755,029 | 755,029 | 753,875 | 753,875 |
| Dividends declared | 23 | - | (400,000) | (400,000) | (400,000) | (400,000) |
| **BALANCE AT 31 DECEMBER 2019** | | **195,102** | **3,943,667** | **4,138,769** | **3,939,131** | **4,134,233** |

This statement is to be read in conjunction with the accompanying notes.

# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **Non-Current Assets:** | | | | | |
| Property, plant and equipment | 8 | 2,022,078 | 1,413,627 | 2,009,408 | 1,412,401 |
| Mine development costs | 9 | 1,734,003 | 1,467,980 | 1,734,003 | 1,467,980 |
| Intangible assets | 10 | 38,205 | 43,662 | 38,205 | 43,662 |
| Restoration and rehabilitation asset | 11 | 41,302 | - | 41,302 | - |
| Investment in subsidiaries | 27 (b) | - | - | 21 | 21 |
| Financial assurance fund | 28 | 845,218 | 796,438 | 845,218 | 796,438 |
| Other receivables | 12 | - | - | - | - |
| **TOTAL NON-CURRENT ASSETS** | | **4,680,806** | **3,721,707** | **4,668,157** | **3,720,502** |
| **Current Assets:** | | | | | |
| Cash and cash equivalents | 13 | 381,867 | 484,949 | 357,191 | 459,013 |
| Trade and other receivables | 14 | 320,561 | 221,153 | 317,817 | 218,722 |
| Inventories | 15 | 831,074 | 940,934 | 831,074 | 940,934 |
| Income tax refundable | 17 | 6,310 | 48,952 | 6,441 | 49,131 |
| **TOTAL CURRENT ASSETS** | | **1,539,812** | **1,695,988** | **1,512,523** | **1,667,800** |
| **Total Assets** | | **6,220,618** | **5,417,695** | **6,180,680** | **5,388,302** |
| **Current Liabilities:** | | | | | |
| Trade and other payables | 16 | 315,686 | 356,903 | 310,510 | 331,703 |
| Provisions and other liabilities | 19 | 219,758 | 85,548 | 189,154 | 84,474 |
| **TOTAL CURRENT LIABILITIES** | | **535,444** | **442,451** | **499,664** | **416,177** |

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# STATEMENTS OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2019

| | | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|---|
| | Note | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **Non-Current Liabilities:** | | | | | |
| Provision for restoration and rehabilitation | 21 | 739,106 | 672,062 | 739,106 | 672,062 |
| Provisions and other liabilities | 20 | 407,429 | 227,723 | 407,365 | 227,620 |
| Deferred income tax liability, net | 18 | 399,870 | 255,364 | 400,312 | 255,730 |
| **TOTAL NON-CURRENT LIABILITIES** | | **1,546,405** | **1,155,149** | **1,546,783** | **1,155,412** |
| **Total Liabilities** | | **2,081,849** | **1,597,600** | **2,046,447** | **1,571,589** |
| **Net Assets** | | **4,138,769** | **3,820,095** | **4,134,233** | **3,816,713** |
| **Shareholders' Equity:** | | | | | |
| Ordinary shares | 22 | 195,102 | 195,102 | 195,102 | 195,102 |
| Retained earnings | | 3,943,667 | 3,624,993 | 3,939,131 | 3,621,611 |
| **Total Shareholders' Equity** | | **4,138,769** | **3,820,095** | **4,134,233** | **3,816,713** |

These financial statements were authorised for issue by the Board on 27 February 2020.

For, and on behalf of, the Board.

Mr Peter Graham
DIRECTOR

Sir Moi Avei
DIRECTOR

This statement is to be read in conjunction with the accompanying notes.

# STATEMENTS OF CASH FLOWS

## FOR THE YEAR ENDED 31 DECEMBER 2019

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **Cash Flows From Operating Activities:** | | | | |
| Receipts from customers | 3,758,199 | 2,928,619 | 3,712,077 | 2,875,937 |
| Payments to suppliers and others | (2,383,025) | (2,235,185) | (2,336,112) | (2,177,487) |
| **CASH GENERATED FROM OPERATIONS** | **1,375,174** | **693,434** | **1,375,965** | **698,450** |
| Interest received | 2,729 | 8,168 | 2,725 | 8,160 |
| Interest paid (note 6 (b)) | (5) | (246) | - | (246) |
| Lease Payments | | | - | - |
| Income tax paid (note 17) | (49,052) | (148,505) | (48,684) | (147,884) |
| Donation Earthquake disaster fund | - | (50,000) | - | (50,000) |
| **NET CASH GENERATED FROM OPERATING ACTIVITIES** | **1,328,846** | **502,851** | **1,330,006** | **508,480** |
| **Cash Flows From Investing Activities:** | | | | |
| Purchase of property, plant and equipment (note 8) | (556,999) | (410,583) | (556,892) | (410,257) |
| Mine development expenditures (note 9) | (328,856) | (258,079) | (328,856) | (258,079) |
| Proceeds from sale of property, plant and equipment | 488 | 143,250 | 488 | 143,100 |
| **NET CASH USED IN INVESTING ACTIVITIES** | **(885,367)** | **(525,412)** | **(885,260)** | **(525,236)** |
| **Cash Flows From Financing Activities:** | | | | |
| Dividends paid (note 23) | (400,000) | (100,000) | (400,000) | (100,000) |
| Lease payments | (153,346) | (20,271) | (153,346) | (20,271) |
| **NET CASH USED IN FINANCING ACTIVITIES** | **(553,346)** | **(120,271)** | **(553,346)** | **(120,271)** |
| Net increase (decrease) in cash and cash equivalents | (109,867) | (142,832) | (108,600) | (137,027) |
| Cash and cash equivalents at beginning of the year | 484,956 | 612,522 | 459,013 | 580,781 |
| Foreign exchange effect on foreign currency balances | 6,778 | 15,259 | 6,778 | 15,259 |
| **Cash and Cash Equivalents at End of the Year (Note 13)** | **381,867** | **484,949** | **357,191** | **459,013** |

This statement is to be read in conjunction with the accompanying notes.

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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

## 1. Principal Accounting Policies

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

### (a) Basis of Preparation

These consolidated financial statements of Ok Tedi Mining Limited have been prepared in accordance with the Papua New Guinea Companies Act 1997 and comply with International Financial Reporting Standards (IFRS) and other generally accepted accounting practice in Papua New Guinea. All amounts are stated in Papua New Guinea Kina, the functional currency of the Company, rounded to the nearest thousand Kina.

The accounts have been prepared on the basis of historical costs and do not take into account changing money values or current valuations of non-current assets, other than for certain financial instruments which are measured at fair value. Cost is based on the fair values of the consideration given in exchange for the assets.

The preparation of the financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The Directors have the power to amend these financial statements after their issue.

Changes in Accounting Policies and Disclosures

(i) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2019

- IFRS 16: 'Leases'
- IFRIC 23, 'Uncertainty over income tax treatments'
- Annual improvements 2015-2017
- Amendment to IFRS 9 on prepayment features with negative compensation
- Amendments to IAS 28 'Investments in associates' on long term interests in associates and joint ventures
- Amendments to IAS 19 'Employee benefits' on plan amendments, curtailment or settlement.

IFRS 16: 'Leases': The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019. The group had to change its accounting policies as a result of adopting IFRS 16. The group has elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019 (simplified retrospective approach) in the retained earnings as of that date.

(ii) New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2019 and not early adopted

- Amendments to IFRS 3 – definition of a business
- Amendments to IAS 1 and IAS 8 on the definition of 'material'
- Amendments to IFRS 9, IAS 39 and IFRS 7 – interest rate benchmark reform
- IFRS 17: 'Insurance contracts'.

The Group has conducted investigations and does not consider that there are any measurement or recognition issues arising from the release of these new pronouncements that will have a significant impact on the reported financial position or financial performance of the entity.

### (b) Consolidation

The subsidiary undertakings and special-purpose entities in which the Company has an interest of more than one half of the voting rights or otherwise has power to exercise control over the operation are consolidated. They are consolidated from the date on which control is transferred to the Company and are no longer consolidated from the date that control ceases. All inter-entity transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. In the Company's financial statements, investments in subsidiaries are stated at the lower of cost or recoverable amount.

### (c) Revenue Recognition

Revenue from contracts with customers includes the sale of copper concentrate, gold and silver. The Group satisfies its performance obligation with the customer upon shipment or delivery in accordance with specific contract terms. Revenue from the sale is recognized at the point in time when control of the asset is transferred to the customer, generally when the goods are loaded onto the export vessel in Port Moresby. From time to time, the Group enters into bill-and-hold sales in relation to mineral concentrates. In such instances, the inventories are held in the custody of the Company on behalf of third parties, however control over these inventories are passed to the buyer at the time the transaction is entered into and the revenue is recognised at that point.

The transaction price is based upon the amount the Group expects to be entitled to in exchange for the transferring of promised goods. The revenue is based on one hundred percent of provisional weights, assays and prices and is adjusted when actual values are determined and invoiced in accordance with the terms and conditions of the relevant sales contract. The provisional invoice, which is usually 90-95% of the contract price, has an average credit term of 3-5 days after bill of lading date. The final settlement adjustments on the copper portion of the sales contracts is generally based on the average London Metal Exchange (LME) price for a specified future period generally three to five months after arrival at the customers' facility. The copper concentrate sales invoicing is done net of treatment and refining charges. However, for revenue disclosure purposes, the sales are grossed up and the treatment and refining charges from the smelters and refineries are included in marketing costs on the face of the statement of comprehensive income.

Unfinalised shipments at balance date are valued using metal prices, weights and assays known at that date. Where, in accordance with the terms of the sales contract, prices have not been finalised, sales values have been determined using three months forward price for copper and spot prices at year end for gold and silver.

The average forward prices used at 31 December 2019 were US$2.80 per pound for copper (31 December 2018: US$2.71), US$1,527 per ounce for gold (31 December 2018: US$1,285) and US$18 per ounce for silver (31 December 2018: US$16).

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Interest income is recognised on a time-proportion basis using the effective interest method.

### (d) Property, Plant and Equipment

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured.

Certain properties owned by the Group and rented externally to third parties would be classified as Investment property under IAS 40. These properties are classified under Property and accounted for under IAS 16 at depreciated costs as the carrying amount is considered immaterial for re-classification.

Property, plant and equipment are depreciated either on a units of production basis or a straight-line basis over their estimated economic lives or the expected life of the mine, whichever is shorter. A change in method from straight line to units of production is accounted for prospectively as a change in estimate. Capital spare parts are depreciated over the life of the equipment for which they are purchased.

The depreciation basis and range of estimated economic lives of the major asset categories are:

| | |
|---|---|
| Mine production facilities | Units of production |
| Buildings and improvements | 5 years to life of mine |
| Automotive and other equipment | 4 - 10 years to life of mine |
| Mobile mining equipment | 4 years to life of mine |
| Support facilities | 5 years to life of mine |
| Processing equipment | Units of production |

Gains and losses on disposal of property, plant and equipment are brought to account in the determination of operating profit. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

### (e) Pre-production Expenditure and Exploration Expenditure

Pre-production expenditure represents the net mine development cost incurred by the Company prior to the commencement of commercial production on 31 January 1985. Such expenditure is classified as a mine development asset and is amortised on a units of production basis over the mine life.

### (f) Deferred Stripping Cost

Deferred stripping costs represent the costs incurred in removing overburden and other mine waste materials during the operating phase where those stripping costs are incurred as part of a stripping campaign to access additional ore. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are initially capitalised as a mine development asset, based on the ratio obtained by dividing the amount of waste tonnes mined by the quantity of ore tonnes contained for the specific ore body accessed through the stripping campaign ("the stripping ratio"). Stripping costs incurred in the period are deferred to the extent that the actual current period stripping ratio exceeds the estimated average stripping ratio for the additional ore body accessed.

The stripping asset is then amortised over the life of the additional ore body accessed on a unit of production basis.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (g) Restoration and Rehabilitation

A provision is raised for anticipated expenditure to be made on restoration and rehabilitation to be undertaken after the open pit mine closure based on the present value of the future cash flows.

These costs may include the costs of dismantling and demolishing of infrastructure or decommissioning, the removal of residual material, the remediation of disturbed areas and the relocation and retrenchment of employees under an agreed mine closure plan. Where future economic benefits are probable a corresponding asset is raised and subsequently amortised using the straight-line method.

The Group's restoration, rehabilitation and environmental expenditure policy identifies the environmental, social and engineering issues to be considered and the procedures to be followed when providing for costs associated with the site closure. Site rehabilitation and closure involves the dismantling and demolition of infrastructure not intended for subsequent community use, the removal of residual materials and the remediation of disturbed areas.

Community requirements and long-term land use objectives are also taken into account.

The increase in the provision due to passage of time is recognised as interest expense.

Changes in the provision related to changes in the discount rate or changes in the estimated amount and timing of future cash flows are adjusted against the carrying amount of the related asset.

### (h) Compensation

The Group has signed various compensation agreements with landowners and other surrounding communities affected by the mine. Compensation packages are denominated in the local currency and, in the majority of instances, are payable over the life of the open pit mine.

Where payments are contingent upon mine continuation, the anticipated amounts payable annually are accrued on a pro-rata basis. Where payments have to be made regardless of mine continuation, a full provision is created against future expected payments using the same principles as in note 1(g).

### (i) Inventories

Copper concentrate and product in process are physically measured or estimated and valued at the lower of cost or net realisable value. Cost is derived on an absorption costing basis which includes fixed and variable overheads and depreciation. Net realisable value is the amount estimated to be obtained from the sale of inventories in the normal course of business, less any costs anticipated to be incurred prior to sale.

Spare parts and consumables are valued at weighted average cost into store. An appropriate provision for stock obsolescence is raised in respect of slow-moving inventory.

### (j) Foreign Currency Translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Kina, which is the Company's functional and presentation currency.

Transactions denominated in foreign currency are translated at a rate of exchange which approximates the rate of exchange at the date of the transaction. Amounts owing to and by the Company denominated in foreign currencies at balance date are translated at exchange rates current at that date.

Realised and unrealised foreign exchange variations on revenue accounts are recognised in the income statement.

### (k) Income Tax

The Group provides for all taxes estimated to be payable on net profit for the year. It prepares and lodges its tax return using PNG Kina as the functional and presentation currency.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the near future.

Income tax expense in the income statement comprises the estimated tax payable and the movement in deferred tax balances. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

## (l) Employee Benefits

### (i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, annual leave and sick leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of employees' services up to that date, including on-costs.

### (ii) Long Service Leave

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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

### (iii) Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date or when an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due after more than twelve months from the balance sheet date are discounted to present value.

### (iv) Retirement Benefits

The Group contributes to NASFUND, an independent defined contribution fund, on behalf of its citizen employees and contributions are charged direct to the income statement when payable. Once the contributions have been paid, the Group has no further payment obligations.

## (m) Cash and Cash Equivalents

For the purpose of the statements of cash flows, cash and cash equivalents include cash at bank and on hand, net of overdraft, and deposits held at call with banks, with maturity of three months or less.

## (n) Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### Financial assets initial recognition and measurement

The Group classifies its financial instruments in the following categories:

### Financial assets at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. The Group's intent is to hold these receivables until cash flows are collected. Receivables are recognized initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Group recognizes a loss allowance for expected credit losses on a financial asset that is measured at amortized cost.

Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables.

### 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. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model.

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 statement of comprehensive income.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

### Financial liabilities Initial recognition and measurement

The Group classifies its financial liabilities in the following categories: (a) financial liabilities at amortised cost; and (b) financial liabilities at fair value through profit or loss. Financial liabilities at fair value through profit or loss comprises of two sub-categories: financial liabilities classified as held for trading and financial liabilities designated by the Group as at fair value through profit or loss upon initial recognition. The classification depends on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at initial recognition.

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## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (n) Financial Instruments (continued)

#### Financial liabilities Initial recognition and measurement (continued)

Financial liabilities at amortised cost are contractual obligations which are either to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group. They are included in current liabilities, except for those with maturities greater than twelve (12) months after the reporting period, which are then classified as non-current liabilities.

The Group's financial liabilities at amortised cost only consist of trade payables, other payables and borrowings.

The Group does not hold any financial liabilities at fair value through profit or loss during and at the end of each reporting period.

#### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### Impairment of financial assets

The group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

### (o) Impairment of Assets

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

Impairment of assets is recognised whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is measured as the higher of net selling price and value in use. Value in use for individual assets is calculated by discounting future cash flows using a risk adjusted pre-tax discount rate. For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

### (p) Borrowing Costs

Prior to the commencement of commercial production in 1985, the amount of interest costs eligible for capitalisation was based on the actual interest costs incurred because the borrowings were incurred to fund development of the mine property. Capitalisation of borrowing costs ceased following the commissioning of the assets upon commercial production. These pre-production borrowing costs are amortised using the straight-line basis over the life of the mine. Borrowing costs incurred subsequent to the commencement of commercial production are expensed when incurred over the period of the borrowing unless the borrowing relates to the construction of a qualifying asset, in which case the borrowing costs are capitalised. Interest is expensed using the effective interest method. Facility fees are amortised over the period of the facility.

### (q) Leases

As explained in note 20 (b) below, effective 1 January 2019 the group has changed its accounting policy for leases where the group is the lessee. Until 31 December 2018, leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the group as lessee were classified as operating leases.

### (r) Intangible Assets

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the acquisition, design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use it
- there is an ability to use the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The Company amortises intangible assets with a limited useful life using the straight-line method over the shorter of the life of the asset or the life of the mine.

### (s) Dividend Distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the year in which the dividends are approved by the Company's Directors.

### (t) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (u) Related party relationships and transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholder. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Related party balances are shown net where there is a right of set-off.

### (v) Comparative Figures

Comparative figures have been amended where appropriate to comply with changes in presentation adopted in the current year.

## 2. Financial Risk Management

### (a) Financial Risk Factors

The Group's activities expose it to a variety of financial risks including market risk (consists of currency, price and interest rate risk), credit risk, liquidity risk and fair value risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the Group's treasury section under policies approved by the Board of Directors.

The Company and the Group hold the following financial instruments:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **FINANCIAL ASSETS:** | | | | |
| Cash and cash equivalents (note 13) | 381,867 | 484,949 | 357,191 | 459,013 |
| Trade and other receivables (note 14) | 320,561 | 221,153 | 317,817 | 218,722 |
| Financial assurance fund (note 28) | 845,218 | 796,438 | 845,218 | 796,438 |
| | **1,547,646** | **1,502,540** | **1,520,226** | **1,474,173** |
| **FINANCIAL LIABILITIES:** | | | | |
| Trade and other payables (note 16) | 315,686 | 356,903 | 310,510 | 331,703 |
| Other liabilities | 98,159 | 145,859 | 79,449 | 144,682 |
| Lease liability (note 20(b)) | 459,317 | 167,412 | 447,423 | 167,412 |
| | **873,162** | **670,174** | **837,382** | **643,797** |

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## 2. FINANCIAL RISK MANAGEMENT (continued)

### (b) Market Risks Factors (Continued)

#### (i) Foreign Exchange Risks

The Company operates internationally and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to the US Dollar and the Australian Dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Company's revenues are in US dollars and a significant proportion of costs are in US dollars and Australian dollars. Therefore, the Company's operations are exposed to substantial foreign exchange risk. It is not the Company's policy to hedge foreign exchange risk.

The rates used at 31 December 2019 for United States dollars and Australian dollars were 0.2935 and 0.4188 equal to one Kina respectively (31 December 2018 - 0.2970 and 0.4208 respectively).

At 31 December 2019, if the Kina had moved by 5% against the US dollar with all other variables held constant, the net profit after tax (NPAT) for the year would have an effect of K65.1 million (31 December 2018: K18.6 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar denominated, trade receivables, financial assurance fund and cash at bank.

Monetary assets, provisions and liabilities denominated in foreign currencies, at balance date, are as follows:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **ASSETS:** | | | | |
| Cash – US Dollars | 229,095 | 326,442 | 229,095 | 326,442 |
| – Australian Dollars | 4,129 | 7,452 | 2,387 | 5,910 |
| Receivables – US Dollars | 227,632 | 136,117 | 227,632 | 136,117 |
| Financial Assurance Fund receivable – US Dollars | 845,218 | 796,438 | 845,218 | 796,438 |
| **LIABILITIES:** | | | | |
| Payables – US Dollars | 17,364 | 13,219 | 17,364 | 13,219 |
| – Australian Dollars | 52,538 | 39,853 | 52,093 | 39,656 |
| Provision – Restoration & rehabilitation – US Dollars | 739,106 | 672,062 | 739,106 | 672,062 |

#### (ii) Price Risks

The final settlement price received by the Company for the sale of its copper/gold concentrate is usually specified in sales contracts as being based on the average London Metal Exchange (LME) price for a defined future period generally three to five months after arrival of shipments at the customers' facilities (refer note 1(c)).

At 31 December 2019, a fluctuation of US$110 per tonne (US$0.05/pound) in the price of copper would have an effect of K28.22 million (US$8.28 million) on the NPAT. A fluctuation of US$10/ounce in the price of gold would have an effect of K8.07 million (US$2.37 million) on NPAT. These sensitivities assume all other variables remain constant.

The Company does not hedge its copper and gold production.

The Company is exposed to debt securities price risk. This arises from the investments held by the Company through offshore fund managers and are classified as financial assurance fund at fair value in the statement of financial position. The investment manager does not use derivative financial instruments to reduce risk in the currency market and to increase or decrease the Company's exposure to particular markets. A 5% change in market price results in US$ 12 million net impact to the fund balance.

#### (iii) Interest Rate Risks Exposures

For the year ended 31 December 2019, the Company had on average cash of K357 million (2018: K459 million) at any given time. The cash balances were on demand and earned minimal interest.

### (c) Credit Risks Exposures

The credit risk on financial assets of the Company which have been recognised on the balance sheet is generally the carrying amount, net of any provisions for doubtful debts.

For derivatives, credit risk arises from the potential failure of counter parties to meet their obligations under the respective contracts. With respect to commodity contracts outlined above, the Company has an exposure to loss in the event counter parties fail to settle on contracts which are favourable to the Company.

For trade receivables and financial commitments, the Company only deals with counter parties with a credit rating of BBB - or better. Since trade sales are spread over a number of customers the Company believes that no significant concentration of credit risk exists and it is not the Company's policy to hedge credit risk.

The Company has policies in place to ensure that sales are made to customers with an appropriate credit history and require letters of credit from the majority of its buyers. Management does not expect any losses from non-performance by counterparties.

### (d) Liquidity Risks Exposures

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. The Company manages liquidity risk by maintaining sufficient bank balances to fund its operations and the availability of funding through a committed credit facility.

Management monitors rolling forecasts of the liquidity reserve on the basis of expected cash flows.

The table below analyses the Group's financial liabilities which will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

| | 1 YEAR | MORE THAN 2 YEARS TO 5 YEARS | MORE THAN 5 YEARS |
|---|---|---|---|
| Group | K'000 | K'000 | K'000 |
| AT 31 DECEMBER 2019 | | | |
| Trade and other payables (note 16) | 315,686 | - | - |
| Other liabilities | 98,159 | - | - |
| Lease liability (note 20(b)) | 151,122 | 267,579 | 156,505 |
| AT 31 DECEMBER 2018 | | | |
| Trade and other payables (note 16) | 356,903 | - | - |
| Other liabilities | 85,548 | - | - |
| Lease liability (note 20(b)) | 27,030 | 94,043 | 115,443 |

| | 1 YEAR | MORE THAN 2 YEARS TO 5 YEARS | MORE THAN 5 YEARS |
|---|---|---|---|
| Company | K'000 | K'000 | K'000 |
| AT 31 DECEMBER 2019 | | | |
| Trade and other payables (note 16) | 310,510 | - | - |
| Other liabilities | 79,449 | - | - |
| Lease liability (note 20(b)) | 138,323 | 267,579 | 156,505 |
| AT 31 DECEMBER 2018 | | | |
| Trade and other payables (note 16) | 331,703 | - | - |
| Other liabilities | 84,474 | - | - |
| Lease liability (note 20(b)) | 27,030 | 94,043 | 115,443 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Financial Risk Management (continued)

### (e) Fair Value Estimation

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 Company classifies its fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). The Company has no assets or liabilities classified under Level 3 as at December 31, 2019 and 2018.

The appropriate level is determined on the basis of the lowest level input that is significant to the fair value measurement.

The Company's Financial Assurance Fund is carried at fair value as at December 31, 2019. The Company holds no other financial instruments that are carried at fair value in 2019 and 2018.

The fair values were determined in reference to observable market inputs reflecting orderly transactions, i.e., market listings, published broker quotes and transacted deals from similar and comparable assets, adjusted to determine the point within the range that is most representative of the fair value under current market conditions. The Company has no non-financial assets or liabilities carried at fair value as at December 31, 2019 and 2018.

The fair value of financial and non-financial liabilities takes into account non-performance risk, which is the risk that the entity will not fulfil an obligation.

### (f) Capital Risk Management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group and the Company monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities (including trade and other payables and derivative financial instruments as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity as shown in the balance sheet plus debt.

The gearing ratios at 31 December 2019 and 31 December 2018 were as follows:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Trade and other payables (note 16) | 315,686 | 356,903 | 310,510 | 331,703 |
| Lease liability (note 20(b)) | 459,317 | 167,412 | 447,423 | 167,412 |
| Other liabilities | 98,159 | 145,859 | 79,449 | 144,682 |
| Less: Cash and cash equivalents (note 13) | (381,867) | (484,949) | (357,191) | (459,013) |
| Net debt | 491,295 | 185,225 | 480,191 | 184,784 |
| Equity | 4,138,769 | 3,820,095 | 4,134,233 | 3,816,713 |
| Total capital | 4,630,064 | 4,005,320 | 4,614,424 | 4,001,497 |
| **GEARING RATIO** | **0.106** | **0.046** | **0.104** | **0.046** |

## 3. Critical Accounting Estimates and Judgements

The most significant estimates and judgements relate to the long-term copper and gold price, mineral reserves and remaining open pit mine life, provision for restoration and rehabilitation obligations, recoverability of long-lived assets (including mine development costs) and depreciation. Actual results could differ from those estimates and may affect amounts reported in future years. Management believes that the estimates and assumptions are reasonable.

### (a) Critical accounting estimates

The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

#### (i) Uncertainty of mineral reserve and mineral resource estimates

Mineral reserve and mineral resource estimates are imprecise and depend partly on statistical inferences drawn from drilling and other data, which may prove to be unreliable. Future production could differ dramatically from mineral reserve estimates for the following reasons:

- Mineralisation or formations could be different from that predicted by drilling, sampling and similar examinations;
- Declines in the market price of copper, gold and silver may render the mining of some or all of OTML's mineral reserves uneconomic;
- Increases in mining costs and processing costs could adversely affect the economics of mineral reserves; and
- The grade of mineral reserves may vary significantly from time to time and there can be no assurance that any particular level of copper, gold and silver may be recovered from the mineral reserves.

Any of these factors may require the Company to reduce mineral reserve and mineral resource estimates or increase its costs.

#### (ii) Life of Mine

In 2013, Management changed the estimated life of mine through which the mining and processing of copper ore are forecast to continue from 2015 to 2025. The new mine life of 2025 was based on the mine life extension (MLE) feasibility study that was approved by the Board in February 2013.

Agreements for the extension of the mine life were completed and agreed with the nine (9) CMCA impacted regions in December 2012. All other regulatory and legislative approvals necessary to give legal attest to the mine continuation beyond 2015 were completed during 2014.

The current mine plan and resource and reserve statement supports mining of the ore reserve up to 2026. Although Special Mine Lease 1 (SML 1) expires in 2022, management are confident that renewal of the lease beyond 2022 is highly probable. The revised mine life estimate used for the purpose of the financial statements is up to 2026.

#### (iii) Provision for Restoration and Rehabilitation

The Provision for Restoration and Rehabilitation is based largely on an obligation to contribute to the Ok Tedi Financial Assurance Fund (refer note 1(g) and note 21). Pursuant to the Mine Closure Code, contained in the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001, the Company is required to update its Mine Closure Plan and submit it to the Office of the Environment and the Department of Mining every three years. The updated Mine Closure Plan must notify, amongst other things, what the Company's latest estimate is of the open pit mine closure costs. A Mine Closure Plan in 2013 estimated a cost of mine closure of US$227 million which has been further updated in 2016 to reflect the continuation of the mine to 2025 and approved by the regulators in 2017 and estimated a cost of mine closure of US$196 million. The Company will be preparing another Detailed Mine Closure Plan 4 years before the end of mine life. The amount of provision recognised at balance sheet date is the latest estimated cost of US$196 million escalated to 2026 at an inflation rate of 2.34 percent (2018: 2.16 percent) and is discounted using a discount rate of 1.83 percent (2018 2.59 percent).

#### (iv) Provision for Obsolescence

Materials and supplies are valued at the lower of cost and net realisable value. An allowance for obsolescence is determined by reference to the age of the store items identified.

Allowance for obsolescence are based on the percentage and age of the store items identified: 10% for 2-3 years; 20% for 3-4 years; 30% for 4-5years; 40% for 5-6 years; 50% for 6-7 years; 60% for 7-8years and 100% above 8 years.

#### (v) Depreciation and Amortisation of Long-Term Assets

In estimating the remaining life of the open pit mine, for the purpose of depreciation and amortisation calculations, due regard is given to the volume of remaining economically recoverable reserves but not to limitations that could arise from the potential for changes in technology, demand and other issues, such as early mine closure. These are inherently difficult to estimate and this uncertainty can lead to a financial limitation on the basis of depreciation and amortisation adopted and is reviewed annually under prevailing circumstances.

## 3. Critical Accounting Estimates and Judgements (continued)

### (a) Critical accounting estimates (continued)

Major costs being depreciated or amortised over the extended mine life to 2026 that would have a significant financial impact should early mine closure eventuate are:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Property, plant and equipment (note 8) | 2,022,078 | 1,413,626 | 2,009,408 | 1,412,401 |
| Mine development cost (note 9) | 1,734,003 | 1,467,980 | 1,734,003 | 1,467,980 |
| Intangible assets (note 10) | 38,205 | 43,662 | 38,205 | 43,662 |
| **TOTAL COSTS AT RISK** | **3,794,286** | **2,925,268** | **3,781,616** | **2,924,043** |

### (b) Critical accounting judgements

(i) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations 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 current tax and deferred tax provisions in the period in which such determination is made.

(ii) Impairment Assessment of Long-Term Assets

In accordance with the Group policy (note 1(o)), the Company has undertaken an assessment of impairment indicators and determined that there are no indicators of potential impairment of long-term assets. However, an assessment of the recoverable amount of the long-term assets was performed on a value-in-use basis as part of the Company's standard process. These calculations used post-tax cash flow projections based on the most recently approved life of mine plan, discounted at a post-tax discount rate. The use of after-tax cash flows and discount rate was considered appropriate as the cash generating unit was the Company as a whole and use of post-tax cash flows and discount rates should provide a consistent result to using pre-tax cash flows and discount rate. The calculation of recoverable amount requires the use of estimates. In performing the assessment, the key assumptions included:

- Long term metal prices of US$3.00/lb for copper and US$1,200 for gold. These are consistent with external sources of information.
- Remaining mine life of 7 years and recoverable ore of 159MT
- Discount rate of 12%, with sensitivities ranging from 7.5% to 15%

Should the discount rate increase (decrease) by +/-1%, total net present value of property plant and equipment and other non-current assets would increase (decrease) by approximately K70 million. The assessment indicated that the recoverable amount was greater than carrying amount and no impairment was required to be recognised as at 31 December 2019.

(iii) Revenue from Customer Contracts

The Group concluded that it satisfies the performance obligation with customer for the sale of copper concentrate, gold and silver when the goods are loaded onto the export vessel in Port Moresby. In making their judgement, the directors considered the detailed criteria for the recognition of revenue set out in IFRS 15 and, in particular, whether the Group had transferred control of the goods to the customer. The directors consider that the control has been transferred to the customer when the goods pass the rail on a vessel selected by the buyer and at this point the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of the goods. In relation to the bill-and-hold arrangements the control passes to the customer when the arrangement is executed and the goods are clearly identified and segregated.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |

## 4(a). Sales Revenue

| | | | | |
|---|---|---|---|---|
| Copper | 2,113,873 | 1,781,330 | 2,113,873 | 1,781,330 |
| Gold | 1,537,529 | 1,032,698 | 1,537,529 | 1,032,698 |
| Silver | 80,511 | 52,887 | 80,511 | 52,887 |
| Finalisation/revaluation adjustments (note 1(c)) | 71,679 | (73,668) | 71,679 | (73,668) |
| **TOTAL SALES REVENUE** | **3,803,592** | **2,793,247** | **3,803,592** | **2,793,247** |

## 4(b). Other Operating Income/(Expense), Net

| | | | | |
|---|---|---|---|---|
| Loss on disposal of equipment | (3,681) | (3,231) | (3,681) | (3,231) |
| Other income | 5,013 | 4,961 | - | - |
| **TOTAL OTHER OPERATING INCOME** | **1,332** | **1,730** | **(3,681)** | **(3,231)** |

## 5. General and Administrative Costs

| | | | | |
|---|---|---|---|---|
| Commercial, Business Improvements and Managing Director | 304,199 | 420,179 | 304,199 | 420,179 |
| External Relations | 113,563 | 115,046 | 113,563 | 115,046 |
| Business Strategy | 26,202 | 27,185 | 26,202 | 27,185 |
| Other expenses/ (Other income) | 10,527 | (4,091) | 8,806 | (7,662) |
| **TOTAL OPERATING COSTS** | **454,491** | **558,319** | **452,770** | **554,748** |

*Included in the operating profit before tax are the following items:*

| | | | | |
|---|---|---|---|---|
| Auditors' remuneration: | | | | |
| - Auditing services | 677 | 660 | 677 | 660 |
| - Other services | 139 | 117 | 139 | 117 |
| Donations | 448 | 50,199 | 448 | 50,199 |

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| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **6(a). Finance Income** | | | | |
| Foreign exchange gain, net | 9,645 | 49,814 | 9,645 | 49,814 |
| Interest income | 41,614 | 14,959 | 41,610 | 14,951 |
| **TOTAL FINANCE INCOME** | **51,259** | **64,773** | **51,255** | **64,765** |
| **6(b). Finance Cost** | | | | |
| Unwinding of discount on long term provisions: | | | | |
| - Restoration and rehabilitation (note 21) | (17,621) | (15,643) | (17,621) | (15,643) |
| Finance Lease | (36,927) | (8,271) | (36,927) | (8,271) |
| Interest expense | (5) | (246) | - | (246) |
| **TOTAL FINANCE COST** | **(54,553)** | **(24,160)** | **(54,548)** | **(24,160)** |
| **7. Income Tax Expense** | | | | |
| The prima facie tax charge on the profit for the year is reconciled to the income tax expense as follows: | | | | |
| Profit for the year before tax | 1,059,407 | 661,251 | 1,057,784 | 660,304 |
| Prima facie tax on the profit for the year at 30% | (317,822) | (198,375) | (317,335) | (198,091) |
| Tax effect of permanent differences: | | | | |
| Non-deductible items | 397 | (7) | 397 | (6) |
| Non-taxable income | 11,811 | 2,111 | 11,811 | 2,111 |
| Unrealised exchange (gain)/loss | 51 | 791 | 51 | 791 |
| Adjustments in tax expense | 1,185 | 3 | 1,167 | (10) |
| **INCOME TAX EXPENSE** | **(304,378)** | **(195,477)** | **(303,909)** | **(195,206)** |
| Tax expense comprises: | | | | |
| Income tax - current year (note 17) | (144,366) | (90,811) | (143,785) | (90,376) |
| Deferred tax - current year (note 18(a)) | (161,199) | (104,656) | (161,291) | (104,820) |
| Previous year tax adjustment | 1,187 | (10) | 1,167 | (10) |
| **INCOME TAX EXPENSE** | **(304,378)** | **(195,477)** | **(303,909)** | **(195,206)** |

| CONSOLIDATED | BUILDINGS AND IMPROVEMENTS K'000 | PLANT, MACHINERY EQUIPMENT & OTHER ASSETS K'000 | CAPITAL WORKS IN PROGRESS K'000 | TOTAL K'000 |
|---|---|---|---|---|
| **8. Property, Plant and Equipment** | | | | |
| COST 1 JANUARY 2019 | 494,876 | 3,756,971 | 531,698 | 4,783,545 |
| Accumulated depreciation 1 January 2019 | (355,231) | (3,014,687) | - | (3,369,918) |
| **NET BOOK VALUE 1 JANUARY 2019** | **139,645** | **742,284** | **531,698** | **1,413,627** |
| Adoption of IFRS 16 – Right of use assets | - | 190,374 | - | 190,374 |
| Addition to right of use assets | - | 194,408 | - | 194,408 |
| Additions – property, plant and equipment | - | - | 556,999 | 556,999 |
| Transfer from capital works in progress | 3,113 | 228,427 | (231,540) | - |
| Disposals (net book value) | - | (3,963) | - | (3,963) |
| Depreciation charge (note 3(a)(v)) | (20,770) | (308,597) | - | (329,367) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **121,988** | **1,042,933** | **857,157** | **2,022,078** |
| Cost 31 December 2019 | 497,990 | 4,353,069 | 857,364 | 5,708,423 |
| Accumulated depreciation 31 December 2019 | (376,002) | (3,310,343) | - | (3,686,345) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **121,988** | **1,042,726** | **857,364** | **2,022,078** |
| Cost 1 January 2018 | 434,354 | 3,744,712 | 189,854 | 4,368,920 |
| Accumulated depreciation 1 January 2018 | (342,014) | (2,881,165) | - | (3,223,179) |
| **NET BOOK VALUE 1 JANUARY 2018** | **92,340** | **863,547** | **189,854** | **1,145,741** |
| Additions – property, plant and equipment | - | - | 410,583 | 410,583 |
| Transfer from capital works in progress | 60,522 | 8,217 | (68,739) | - |
| Additions – capital lease | - | 143,100 | - | 143,100 |
| Disposals and adjustments | - | (83,942) | - | (83,942) |
| Depreciation charge | (13,217) | (188,638) | - | (201,855) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **139,645** | **742,284** | **531,698** | **1,413,627** |
| Cost 31 December 2018 | 494,876 | 3,756,971 | 531,698 | 4,783,545 |
| Accumulated depreciation 31 December 2018 | (355,231) | (3,014,687) | - | (3,369,918) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **139,645** | **742,284** | **531,698** | **1,413,627** |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019

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| COMPANY | BUILDINGS AND IMPROVEMENTS K'000 | PLANT, MACHINERY EQUIPMENT & OTHER ASSETS K'000 | CAPITAL WORKS IN PROGRESS K'000 | TOTAL K'000 |
|---|---|---|---|---|
| **8. Property, Plant and Equipment (continued)** | | | | |
| Cost 1 January 2019 | 494,306 | 3,754,064 | 531,680 | 4,780,050 |
| Accumulated depreciation 1 January 2019 | (355,010) | (3,012,639) | - | (3,367,649) |
| **NET BOOK VALUE 1 JANUARY 2019** | **139,296** | **741,425** | **531,680** | **1,412,401** |
| Adoption of IFRS 16 – Right of use assets | - | 177,575 | - | 177,575 |
| Additions to right of use assets | - | 194,408 | - | 194,408 |
| Additions – property, plant and equipment | - | - | 556,892 | 556,892 |
| Transfer from capital works in progress | 3,099 | 228,367 | (231,466) | - |
| Disposals (net book value) | - | (4,170) | - | (4,170) |
| Depreciation charge (note 3(a)(v)) | (20,677) | (307,022) | - | (327,698) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **121,718** | **1,030,583** | **857,106** | **2,009,408** |
| Cost 31 December 2019 | 497,406 | 4,337,302 | 857,106 | 5,691,814 |
| Accumulated depreciation 31 December 2019 | (375,688) | (3,306,719) | - | (3,682,406) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **121,718** | **1,030,583** | **857,106** | **2,009,408** |
| Cost 1 January 2018 | 433,903 | 3,741,695 | 189,756 | 4,365,354 |
| Accumulated depreciation 1 January 2018 | (341,861) | (2,879,103) | - | (3,220,964) |
| **NET BOOK VALUE 1 JANUARY 2018** | **92,042** | **862,592** | **189,756** | **1,144,390** |
| Additions – property, plant and equipment | - | - | 410,257 | 410,257 |
| Transfer from capital works in progress | 60,403 | 7,930 | (68,333) | - |
| Additions – capital lease | - | 143,100 | - | 143,100 |
| Disposals and adjustments | - | (83,942) | - | (83,942) |
| Depreciation charge | (13,149) | (188,255) | - | (201,404) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **139,296** | **741,425** | **531,680** | **1,412,401** |
| Cost 31 December 2018 | 494,306 | 3,754,064 | 531,680 | 4,780,050 |
| Accumulated depreciation 31 December 2018 | (355,010) | (3,012,639) | - | (3,367,649) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **139,296** | **741,425** | **531,680** | **1,412,401** |

## 8. Property, Plant and Equipment (continued)

### (a) Right of use assets

Plant, machinery equipment and other assets include the following amounts where the Group is a lessee under its lease contracts (refer to note 20(b) for further details):

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Amount recognised at inception | 577,463 | 192,681 | 564,664 | 192,681 |
| Accumulated depreciation | (157,848) | (19,079) | (156,569) | (19,079) |
| **NET BOOK AMOUNT** | **419,615** | **173,602** | **408,095** | **173,602** |
| **MOVEMENT IN THE RIGHT OF USE ASSETS** | | | | |
| At 1 January 2019 | 173,602 | 192,681 | 173,602 | 192,681 |
| Assets recognised on adoption of IFRS 16 | 384,782 | - | 371,982 | - |
| Depreciation for the year | (138,769) | (19,079) | (137,489) | (19,079) |
| **BALANCE AT 31 DECEMBER 2019** | **419,615** | **173,602** | **408,095** | **173,602** |

In accordance with the Mining (Ok Tedi Agreement) Act, the Independent State of Papua New Guinea (the State) has the right, after the closure of the mine, to acquire certain infrastructure fixed assets. The accounting net book value of these fixed assets is K121,718,000 (2018: K139,296,000). At the time that these accounts were prepared the Company has not received, and does not expect to receive, notice that the State intends to acquire any of the assets concerned. The current life of the open pit mine estimate is that mining and processing of ore will continue until the end of 2026 (note 3 (a)(ii)).

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019



| | PRE-PRODUCTION EXPENDITURE K'000 | DEFERRED STRIPPING COST K'000 | TOTAL K'000 |
|---|---|---|---|
| **9. Mine Development Costs (Consolidated and Company)** | | | |
| Cost 1 January 2019 | 392,710 | 1,656,326 | 2,049,036 |
| Accumulated depreciation 1 January 2019 | (387,599) | (193,457) | (581,056) |
| **NET BOOK VALUE 1 JANUARY 2019** | **5,111** | **1,462,869** | **1,467,980** |
| Additions | - | 328,856 | 328,856 |
| Adjustments | - | - | - |
| Amortisation | (1,050) | (61,783) | (62,833) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **4,061** | **1,729,942** | **1,734,003** |
| Closing cost 31 December 2019 | 392,710 | 1,985,181 | 2,377,891 |
| Accumulated amortisation 31 December 2019 | (388,649) | (255,239) | (643,888) |
| **NET BOOK VALUE 31 DECEMBER 2019** | **4,061** | **1,729,942** | **1,734,003** |
| Cost 1 January 2018 | 399,367 | 1,391,589 | 1,790,956 |
| Accumulated depreciation, 1 January 2018 | (386,058) | (133,394) | (519,452) |
| **NET BOOK VALUE 1 JANUARY 2018** | **13,309** | **1,258,195** | **1,271,504** |
| Additions | - | 258,079 | 258,079 |
| Adjustments | (7,139) | 7,139 | - |
| Amortisation | (1,059) | (60,544) | (61,603) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **5,111** | **1,462,869** | **1,467,980** |
| Cost 31 December 2018 | 392,710 | 1,656,326 | 2,049,036 |
| Accumulated amortisation December 2018 | (387,599) | (193,457) | (581,056) |
| **NET BOOK VALUE 31 DECEMBER 2018** | **5,111** | **1,462,869** | **1,467,980** |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |

## 10. Intangible Assets

| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
|---|---|---|---|---|
| Opening net book value | 43,662 | 50,940 | 43,662 | 50,940 |
| Amortisation | (5,457) | (7,278) | (5,457) | (7,278) |
| **CLOSING NET BOOK VALUE** | **38,205** | **43,662** | **38,205** | **43,662** |
| Cost | 67,050 | 67,050 | 67,050 | 67,050 |
| Accumulated amortisation | (28,845) | (23,388) | (28,845) | (23,388) |
| **NET BOOK VALUE** | **38,205** | **43,662** | **38,205** | **43,662** |
| **DEPRECIATION/AMORTISATION EXPENSE** | | | | |
| Property, plant and equipment | 329,367 | 201,855 | 327,698 | 201,404 |
| Mine development costs | 62,833 | 61,603 | 62,833 | 61,603 |
| Intangible assets | 5,457 | 7,278 | 5,457 | 7,278 |
| **TOTAL DEPRECIATION/AMORTISATION** | **397,657** | **270,736** | **395,988** | **270,285** |

The intangible asset relates to the capitalised development cost of the operations and accounting software of the Company.

## 11. Restoration & Rehabilitation Asset

| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
|---|---|---|---|---|
| Opening net book value | - | - | - | - |
| Adjustment to provision (note 21) | 41,302 | - | 41,302 | - |
| Amortisation | - | - | - | - |
| **CLOSING NET BOOK VALUE** (note 1(g)) | **41,302** | **-** | **41,302** | **-** |
| Cost | 513,170 | 471,868 | 513,170 | 471,868 |
| Accumulated amortisation | (471,868) | (471,868) | (471,868) | (471,868) |
| **NET BOOK VALUE** | **41,302** | **-** | **41,302** | **-** |

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| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **12. Other Receivables (Non-Current)** | | | | |
| Advances to suppliers | - | - | - | - |
| **13. Cash And Cash Equivalents** | | | | |
| Cash on hand | 87 | 32 | 84 | 30 |
| Cash at bank | 381,780 | 364,917 | 357,107 | 343,983 |
| Short term deposits | - | 120,000 | - | 115,000 |
| **TOTAL CASH AND CASH EQUIVALENTS** | **381,867** | **484,949** | **357,191** | **459,013** |
| **14. Trade And Other Receivables** | | | | |
| Accounts receivable – trade | 230,278 | 138,302 | 227,632 | 136,117 |
| Accounts receivable – sundry (a), (b) | 45,709 | 32,099 | 45,719 | 31,904 |
| Prepayments and other receivables | 45,076 | 51,045 | 44,968 | 50,994 |
| | 321,063 | 221,446 | 318,319 | 219,015 |
| Less: Provision for doubtful debts (c) | (502) | (293) | (502) | (293) |
| **TOTAL CURRENT RECEIVABLES** | **320,561** | **221,153** | **317,817** | **218,722** |

The Group's and the Company's exposure to credit risk is discussed in note 2(c).

### (a) Impaired receivables

As at 31 December 2019, other receivables of the Group with a nominal value of K1.2 million which are over six months overdue (2018: K0.3 million) are considered to be impaired. There was K502,000 provision for the year (2018: K293,000). The individually impaired receivables mainly relate to employee, local, overseas and PNG sundry receivables. It was assessed that a portion of the receivables was expected to be recovered. There were no impaired trade receivables in 2019 (2018).

## (b) Past due but not impaired

As at 31 December 2019, sundry receivables of K3,787,000 (2018: K6,601,000) were past due but not impaired. These relate to employee, local, overseas and PNG sundry receivables for which there is no recent history of default and/or regular partial payments are being received. The ageing analysis of these sundry receivables are as follows:

| | CURRENT | 30 DAYS | 60 DAYS | 90 DAYS | 120 DAYS | TOTAL |
|---|---|---|---|---|---|---|
| 2019 K'000 | 2,543 | 1,190 | 1,070 | 65 | 1,462 | 6,330 |
| 2018 K'000 | 6,599 | 273 | 59 | 184 | 6,085 | 13,200 |

## (c) Provision for doubtful debts

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Opening balance | 250 | 250 | 293 | 250 |
| Increase in provision | 243 | 243 | 244 | 243 |
| Write-offs applied against provision | (200) | (200) | (35) | (200) |
| **CLOSING BALANCE** | **293** | **293** | **502** | **293** |

## (d) Foreign exchange risk

Information about the Group's and the Company's exposure to foreign currency risk in relation to Trade and Other Receivables is provided in note 2(b)(i).

## (e) Fair value

Due to the short-term nature of the receivables, their carrying amount is assumed to approximate their fair value.

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **15. Inventories** | | | | |
| Materials and supplies: | | | | |
| Spare parts and consumables | 779,021 | 690,679 | 779,021 | 690,679 |
| Less: Provision for obsolete stock (a) | (34,765) | (32,796) | (34,765) | (32,796) |
| **TOTAL CONSUMABLES** | **744,256** | **657,883** | **744,256** | **657,883** |
| Concentrate: | | | | |
| Product in process | 40,204 | 72,208 | 40,204 | 72,208 |
| Product on hand | 46,614 | 210,843 | 46,614 | 210,843 |
| **TOTAL CONCENTRATE** | **86,818** | **283,051** | **86,818** | **283,051** |
| **TOTAL INVENTORIES** | **831,074** | **940,934** | **831,074** | **940,934** |
| (a) Provision for obsolete stock | | | | |
| Opening balance | 32,796 | 23,887 | 32,796 | 23,887 |
| Additional provision | 1,969 | 8,909 | 1,969 | 8,909 |
| **CLOSING BALANCE** | **34,765** | **32,796** | **34,765** | **32,796** |
| **16. Trade and Other Payables** | | | | |
| Accounts payable – trade | 311,697 | 334,041 | 310,018 | 331,226 |
| Dividends payable (a) | - | - | - | - |
| Other payables | 3,989 | 22,862 | 492 | 477 |
| **TOTAL TRADE AND OTHER PAYABLES** | **315,686** | **356,903** | **310,510** | **331,703** |
| (a) Provision for Dividend Payable | | | | |
| Opening Balance | - | - | - | - |
| Declared | 400,000 | 100,000 | 400,000 | 100,000 |
| Paid | (400,000) | (100,000) | (400,000) | (100,000) |
| **CLOSING BALANCE** | - | - | - | - |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **17. Income Tax Refundable** | | | | |
| Opening balance payable/(refundable) | (48,952) | 54,297 | (49,131) | 53,920 |
| Tax expense (note 7) | 144,366 | 90,811 | 143,785 | 90,376 |
| TCS, royalty and Interest withholding tax | (52,374) | (45,555) | (52,374) | (45,543) |
| Prior year adjustments | (298) | - | (37) | - |
| Payments/refunds | (49,052) | (148,505) | (48,684) | (147,884) |
| **CLOSING BALANCE** | **(6,310)** | **(48,952)** | **(6,441)** | **(49,131)** |
| **18. Deferred Income Tax, Net** | | | | |
| Deferred Income Tax comprises: | | | | |
| Deferred Tax Asset: | | | | |
| Employee benefits | 13,042 | 10,822 | 12,621 | 10,485 |
| Rehabilitation and restoration liability | 221,732 | 201,619 | 221,732 | 201,619 |
| Provision for stock obsolescence | 10,429 | 9,839 | 10,429 | 9,839 |
| Others | 41,818 | 30,580 | 41,779 | 30,535 |
| **TOTAL DEFERRED TAX ASSETS** | **287,021** | **252,860** | **286,561** | **252,478** |
| Deferred Tax Liability: | | | | |
| Prepayments / consumables inventory | (181,361) | (160,344) | (181,343) | (160,328) |
| Financial Assurance Fund | (202,417) | (199,594) | (202,417) | (199,594) |
| Property, plant and equipment | (252,625) | (109,383) | (252,625) | (109,383) |
| Others | (50,488) | (38,903) | (50,488) | (38,903) |
| **TOTAL DEFERRED TAX LIABILITIES** | **(686,891)** | **(508,224)** | **(686,873)** | **(508,208)** |
| **DEFERRED TAX (LIABILITIES) / ASSETS, NET** | **(399,870)** | **(255,364)** | **(400,312)** | **(255,730)** |

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## 18. Deferred Income Tax, Net (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **(a) Movement in deferred income tax asset/(liability)** | | | | |
| Opening balance | (255,364) | (147,240) | (255,730) | (147,346) |
| Charged to income statement (note 7) | (161,197) | (104,656) | (161,291) | (104,820) |
| Recognised in equity on adoption IFRS 16 (note 20(b)) | 15,580 | - | 15,580 | - |
| Adjustment on tax liability | 1,111 | (3,468) | 1,129 | (3,564) |
| **CLOSING BALANCE** | **(399,870)** | **(255,364)** | **(400,312)** | **(255,730)** |

## 19. Provisions and Other Liabilities

| | CONSOLIDATED 2019 K'000 | CONSOLIDATED 2018 K'000 | COMPANY 2019 K'000 | COMPANY 2018 K'000 |
|---|---|---|---|---|
| Employee entitlements (note 20) | 32,532 | 27,930 | 31,256 | 26,960 |
| Community Mine Continuation Agreements | 92 | 3,496 | 92 | 3,495 |
| Compensation liability | 49,851 | 16,273 | 32,417 | 16,170 |
| Lease liability | 121,599 | 14,720 | 109,705 | 14,720 |
| Deferred Income and other current liabilities | 6,175 | 9,163 | 6,175 | 9,163 |
| Production levy | 9,509 | 13,966 | 9,509 | 13,966 |
| **TOTAL CURRENT PROVISIONS AND OTHER LIABILITIES** | **219,758** | **85,548** | **189,154** | **84,474** |

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **20. Provisions and Other Liabilities (Non-Current)** | | | | |
| Deferred income | 58,832 | 66,937 | 58,832 | 66,937 |
| Lease liability | 337,718 | 152,692 | 337,718 | 152,692 |
| Employee entitlements | 10,879 | 8,094 | 10,815 | 7,991 |
| **TOTAL NON-CURRENT PROVISIONS AND OTHER LIABILITIES** | **407,429** | **227,723** | **407,365** | **227,620** |
| (a) Employee entitlements (Current and Non-current) | | | | |
| Opening balance | 36,024 | 34,674 | 34,951 | 33,545 |
| Provision created | 36,746 | 32,874 | 35,345 | 32,611 |
| Less: Payments made against the provision | (29,359) | (31,524) | (28,225) | (31,205) |
| **CLOSING BALANCE** | **43,411** | **36,024** | **42,071** | **34,951** |
| Current (note 19) | 32,532 | 27,930 | 31,256 | 26,960 |
| Non-current | 10,879 | 8,094 | 10,815 | 7,991 |
| **CLOSING BALANCE** | **43,411** | **36,024** | **42,071** | **34,951** |

(b) Lease liability – Change in Accounting policy – IFRS 16 Leases

The company adopted IFRS16 effective 1 January 2019. The group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 7.25%.

(i) Practical expedients applied

In applying IFRS 16, the group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

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## 20. Provisions and Other Liabilities (Non-Current) (continued)

(b) Lease liability – Change in Accounting policy – IFRS 16 Leases (continued)

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| **(ii) Measurement of lease liabilities** | | | | |
| Commitments in relation to leases are payable as follows: | | | | |
| Within one year | 151,122 | 27,030 | 138,323 | 27,030 |
| Later than one year but not later than five years | 267,579 | 94,043 | 267,579 | 94,043 |
| Later than five years | 156,505 | 115,443 | 156,505 | 115,443 |
| Minimum lease payments | 575,206 | 236,516 | 562,407 | 236,516 |
| Future finance charges | (115,889) | (69,104) | (114,984) | (69,104) |
| **RECOGNISED AS A LIABILITY** | **459,317** | **167,412** | **447,423** | **167,412** |
| The present value of lease liabilities is as follows: | | | | |
| Within one year | 121,599 | 14,720 | 109,705 | 14,720 |
| Later than one year but not later than five years | 202,881 | 54,513 | 202,881 | 54,513 |
| Later than five years | 134,837 | 98,179 | 134,837 | 98,179 |
| **PRESENT VALUE OF MINIMUM LEASE PAYMENTS** | **459,317** | **167,412** | **447,423** | **167,412** |
| Lease Liability Current | 121,599 | 14,720 | 109,705 | 14,720 |
| Lease Liability Non-Current | 337,718 | 152,692 | 337,718 | 152,692 |
| **PRESENT VALUE OF MINIMUM LEASE PAYMENTS** | **459,317** | **167,412** | **447,423** | **167,412** |
| Lease commitments disclosed as at 1 January 2019 | 333,728 | - | 333,728 | - |
| Reassessment of lease terms and lease payments | 12,799 | - | - | - |
| Short term leases not recognised as a liability | (75,331) | - | (75,331) | - |
| Effect of discounting at the lessee's incremental borrowing rate at the date of initial application | (29,792) | - | (28,887) | - |
| **NEW LEASE LIABILITY RECOGNISED AS AT 1 JANUARY 2019** | **241,404** | **-** | **229,510** | **-** |
| Finance lease liability brought forward | 167,411 | - | 167,411 | - |
| **TOTAL LEASE LIABILITY ON 1 JANUARY 2019** | **408,816** | **-** | **396,921** | **-** |

## 20. Provisions and Other Liabilities (Non-Current) (continued)

### (b) Lease liability – Change in Accounting policy – IFRS 16 Leases (continued)

The group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

#### (iii) Measurement of right of use assets

The associated right-of-use assets for the leased assets were measured on a retrospective basis as if the new rules had always been applied.

#### (iv) Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by K177,575,000 (Group: K190,374,000)
- net deferred tax liabilities – decrease by K15,579,000 (Group: K15,580,000)
- lease liabilities – increase by K229,510,000 (Group: K241,404,000)

The net impact on retained earnings on 1 January 2019 was a decrease of K 36,355,000.

#### (v) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Vessels | 231,388 | 167,412 | 231,388 | 167,412 |
| Aircrafts | 156,994 | - | 156,994 | - |
| Dredge | 44,010 | - | 44,010 | - |
| Land lease & Others | 26,925 | - | 15,031 | - |
| **RECOGNISED AS A LIABILITY** | **459,317** | **167,412** | **447,423** | **167,412** |

#### (vi) Amounts recognised in the income statement

The statement of profit or loss shows the following amounts relating to leases

| | | | | |
|---|---|---|---|---|
| Depreciation | 138,769 | 19,080 | 137,489 | 19,080 |
| Lease Interest Expense | 37,485 | 8,271 | 36,927 | 8,271 |
| Total Impact in P&L | **176,254** | **27,351** | **174,416** | **27,351** |

The total cash outflow for leases in 2019 was K180,559,000 (2018: K20,271,000)

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## 20. Provisions and Other Liabilities (Non-Current) (continued)

### (b) Lease liability – Change in Accounting policy – IFRS 16 Leases (continued)

#### (vii) The Group's leasing activities and how these are accounted for

The group leases vessels, aircrafts, dredging equipment and land lease. Lease contracts are typically made for fixed periods of 3 years to 10 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date.

The leasing arrangements of the Group does not include any residual value guarantees or purchase price options.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment over similar term and with a similar security.

To determine the incremental borrowing rate, the group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- makes adjustments specific to the lease, e.g. term and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the right-of-use asset's useful life and the lease term on a straight-line basis.

The short-term or low value leases are expensed.

Extension and termination options are included in a number of leases across the group. These are used to maximise operational flexibility in terms of managing the assets used in the group's operations. These options are taken into account in determining the lease term for the purpose of estimating the lease liability.

| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
|---|---|---|---|---|

## 21. Provision for Restoration and Rehabilitation

| | | | | |
|---|---|---|---|---|
| Opening balance | 672,062 | 651,118 | 672,062 | 651,118 |
| Adjustment to provision | 41,302 | (22,522) | 41,302 | (22,522) |
| Impact of change in exchange rate on provision | 8,121 | 27,823 | 8,121 | 27,823 |
| Interest charged (note 6(b)) | 17,621 | 15,643 | 17,621 | 15,643 |
| **CLOSING BALANCE** (note 1(g)) | **739,106** | **672,062** | **739,106** | **672,062** |

## 22. Ordinary Shares

| | | | | |
|---|---|---|---|---|
| Issued and paid up capital | | | | |
| **192,700,000 SHARES (2018:192,700,000 SHARES)** | **195,102** | **195,102** | **195,102** | **195,102** |

## 23. Dividends

The Constitution provides that the Board may vote to:

– pay dividends as in the judgment of the Directors that the position of the Company justifies; and

– reduce or increase the amount or delay the payment of an ordinary dividend.

Furthermore, as defined in the Fifth Restated Shareholders Agreement, the declaration and amount of any dividend will be in accordance with the Constitution and otherwise at the sole discretion of the Board.

| | | | | |
|---|---|---|---|---|
| **TOTAL DIVIDENDS DECLARED** | **400,000** | **100,000** | **400,000** | **100,000** |

Dividend distributions to the Company's shareholders are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's Directors.

## 24. Contingencies

### (a) Guarantees

| | | | | |
|---|---|---|---|---|
| Collector of Customs | **100** | **100** | **100** | **100** |

### (b) Litigation

The Company is subject to various claims and litigation. The Directors, however, consider that the probability of significant loss from these claims is remote.

### (c) Mine Continuation

The agreement that led to the dismissal of proceedings in relation to environmental damage included an undertaking by the Company to use best endeavours to include the villages that supported the actions in the Community Mine Continuation Agreement (CMCA) process. There is no obligation for the inclusion of these villages to add to the total amount paid under the existing CMCAs.

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## 25. Commitments

### (a) Compensation Payments

The Mining (Ok Tedi Restated Eighth Supplemental Agreement) Act 1995 (No. 48) of Papua New Guinea was enacted in August 1995 and required the Company to make annual payments to compensation trusts over the remaining life of the mine. Required payments have been made by the Company and current liabilities are recognised in the accounts.

The Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 (No. 7) was enacted in 2001 and required the Company to make annual payments initially aggregating to K161.5 million over the life of mine.

A requirement of the agreement was to have a mid-term review which addressed many factors including an assessment of whether predicted environmental impacts are being exceeded. This occurred during 2006 and agreements were successfully concluded during the second quarter of 2007 with the formal signing of the CMCA Review Memorandum of Agreement between the delegates of the CMCA regions and shareholders of the Company. The communities downstream of the mine benefited from the agreed increased compensation deal over the period 2007 to 2013.

With the agreement signed in December 2012 by the nine CMCA impacted regions for mine life extension, the total benefits agreed was PGK 515.0 million (USD 162.2 million) over ten years from 2016 to 2025.

### (b) Environmental Monitoring Costs

In OTML's 2009 Detailed Mine Closure Plan (MCP), which was submitted to the PNG Office of Environment and Conservation and the Mineral Resources Authority the Company has undertaken to monitor key environmental aspects for a 30-year period following closure of the open pit mine. The Detailed MCP included a detailed estimate of the cost of this PCEMP (Post Closure Environmental Monitoring Program) which totalled USD 38 million. This comprises: Monitoring Activities which are aimed at the performance of the cover on the Bige stockpiles and, throughout the riverine system, ARD, water quality, fish biology and hydrography; Support Programs which cater for labour, equipment, travel and access logistics, and operating, management and reporting costs; and Contingency and Escalation Costs which allow for both pre closure and post closure cost movements.

### (c) Capital Expenditure

As at 31 December 2019, the Company has capital commitments totalling K163,931,393 which are not provided for in the accounts (31 December 2018: K230,603,540), this mainly pertains to the Crusher Project.

### (d) Operating Leases

Payments due under operating leases for property and equipment not provided for in the accounts are:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Due within 1 year | 1,760 | 186,910 | 1,760 | 186,910 |
| Due within 1-2 years | - | 110,183 | - | 110,183 |
| Due within 2-5 years | - | 19,721 | - | 19,721 |
| Due > 5 years | - | 16,914 | - | 16,914 |
| **TOTAL OPERATING LEASES** | 1,760 | 333,728 | 1,760 | 333,728 |

## 26. Insurance

The Company places insurance cover with insurers of high credit rating. The insurance policies cover the usual risks that are able to be transferred to insurers under property, liability and transit insurance policies.

The basis of indemnification for Business Interruption (BI) insurance is reimbursement of fixed costs with a cover of US$600,000,000 (2018: US$600,000,000) inclusive of self-insured retentions.

Self-insured retentions (ISR) include: Property Damage – US$12,500,000; Business Interruption – first 30 days after insurable event plus US$2,500,000 for property damage.

## 27. Investment in Subsidiaries

The Company's investment in subsidiaries comprises shares at cost.

| | ORDINARY SHARES | % SHAREHOLDING |
|---|---|---|
| Ok Tedi Development Foundation Limited (a) | 4 | 100% |
| Ok Tedi Australia Pty Limited (b) | 10,000 | 100% |
| Ok Tedi Power Limited (c) | 1 | 100% |

### (a) Ok Tedi Development Foundation Limited (OTDF)

OTDF was established pursuant to the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001. Before mine closure, the Company is under an obligation to transfer its shares in OTDF to four reputable organisations engaged in development activities in Papua New Guinea consistent with the objects of OTDF. If the Company does not transfer its shares prior to mine closure, OTDF must be wound up.

The objects of OTDF are to pursue the promotion of sustainable social improvement and economic activity in the Western Province and Telefomin district of the Sandaun Province for the well-being of persons resident in these provinces. OTDF must act solely in pursuit of these objects.

OTDF has a break-even operating result for the year (31 December 2018: break-even). OTDF is exempt from PNG income tax and supplies to OTDF do not attract GST. Further, moneys paid or the cost of assets contributed to OTDF is an allowable deduction to the person making the payment or contribution in the year of payment or contribution.

### (b) Ok Tedi Australia Pty Limited (OTAPL)

OTAPL was incorporated on 19 June 2008 as a wholly owned subsidiary of OTML. The objectives of OTAPL are to provide marketing and logistics services to OTML. The Company's investment in OTAPL at cost is K21 thousand.

### (c) Ok Tedi Power Limited (OTPL)

OTPL was incorporated on 12 June 2014 as a wholly owned subsidiary of OTML. The sole purpose of OTPL is to manage the provision of electricity in the Western Province, Papua New Guinea. The Company's investment in OTPL at cost is K nil.

## 28. Ok Tedi Financial Assurance Fund

The Mine Closure Code contained in the Mining (Ok Tedi Mine Continuation (Ninth Supplemental) Agreement) Act 2001 requires the Company to contribute to a Mine Closure Fund (referred to as the Ok Tedi Financial Assurance Fund). The Ok Tedi Financial Assurance Fund has been established with Standard Bank Offshore Trust Company (Jersey) Ltd acting as independent Trustee. The Fund covers costs of (a) deconstruction and clean up, (b) revegetation, (c) environmental monitoring and maintenance, (d) employee retrenchment, (e) dredging after closure and (f) post closure monitoring which are valued in USD based on current cost with contingency and escalation considered up to mine closure.

The Ok Tedi Financial Assurance Fund is established to provide sufficient cash at the open pit mine closure for settlement of mine rehabilitation and restoration liabilities (refer note 1(g)). A Detailed Mine Closure Plan which was approved by the Minister for Mining on 7 May 2012 indicated that the Fund should contain US$ 227 million by 2013. As at 31 December 2013, the Company had already met the funds required and ceased the semi-annual payments. The Funds are held by the Trustee to be applied in assisting both the Company and the State to comply with their respective Mine Closure Plan obligations under the Mine Closure Code. A detailed review of the mine closure plan and cost estimate to reflect the continuation of the mine to 2025 was updated in 2016 and approved by the regulators in 2017. Management expect that the existing Fund with accrued income through to 2025 will be sufficient to meet any increase in the mine closure liability.

The assets of the Ok Tedi Financial Assurance Fund are legally separate from the Company and are not available to meet the claims of creditors in any winding up of the Company. They are irrevocably dedicated to funding open pit mine closure costs and cannot be used for any other purpose. Contributions to the Fund are initially recorded at cost and the Company recognises its receivable from the Fund at fair value.

In accordance with accounting practice, the Ok Tedi Financial Assurance Fund is considered to be a special purpose entity controlled by the Company and it is consolidated in the Group financial statements. The assets of the Fund at 31 December 2019 comprised a portfolio of investments, valued at balance date at K845 million or US$248 million (2018: K796 million or US$237 million). These investments are accounted for as a financial asset at fair value through profit or loss.

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## 28. Ok Tedi Financial Assurance Fund (continued)

Total contributions by the Company to the Fund and the consolidated Fund equity are summarised as follows:

| | CONSOLIDATED (CASH, CASH EQUIVALENTS AND AVAILABLE FOR SALE INVESTMENTS AT FAIR VALUE) | | COMPANY (RECEIVABLE FROM THE FAF) | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Opening balance | 796,438 | 757,808 | 796,438 | 757,808 |
| Payment | - | - | - | - |
| Portfolio return – current year | 38,980 | 6,791 | 38,980 | 6,791 |
| Exchange variance | 9,800 | 31,839 | 9,800 | 31,839 |
| **CLOSING BALANCE** | **845,218** | **796,438** | **845,218** | **796,438** |

Without considering the Ok Tedi Financial Assurance Fund and the Restoration and Rehabilitation liability, the Company Financial Position would be:

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Total Assets | 5,375,400 | 4,621,257 | 5,335,462 | 4,591,864 |
| Total Liabilities | 1,342,743 | 925,538 | 1,307,341 | 899,527 |

## 29. Related Party Transactions

### (a) Ownership

Shareholders and their respective shareholdings are as follows:

| | ORDINARY SHARES | % HOLDING |
|---|---|---|
| Independent State of Papua New Guinea | 129,109,000 | 67 |
| Minerals Resources Ok Tedi No. 2 Limited | 23,124,000 | 12 |
| Minerals Resources CMCA Holdings Ltd | 23,124,000 | 12 |
| Minerals Resources Star Mountain Ltd | 17,343,000 | 9 |
| | **192,700,000** | **100** |

### (b) Transactions during the year

Transactions with the Independent State of Papua New Guinea predominantly comprise the payment of taxes and other statutory payments.

### (c) Key management compensation

| | 2019 K'000 | 2018 K'000 |
|---|---|---|
| Salaries and short-term employment benefits | 20,442 | 20,966 |
| Post-employment benefits | 1,358 | 2,921 |
| **TOTAL COMPENSATION** | **21,800** | **23,887** |

## 30. Employee Benefits

The number of people employed by the Company at the end of the year was 1,609 (2018: 1,624).

| | CONSOLIDATED | | COMPANY | |
|---|---|---|---|---|
| | 2019 K'000 | 2018 K'000 | 2019 K'000 | 2018 K'000 |
| Staff costs comprise of the following: | | | | |
| Salaries and wages | 253,093 | 226,894 | 242,443 | 218,495 |
| Contribution to retirement benefit funds | 17,465 | 12,836 | 16,341 | 10,977 |
| Other employee on-costs | 55,192 | 48,932 | 54,141 | 48,145 |
| **TOTAL STAFF COSTS** | **325,750** | **288,662** | **312,925** | **277,617** |

## 31. Incorporation and Registered Office

The Company is incorporated in Papua New Guinea. The Registered Office and Address for Service of Notices is 1 Dakon Road, Tabubil, Western Province, Papua New Guinea.

## 32. Events after the Reporting Period

There are no significant events that occurred post balance date that require an adjustment or disclosures in the financial statements.

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THE FOLLOWING GRI STANDARDS MAPPING REFERS TO THE ANNUAL REVIEW 2019 DOCUMENT WHICH IS SEPARATE TO THIS REPORT.

# GENERAL STANDARD DISCLOSURES /2019

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **ORGANISATIONAL PROFILE** | | | |
| 102-1 | Name of the organisation | Company profile pp 4 | |
| 102-2 | Activities, brands, products, and services | Company profile pp 4 | |
| 102-3 | Location of headquarters | Company profile pp 4 | |
| 102-4 | Location of operations | Company profile pp 4 | |
| 102-5 | Ownership and legal form | Governance pp 12, Business review pp 26, 28 | |
| 102-6 | Markets served | Business review pp 28, Finance pp 72 | |
| 102-7 | Scale of the organisation | Highlights pp 2, Company profile pp 4, Business review pp 28 | |
| 102-8 | Information on employees and other workers | People pp 44–48 | |
| 102-9 | Supply chain | Highlights pp 2, Social responsibility pp 68–69 | |
| 102-10 | Significant changes to the organisation and its supply chain | Chairman's report pp 8, MD's report pp 10, Business review pp 28–30 | |
| 102-11 | Precautionary Principle or approach | Governance pp 14 | |
| 102-12 | External initiatives | Governance pp 14 | |
| 102-13 | Membership of associations | Not reported | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **STRATEGY** | | | |
| 102-14 | Statement from senior decision-maker | Chairman's report pp 8 | YES |
| 102-15 | Key impacts, risks, and opportunities | Governance pp 14, Materiality pp 16–17, Business review pp 28–30 | |
| **ETHICS AND INTEGRITY** | | | |
| 102-16 | Values, principles, standards, and norms of behaviour | Vision and mission pp 7, Governance pp 14 | |
| 102-17 | Mechanisms for advice and concerns about ethics | Governance pp 14, People pp 44–45 | |
| **GOVERNANCE** | | | |
| 102-18 | Governance structure | Governance pp 12–14 | |
| 102-19 | Delegating authority | Governance pp 12 | |
| 102-20 | Executive-level responsibility for economic, environmental, and social topics | Governance pp 12 | |
| 102-21 | Consulting stakeholders on economic, environmental, and social topics | Governance pp 12, Social responsibility pp 62–63 | |
| 102-22 | Composition of the highest governance body and its committees | Governance pp 12 | |
| 102-23 | Chair of the highest governance body | Governance pp 12 | |
| 102-24 | Nominating and selecting the highest governance body | Governance pp 12 | |
| 102-25 | Conflicts of interest | Governance pp 14 | |
| 102-26 | Role of highest governance body in setting purpose, values, and strategy | Governance pp 12 | |
| 102-27 | Collective knowledge of the highest governance body | Governance pp 12 | |
| 102-28 | Evaluating the highest governance body's performance | Governance pp 12–13 | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **GOVERNANCE continued** | | | |
| 102-29 | Identifying and managing economic, environmental, and social impacts | Governance pp 12, Materiality pp 16–17 | YES |
| 102-30 | Effectiveness of risk management processes | Governance pp 13–14, Materiality pp 16–17 | |
| 102-31 | Review of economic, environmental, and social topics | Governance pp 13, Materiality pp 16–17 | YES |
| 102-32 | Highest governance body's role in sustainability reporting | Governance pp 12 | |
| 102-33 | Communicating critical concerns | Governance pp 12 | |
| 102-34 | Nature and total number of critical concerns | Not reported | |
| 102-35 | Remuneration policies | Governance pp 12 | |
| 102-36 | Process for determining remuneration | Governance pp 12, People pp 44 | |
| 102-37 | Stakeholders' involvement in remuneration | Not reported | |
| 102-38 | Annual total compensation ratio | Not reported | |
| 102-39 | Percentage increase in annual total compensation ratio | Not reported | |
| **STAKEHOLDER ENGAGEMENT** | | | |
| 102-40 | List of stakeholder groups | Materiality pp 16–17, Social responsibility pp 62–63 | |
| 102-41 | Collective bargaining agreements | People pp 44 | |
| 102-42 | Identifying and selecting stakeholders | Materiality pp 16, Social responsibility pp 62 | |
| 102-43 | Approach to stakeholder engagement | Social responsibility pp 62 | |
| 102-44 | Key topics and concerns raised | Materiality pp 16–17, Social responsibility pp 62–63 | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **REPORTING PRACTICE** | | | |
| 102-45 | Entities included in the consolidated financial statements | Financial review | |
| 102-46 | Defining report content and topic boundaries | Company profile pp 4 | |
| 102-47 | List of material topics | Materiality pp 17 | |
| 102-48 | Restatements of information | Company profile pp 4 | |
| 102-49 | Changes in reporting | Company profile pp 4 | |
| 102-50 | Reporting period | Company profile pp 4 | |
| 102-51 | Date of most recent report | Company profile pp 4 | |
| 102-52 | Reporting cycle | Company profile pp 4 | |
| 102-53 | Contact point for questions regarding the report | Company profile pp 4, Contacts pp 77 | |
| 102-54 | Claims of reporting in accordance with the GRI Standards | Company profile pp 4 | |
| 102-55 | GRI content index | Financial review pp 42 | |
| 102-56 | External assurance | Financial review pp 47 | |
| **MANAGEMENT APPROACH** | | | |
| 103-1 | Explanation of the material topic and its Boundary | Company profile pp 4 | |
| 103-2 | The management approach and its components | Governance pp 12 | YES |
| 103-3 | Evaluation of the management approach | Governance pp 12, Financial review pp 47 | |

THE FOLLOWING GRI STANDARDS MAPPING REFERS TO THE ANNUAL REVIEW 2019 DOCUMENT WHICH IS SEPARATE TO THIS REPORT.

# SPECIFIC STANDARD DISCLOSURES

## INCLUDING MINING AND METALS SUPPLEMENT

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **ECONOMIC** | | | |
| **ECONOMIC PERFORMANCE** | | | |
| 201-1 | Direct economic value generated and distributed | Highlights pp 2, Chairman's report pp 8, Social responsibility pp 65, Finance pp 71–75 | YES |
| 201-4 | Financial assistance received from government | Finance pp 72 | |
| **MARKET PRESENCE** | | | |
| 202-1 | Ratios of standard entry level wage by gender compared to local minimum wage | People pp 44 | |
| **INDIRECT ECONOMIC IMPACTS** | | | |
| 203-1 | Infrastructure investments and services supported | Social responsibility pp 64–67 | YES |
| 203-2 | Significant indirect economic impacts | Social responsibility pp 64–68 | YES |
| **PROCUREMENT PRACTICES** | | | |
| 204-1 | Proportion of spending on local suppliers | Social responsibility pp 68–69 | |
| **ANTI-CORRUPTION** | | | |
| 205-2 | Communication and training about anti-corruption policies and procedures | People pp 44–45 | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **ENVIRONMENTAL** | | | |
| **MATERIALS** | | | |
| 301-1 | Materials used by weight or volume | Environment pp 53–57 | |
| 301-2 | Recycled input materials used | Environment pp 57–58 | |
| **ENERGY** | | | |
| 302-1 | Energy consumption within the organisation | Environment pp 54–57 | |
| 302-3 | Energy intensity | Environment pp 57 | |
| 302-4 | Reduction of energy consumption | Environment pp 54–57 | |
| **WATER** | | | |
| 303-1 | Water withdrawal by source | Environment pp 54–56 | |
| 303-3 | Water recycled and reused | Environment pp 54–56 | |
| **BIODIVERSITY** | | | |
| 304-2 | Significant impacts of activities, products, and services on biodiversity | Environment pp 53–54 | YES |
| **EMISSIONS** | | | |
| 305-1 | Direct (Scope 1) GHG emissions | Environment pp 56–57 | |
| 305-4 | GHG emissions intensity | Environment pp 56–57 | |
| 305-5 | Reduction of GHG emissions | Environment pp 56–57 | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **EFFLUENTS AND WASTE** | | | |
| 306-1 | Water discharge by quality and destination | Environment pp 52–53, pp 56–57 | YES |
| 306-2 | Waste by type and disposal method | Environment pp 58 | YES |
| 306-3 | Significant spills | Environment pp 58 | YES |
| 306-5 | Water bodies affected by water discharges and/or runoff | Environment pp 53 | YES |
| **ENVIRONMENTAL COMPLIANCE** | | | |
| 307-1 | Non-compliance with environmental laws and regulations | Environment pp 52 | |

## SOCIETY

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **EMPLOYMENT** | | | |
| **OCCUPATIONAL HEALTH AND SAFETY** | | | |
| 403-1 | Occupational health and safety management system | Safety pp 20–21 | YES |
| 403-2 | Hazard identification, risk assessment, and incident investigation | Safety pp 20 | YES |
| 403-3 | Occupational health services | Safety pp 21 | YES |
| 403-4 | Worker participation, consultation, and communication on occupational health and safety | Safety pp 20–21 | YES |
| 403-5 | Worker training on occupational health and safety | Safety pp 21–23 | YES |
| 403-6 | Promotion of worker health | Safety pp 21 | YES |
| 403-7 | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships | Safety pp 21 | YES |
| 403-8 | Workers covered by an occupational health and safety management system | Safety pp 20–23 | YES |
| 403-9 | Work-related injuries | Safety pp 23–24 | YES |
| 403-10 | Work-related ill health | Safety pp 21 | YES |
| **TRAINING AND EDUCATION** | | | |
| 404-2 | Programs for upgrading employee skills and transition assistance programs | People pp 45–48 | |
| 404-3 | Percentage of employees receiving regular performance and career development reviews | People pp 44 | |

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THE FOLLOWING GRI STANDARDS MAPPING REFERS TO THE ANNUAL REVIEW 2019 DOCUMENT WHICH IS SEPARATE TO THIS REPORT.

# SPECIFIC STANDARD DISCLOSURES

## INCLUDING MINING AND METALS SUPPLEMENT

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **DIVERSITY AND EQUAL OPPORTUNITY** | | | |
| 405-1 | Diversity of governance bodies and employees | People pp 44–45 | |
| 405-2 | Ratio of basic salary and remuneration of women to men | People pp 47 | |
| **NON-DISCRIMINATION** | | | |
| 406-1 | Incidents of discrimination and corrective actions taken | People pp 45 | |
| **SECURITY PRACTICES** | | | |
| 410-1 | Security personnel trained in human rights policies or procedures | Safety pp 24 | |
| **LOCAL COMMUNITIES** | | | |
| 413-1 | Operations with local community engagement, impact assessments, and development programs | Social resonsibility pp 62–63 | YES |
| 413-2 | Operations with significant actual and potential negative impacts on local communities | Social responsibility pp 62 | YES |
| **PUBLIC POLICY** | | | |
| 415-1 | Political contributions | Governance pp 14 | |
| **SOCIO-ECONOMIC COMPLIANCE** | | | |
| 419-1 | Non-compliance with laws and regulations in the social and economic area | Social responsibility pp 63 | |

| GRI STANDARD | DISCLOSURE TITLE | ANNUAL REVIEW PROFILE SECTION/PAGE NUMBER | EXTERNAL ASSURANCE |
|---|---|---|---|
| **MINING AND METALS** | | | |
| MM1 | Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated | Environment pp 57 | |
| MM2 | The number and percentage of total sites identified as requiring biodiversity management plans according to stated criteria, and the number (percentage) of those sites with plans in place | Environment pp 53 | |
| MM3 | Total amounts of overburden, rock, tailings, and sludges and their associated risks | Environment pp 56 | YES |
| MM4 | Number of strikes and lock-outs exceeding one week's duration, by country | People pp 44 | |
| MM5 | Total number of operations taking place in or adjacent to indigenous peoples' territories, and number and percentage of operations or sites | Company profile pp 4, Business review pp 28 | |
| MM6 | Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples | Social responsibility pp 63 | YES |
| MM7 | The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and indigenous peoples, and the outcomes | Social responsibility pp 63 | YES |

# MATERIALITY COUNTS INDEPENDENT ASSURANCE REPORT

TO OK TEDI MINING LIMITED

Materiality Counts

## Scope of Work

Materiality Counts was engaged by Ok Tedi Mining Limited (OTML) to provide independent limited assurance of its 2019 Annual Review (the Report) to the scope of work outlined below. The Report covers OTML's operations for the 12 months to 31 December 2019, unless stated otherwise in the text. The work was performed using Materiality Counts' assurance methodology to *ISAE 3000, the International Standard on Assurance Engagements Other than Audits or Review of Historical Financial Information*. Material issues formed the basis of the scope. Materiality Counts interviewed OTML personnel/contractors, reviewed data collation processes, sighted original records, interrogated spreadsheets and re-performed calculations. It should be noted that, in the latter stages of the assurance process, the COVID-19 situation resulted in some key personnel no longer being available to provide the evidence requested.

The subject matter for the assurance consisted of data and statements relating to the following material issues:

- Strategic Business Plan: Geotechnical stability of the open pit.
- Environment: Waste rock, tailings and pyrite management.
- Safety: Nobody Gets Hurt.
- Social responsibility: Community development projects and consultation.

The criteria for the assurance consisted of the following three elements:

- Provision of a balanced representation of material issues in the Report.
- Accuracy of the performance data and statements in the Report.
- Validity of the self-declared Global Reporting Initiative (GRI) Standards Core Reporting.

## Materiality Counts' Independence

OTML was responsible for preparing the Report. Materiality Counts was responsible for expressing assurance conclusions regarding the material issues detailed above in line with the scope of work agreed with OTML. During the reporting period, Materiality Counts did not work with OTML on any other consulting work. Materiality Counts is an independent consultancy specialising in report development and assurance, materiality determination, stakeholder engagement and strategy development.

## Our Conclusion

Materiality Counts concludes that, based on the scope of work and related limitations, for the specified subject matter, OTML's 2019 Annual Review provides a balanced representation of the material issues concerning OTML, reports accurate performance information and satisfies the requirements of GRI Standards Core Reporting for the 12 months to 31 December 2019. In addition, Materiality Counts provided a management report on assurance findings to OTML.

## Key Observations

Based on the scope of work, and not affecting our assurance conclusion, the following good practice was identified:

- Migration of safety data into INX: Migration of the existing safety management system into the INX software platform represents a significant milestone towards improved safety data accuracy.
- Training data collation: Enhancement of how training data is categorised and presented better facilitates its location and reconciliation.
- Financial data consolidation: Consolidation of OTDF financial data into a single multi-worksheet spreadsheet represents a substantial improvement.

Materiality Counts identified the following areas for improvement:

- Internal data verification: Comprehensive checking of data accuracy and consistent use of units throughout the Report, such as currency (PGK versus USD), with an internal data verification process.
- Data format consistency: A set of common rules for the consistent use of decimal places throughout the Report.
- Clarity on compliance limits: Clarity for readers regarding compliance limits, such as a higher ANC/MPA ratio representing a desirable and more compliant outcome.

Materiality Counts congratulates OTML on its ongoing commitment to integrating sustainability reporting within its Annual Review.

Materiality Counts, 14 April 2020, Melbourne, Australia

*Materiality Counts has prepared this statement for OTML in accordance with the standard practiced by members of the consulting profession performing this type of service at the same time. No other warranty, express or implied, is given by Materiality Counts as a result of the provision of this statement. To the extent permitted by law, this statement is provided for informational purposes only, without the right to rely, and Materiality Counts will not be liable for any reliance which may be placed on this statement by a third party. This statement may not be used by any third party without Materiality Counts' express written permission.*

# ABBREVIATIONS

| | |
|---|---|
| / | Per |
| % | Percent |
| ADP | Asset Protection Department |
| ANC | Acid Neutralising Capacity |
| APD | Asset Protection Department |
| ARD | Acid Rock Drainage |
| ASA | Advanced Safety Awareness |
| Au | Gold |
| CEO | Chief Executive Officer |
| CEPA | Conservation Environment Protection Authority |
| CGMS | Complaints and Grievance Management System |
| CMCA | Community Mine Continuation Agreement |
| $CO_2$-e | Carbon dioxide equivalent |
| CR | Community Relations |
| CRP | Crusher Replacement Project |
| Cu | Copper |
| dmt | Dry metric tonnes |
| EFA | Ecosystem Function Analysis |
| EITI | Extractive Industries Transparency Initiative |
| EL | Exploration Lease |
| FIFO | Fly-in Fly-out |
| FRPG | Fly River Provincial Government |
| g/t | Grams per tonne |
| GDP | Gross Domestic Product |
| GHG | Greenhouse Gas |
| GRI | Global Reporting Initiative |
| GWh | Gigawatt hour |
| ha | Hectare |
| $H_2SO_4$ | Sulphuric Acid |
| IFRS | International Financial Reporting Standards |
| IMIU | International Mining Industry Underwriters |
| IRC | Internal Revenue Centre |
| kg | Kilogram |
| km | Kilometre |
| $km^2$ | Square kilometre |
| Koz | Thousand ounces |
| Kt | Thousand tonnes |
| lb | Pound |
| LTI | Lost Time Injury |
| LTIFR | Lost Time Injury Frequency Rate |
| m | Metre |
| M | Million |
| $Mm^3$ | Million cubic metres |
| $m^3$ | Cubic metres |
| $m^3$/t | Cubic metres per tonne |
| MD | Managing Director |
| ML | Megalitres |
| MOU | Memorandum of Understanding |
| Moz | Million ounces |
| MPA | Maximum Potential Acidity |
| Mt | Million tonnes |
| Mtpa | Million tonnes per annum |
| MWh | Megawatt hour |
| MWTP | Mine Waste Tailings Project |
| NAPP | Net Acid Production Potential |
| NID | National Identification |
| O&I | Observations and Interactions |
| ORWB | Off River Water Bodies |
| OTDF | Ok Tedi Development Foundation Limited |
| OTEMA | Ok Tedi Environmental Management Act |
| OTML | Ok Tedi Mining Limited |
| OWN | OTML Women's Network |
| oz | Ounces |
| PCon | Pyrite concentrate |
| PGK | Papua New Guinea Kina |
| PJ | Petajoule |
| PNG | Papua New Guinea |
| PNGSDP | PNG Sustainable Development Program |
| ppm | Parts per million |
| PWC | PriceWaterhouseCoopers |
| RPNGC | Royal PNG Constabulary |
| RWI | Restricted Work Injuries |
| SAG | Semi Autogenous Grinding |
| SDGs | Sustainable Development Goals |
| SHEC | Safety, Health, Environment and Community |
| SIFR | Significant Injury Frequency Rate |
| SML | Special Mining Lease |
| t | tonnes |
| TB | Tuberculosis |
| TCS | Tax Credit Scheme |
| TRIFR | Total Recordable Injury Frequency Rate |
| UN | United Nations |
| ug/L | Microgram per litre |
| USD | United States Dollar |
| VPC | Village Planning Committee |
| WPPDTF | Western Province Peoples Dividend Trust Fund |

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**Cautionary Statement Regarding Forward Looking Information**

Certain information contained in this Annual Review and Financial Review 2019, including any information as to the Company's strategy, projects, plans, future financial or operating performance and other statements that express management's expectations or estimates of future performance, constitute "forward-looking statements". All statements, other than statements of historical fact, are forward-looking statements. The words "aim", "believe", "expect", "will", "should", "anticipate", "contemplate", "target", "plan", "project", "continue", "budget", "may", "intend", "estimate" and similar expressions identify forward-looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The Company cautions the reader that such forward-looking statements involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of the Company, that may cause the actual financial results, performance or achievements of the Company to be materially different from the Company's estimated future results, performance or achievements expressed or implied by those forward-looking statements and the forward-looking statements are not guarantees of future performance. These risks, uncertainties and other factors include, but are not limited to the impact of global liquidity and credit availability on the timing of cash flows and the values of assets and liabilities based on projected future cash flows, changes in the worldwide price of gold, copper or certain other commodities (such as silver, fuel and electricity), possible variations of ore grade or recovery rates, failure of plant equipment or processes to operate as anticipated, ability to profitably produce and transport the Company's product, demand for the Company's product, fluctuations in foreign currency markets, risks arising from holding derivative instruments ability to successfully complete announced transactions and integrate acquired assets, legislative, political or economic developments in the jurisdictions in which the Company carries on business including increases in taxes, operating or technical difficulties in connection with mining or development activities, employee relations, availability and costs associated with mining inputs and labour, the speculative nature of exploration and development, including the risks of obtaining necessary licenses and permits and diminishing quantities or grades of reserves, changes in costs and estimates associated with the Company's projects and the risks involved in the exploration, development and mining business. There can be no assurance that forward-looking statements and information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers are cautioned not to place undue reliance on forward-looking statements and information due to inherent uncertainty. All forward looking statements and information made herein are qualified by this cautionary statement and speak only as at the date of issue of this Annual Review and Financial Review 2019. The Company disclaims any intention or obligation to publicly update, revise or review any forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable laws or regulations.

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