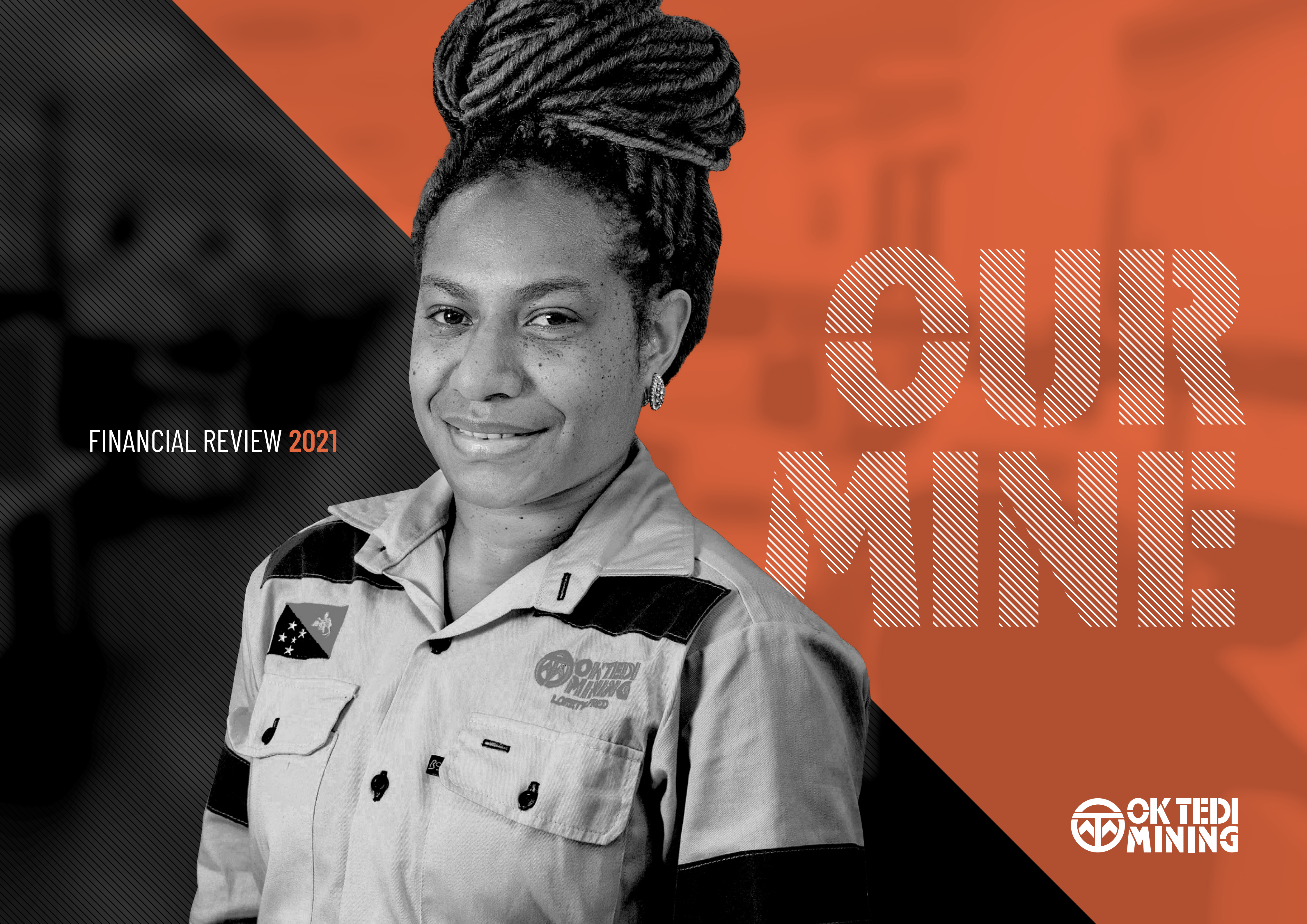
FINANCIAL REVIEW 2021

OUR MINE



OK TEDI MINING

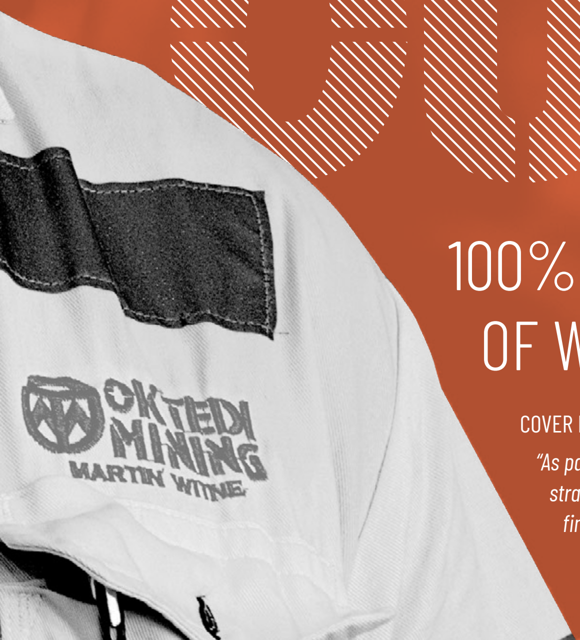
CONTENTS

Annual Report of the Directors to the Shareholders	2
Independent Auditor's Report to the Shareholders	3
Financial Statements:	
Statements of Comprehensive Income	6
Statements of Changes in Equity	7
Statements of Financial Position	8
Statements of Cash Flows	10
Notes to and Forming Part of the Financial Statements	11
General Standard Disclosures 2021	41
Specific Standard Disclosers Including Mining and Metals Supplement	42
Abbreviations	43
Materiality Counts Independent Assurance Report	44
Contacts and Acknowledgements	Inside Back Cover

THE OK TEDI VISION IS:

TO BE THE LEADING PNG MINING COMPANY SETTING THE BENCHMARK ACROSS ALL ASPECTS OF BUSINESS IN PNG.

OUR MINE
OUR PRIDE
OUR FUTURE



100% PAPUA NEW GUINEAN COMPANY, OWNED BY THE STATE, THE PEOPLE OF WESTERN PROVINCE, AND MINE ASSOCIATED COMMUNITIES

COVER IMAGE – **LORETTA FRED** – FINANCIAL & GROUP ACCOUNTANT.

"As part of the OTML Finance team, I support the OTML management deliver the company's strategic priorities, and execute financial responsibilities to deliver the operational and financial performance targets across the business."

LEFT – **MARTIN WITNE** – HEAVY EQUIPMENT FITTER – WORKSHOP 1.

"I am a Heavy Equipment Fitter (HEF) maintenance technician at the Workshop One in Tabubil primarily responsible for trucks, buses, forklifts, loaders, cranes, tankers, and trailers. I love my job and have been with OTML for 13 years"

ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021.

ACTIVITIES

The Group's principal activity is mining and processing copper ore. Sales for the year totalled 265,088 (2020: 355,035) dry metric tonnes of copper concentrate.

FINANCIAL RESULTS

The Group made a profit after tax of K376,139,000 for the year (2020 profit of K725,111,000).

DIRECTORS

The Directors as at balance date were:

Dr R. Higgins (Chairman)

Mr M. Werror (Managing Director/CEO)

Dr. J. Kuwimb

Ms N. James

Mr B. Ninai

Mr R. Kaiyun

Mr A. Mano

Mr J.B. Chan (resigned 16 Jan 2022)

The Company Secretary as at balance date was:

Mr Cameron Clark

DIVIDENDS

K450,000,000 dividends were declared during the year (2020: K550,000,000).

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 2021.

OTHER DISCLOSURES

In accordance with Section 212(3) of the Companies Act 1997, the shareholders agreed that the Company need not comply with the disclosures required by Section 212(1)(e) to (h) and (j) of the Companies Act 1997.

Signed for, and on behalf of, the Board on 15 March 2022.

MR MUSJE WERROR
DIRECTOR

DR ROGER HIGGINS
DIRECTOR

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 2021, 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 2021 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 2021, 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.

PricewaterhouseCoopers, PwC Haus, Level 6, Harbour City, Konedobu, PO Box 484
Port Moresby, Papua New Guinea
T: +675 321 1500 / +675 305 3100, www.pwc.com/pg

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF OK TEDI MINING LIMITED

- 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 2021:

- 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

GRANT BURNS
Partner
Engagement Leader

JONATHAN GRASSO
Partner
Registered under
the Accountant Act 1996

Port Moresby
15 March 2022

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED		COMPANY	
	NOTE	2021 K'000	2020 K'000	2021 K'000	2020 K'000
CONTINUING OPERATIONS					
OPERATING REVENUE:					
Sales revenue	4 (a)	3,378,579	3,576,783	3,378,579	3,576,783
Other operating income/(expense), net	4 (b)	12,345	18,585	6,704	(1,951)
TOTAL OPERATING REVENUE		**3,390,924**	**3,595,368**	**3,385,283**	**3,574,832**
Mining costs		(616,700)	(651,190)	(616,700)	(651,190)
Processing costs		(644,294)	(604,742)	(644,294)	(604,742)
General and administrative costs	5	(831,087)	(590,553)	(831,477)	(574,243)
Depreciation and amortisation	12	(492,121)	(509,782)	(490,489)	(508,165)
Exploration costs		(57,015)	(45,566)	(57,015)	(45,566)
Marketing costs		(151,428)	(160,546)	(151,428)	(160,546)
TOTAL OPERATING COSTS		**(2,792,645)**	**(2,562,379)**	**(2,791,403)**	**(2,544,452)**
PROFIT FROM OPERATING ACTIVITIES		**598,279**	**1,032,989**	**593,880**	**1,030,380**
Finance income	6 (a)	7,197	47,613	7,202	47,610
Finance cost	6 (b)	(64,097)	(61,199)	(63,324)	(61,193)
PROFIT BEFORE INCOME TAX		**541,379**	**1,019,403**	**537,758**	**1,016,797**
Income tax expense	7	(165,240)	(294,292)	(164,638)	(293,587)
NET PROFIT FOR THE YEAR		**376,139**	**725,111**	**373,120**	**723,210**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

		CONSOLIDATED		COMPANY	
	ORDINARY SHARES K'000	RETAINED EARNINGS K'000	TOTAL K'000	RETAINED EARNINGS K'000	TOTAL K'000
BALANCE AT 1 JANUARY 2020	**195,102**	**3,943,667**	**4,138,769**	**3,939,131**	**4,134,233**
COMPREHENSIVE INCOME					
Net profit for the year	-	725,111	725,111	723,210	723,210
Dividends declared (note 23)	-	(550,000)	(550,000)	(550,000)	(550,000)
BALANCE AT 31 DECEMBER 2020	**195,102**	**4,118,778**	**4,313,880**	**4,112,341**	**4,307,443**
COMPREHENSIVE INCOME					
Net profit for the year	-	376,139	376,139	373,120	373,120
Dividends declared (note 23)	-	(450,000)	(450,000)	(450,000)	(450,000)
BALANCE AT 31 DECEMBER 2021	**195,102**	**4,044,917**	**4,240,019**	**4,035,461**	**4,230,563**

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		CONSOLIDATED		COMPANY	
	NOTE	2021 K'000	2020 K'000	2021 K'000	2020 K'000
NON-CURRENT ASSETS:					
Property, plant and equipment	8	2,065,200	2,238,505	2,055,185	2,227,033
Mine development costs	9	2,057,215	1,836,096	2,057,215	1,836,096
Intangible assets	10	29,108	32,747	29,108	32,747
Restoration and rehabilitation asset	11	54,327	76,599	54,327	76,599
Investment in subsidiaries	27 (b)	-	-	21	21
Financial assurance fund	28	895,040	906,049	895,040	906,049
Other non-current assets		18,000	-	18,000	-
TOTAL NON-CURRENT ASSETS		**5,118,890**	**5,089,996**	**5,108,896**	**5,078,545**
CURRENT ASSETS:					
Cash and cash equivalents	13	251,283	335,831	229,615	309,425
Trade and other receivables	14	338,105	335,405	337,049	331,283
Inventories	15	1,067,855	937,354	1,067,855	937,354
Prepayments & other current assets	-	61,938	51,282	61,903	51,233
TOTAL CURRENT ASSETS		**1,719,181**	**1,659,872**	**1,696,422**	**1,629,295**
TOTAL ASSETS		**6,838,071**	**6,749,868**	**6,805,318**	**6,707,840**
CURRENT LIABILITIES:					
Trade and other payables	16	401,001	219,332	393,378	213,222
Provisions and other liabilities	19	225,406	243,951	218,110	224,127
Income tax payable	17	67,850	57,772	67,588	57,358
TOTAL CURRENT LIABILITIES		**694,257**	**521,055**	**679,076**	**494,707**

	NOTE	CONSOLIDATED 2021 K'000	CONSOLIDATED 2020 K'000	COMPANY 2021 K'000	COMPANY 2020 K'000
NON-CURRENT LIABILITIES:					
Provision for restoration and rehabilitation	21	810,168	816,949	810,168	816,949
Provisions and other liabilities	20	524,928	604,334	516,017	594,433
Deferred income tax liability, net	18	568,699	493,650	569,494	494,308
TOTAL NON-CURRENT LIABILITIES		**1,903,795**	**1,914,933**	**1,895,679**	**1,905,690**
TOTAL LIABILITIES		**2,598,052**	**2,435,988**	**2,574,755**	**2,400,397**
NET ASSETS		**4,240,019**	**4,313,880**	**4,230,563**	**4,307,443**
SHAREHOLDERS' EQUITY:					
Ordinary shares	22	195,102	195,102	195,102	195,102
Retained earnings		4,044,917	4,118,778	4,035,461	4,112,341
TOTAL SHAREHOLDERS' EQUITY		**4,240,019**	**4,313,880**	**4,230,563**	**4,307,443**

These financial statements were authorised for issue by the Board on 15 March 2022.

For, and on behalf of, the Board.

MR MUSJE WERROR
DIRECTOR

DR ROGER HIGGINS
DIRECTOR

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

STATEMENTS OF CASH FLOWS

OR THE YEAR ENDED 31 DECEMBER 2021

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	3,572,215	3,740,330	3,565,927	3,686,823
Payments to suppliers and others	(2,544,133)	(2,512,034)	(2,536,005)	(2,462,882)
CASH GENERATED FROM OPERATIONS	**1,028,082**	**1,228,296**	**1,029,922**	**1,223,941**
Interest received	24	284	22	281
Interest paid - Financial fees	(12,605)	(4,320)	(12,590)	(4,315)
Interest paid on lease liability (note 6 (b))	(44,643)	(43,646)	(43,885)	(43,646)
Income tax paid (note 17)	(27,511)	(64,794)	(26,620)	(64,230)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**943,347**	**1,115,820**	**946,849**	**1,112,031**
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, plant and equipment (note 8)	(162,455)	(232,277)	(162,272)	(231,858)
Mine development expenditures (note 9)	(327,112)	(227,013)	(327,112)	(227,013)
Proceeds from sale of property, plant and equipment	1,932	918	1,932	755
NET CASH USED IN INVESTING ACTIVITIES	**(487,635)**	**(458,372)**	**(487,452)**	**(458,116)**
CASH FLOWS FROM FINANCING ACTIVITIES:				
Dividends paid (note 16 (a))	(423,000)	(550,000)	(423,000)	(550,000)
Lease payments	(124,433)	(162,736)	(123,387)	(160,933)
NET CASH USED IN FINANCING ACTIVITIES	**(547,433)**	**(712,736)**	**(546,387)**	**(710,933)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(91,721)**	**(55,288)**	**(86,990)**	**(57,018)**
Cash and cash equivalents at beginning of the year	335,831	381,867	309,425	357,191
Foreign exchange effect on foreign currency balances	7,173	9,252	7,180	9,252
CASH AND CASH EQUIVALENTS AT END OF THE YEAR (note 13)	**251,283**	**335,831**	**229,615**	**309,425**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 (PNG). All amounts are stated in PNG Kina (K), the functional currency of the Company, rounded to the nearest thousand K.

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.

(b) 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 2021**

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2
- Amendment to IFRS 4,'Insurance contracts' – Deferral of IFRS 9

These changes did not have any material impact on the Company.

(ii) **New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2021 and not early adopted**

- Amendment to IFRS 16,'Leases' – Covid-19 related rent concessions (extension of time period)
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16
- Amendments to IAS 1, Presentation of financial statements' on classification of liabilities
- Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8
- Amendment to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction
- IFRS 17: 'Insurance contracts'.

The entity 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.

(c) 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.

(d) 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 recognised 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 three to five days after bill of loading 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 invoicing is done net of treatment and refining charges (TCRC).

Sales of copper concentrate are stated net of treatment and refining charges. TCRC are included as part of note 4(a).

Unfinalized 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 2021 were US$4.39 per pound for copper (31 December 2020: US$3.52), US$1,815 per ounce for gold (31 December 2020: US$1,897) and US$23 per ounce for silver (31 December 2020: US$26).

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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(e) 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 minor 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.

(f) 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.

(g) 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.

(h) 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.

(i) 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).

(j) 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.

(k) 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 PNG Kina (K), 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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 recognised initially at fair value, net of any transaction costs incurred and subsequently measured at amortized cost using the effective interest method. The Group recognises 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.

1. PRINCIPAL ACCOUNTING POLICIES (continued)

(o) FINANCIAL INSTRUMENTS (continued)

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.

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.

(p) 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).

(q) 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.

(r) LEASES

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 payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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.

(s) 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.

(t) 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.

(u) 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.

(v) 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.

(w) 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	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
FINANCIAL ASSETS:				
Cash and cash equivalents	251,283	335,831	229,615	309,425
Trade and other receivables	338,105	335,405	337,049	331,283
Financial assurance fund	895,040	906,049	895,040	906,049
	1,484,428	**1,577,285**	**1,461,704**	**1,546,757**
FINANCIAL LIABILITIES:				
Trade and other payables	401,001	219,332	393,378	213,222
Other liabilities	107,272	122,523	109,858	103,745
Lease liability	575,614	657,973	565,738	647,052
	1,083,887	**999,828**	**1,068,974**	**964,019**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

2. FINANCIAL RISK MANAGEMENT (continued)

(b) MARKET RISKS FACTORS

(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 United States dollars (US$) 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 2021 for US dollars and Australian dollars were 0.2850 and 0.4005 equal to one Kina, respectively (31 December 2020 - 0.2850 and 0.3699, respectively).

At 31 December 2021, 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 K17.1 million (31 December 2020: K19.42 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	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
ASSETS:				
Cash - US Dollars	182,146	198,306	182,146	198,306
- Australian Dollars	5,824	3,104	3,756	3,100
Receivables – US Dollars	161,915	248,598	161,915	248,598
Financial Assurance Fund receivable - US Dollars	895,040	906,049	895,040	906,049
LIABILITIES:				
Payables - US Dollars	28,127	9,912	28,127	9,912
- Australian Dollars	65,075	52,042	65,039	51,358
Provision - Restoration & rehabilitation - US Dollars	810,168	816,949	810,168	816,949

(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 2021, a fluctuation of US$110 per tonne (US$0.05/pound) in the price of copper would have an effect of K9.6 million (US$2.7 million) on the NPAT. A fluctuation of US$10/ounce in the price of gold would have an effect of K2.7 million (US$0.8 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 may result in up to US$12.7 million net impact to the fund balance (2020: US$12.8 million).

(iii) Interest Rate Risks Exposures

For the year ended 31 December 2021, the Company had on average cash of K270 million (2020: K333 million) at any given time. The cash balances were on demand and earned minimal interest. The Group has no external liabilities other than in relation to its leases, for which the interest rates are generally fixed on its initial recognition.

(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 2021			
Trade and other payables (note 16)	401,001	-	-
Other liabilities	107,272	-	-
Lease liability (note 20(b))	148,061	501,893	44,585
AT 31 DECEMBER 2020			
Trade and other payables (note 16)	219,332	-	-
Other liabilities	122,523	-	-
Lease liability (note 20(b))	165,582	488,813	163,235

	1 YEAR	MORE THAN 2 YEARS TO 5 YEARS	MORE THAN 5 YEARS
COMPANY	**K'000**	**K'000**	**K'000**
AT 31 DECEMBER 2021			
Trade and other payables (note 16)	393,378	-	-
Other liabilities	109,858	-	-
Lease liability (note 20(b))	146,258	494,680	40,979
AT 31 DECEMBER 2020			
Trade and other payables (note 16)	213,222	-	-
Other liabilities	103,745	-	-
Lease liability (note 20(b))	163,779	481,600	157,824

(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 Group 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, 2021 and 2020.

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, 2021. The Company holds no other financial instruments that are carried at fair value in 2021 and 2020.

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 Group has no non-financial assets or liabilities carried at fair value as at December 31, 2021 and 2020.

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.

2. FINANCIAL RISK MANAGEMENT (continued)

(f) CAPITAL RISK MANAGEMENT (continued)

The gearing ratios at 31 December 2021 and 31 December 2020 were as follows:

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Trade and other payables (note 16)	401,001	219,332	393,378	213,222
Lease liability (note 20(b))	575,614	657,973	565,738	647,052
Other liabilities	107,272	122,523	109,858	103,745
Less: Cash and cash equivalents (note 13)	(251,283)	(335,831)	(229,615)	(309,425)
Net debt	832,604	663,997	839,359	654,594
Equity	4,240,019	4,313,880	4,230,563	4,307,443
Total capital	5,072,623	4,977,877	5,069,922	4,962,037
GEARING RATIO	**0.164**	**0.133**	**0.166**	**0.132**

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 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, the life of mine over which the mining and processing of copper ore are forecast to continue was extended 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 that are necessary to give legal attest to the mine continuation beyond 2015 were completed during 2014.

OTML's Special Mining Lease 1 (SML1) was granted for an initial term of 21 years commencing on 28 May 1981 and was extended for a period of 20 years with effect on and from 28 May 2002.

Under clause 12.2 of the agreement scheduled to the Mining (Ok Tedi Agreement) Act (Chapter 363), the First extension should have been granted for a term of 21 years. In January 2021, OTML submitted an application for a one-year extension to the current term of the SML in accordance with the Mining Act to address this issue. Once approved the term of SML1 will expire on 28 May 2023.

Thereafter OTML will seek a Second Extension of SML 1. This process commenced in 2021. In accordance with Clause 12.2 of the Principal Agreement this extension will require OTML and the State to agree on fair and reasonable terms and conditions. In the opinion of directors and management of OTML the Company is well positioned to satisfy such conditions.

Therefore, the directors and management of OTML believe that it is highly likely that the MRA will agree to the Second Extension SML 1. It is on this basis directors and management have prepared and approved life of mine plans, and prepared certain estimates included in the financial statements. The current mine plan and resource and reserve statement approved in 2021 supports mining of the ore reserve up to 2029. This is consistent with the updated Strategic Business Plan approved by the OTML Board on 3 September 2020 and is an extension of mine life compared to the previous year which assumed a 2026 end.

(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.

In 2019 the Company submitted an updated estimate of the mine closure cost of US$204 million pending approval. The Mine Closure Plan was prepared by Sustainable Mining Strategies Pty Ltd in coordination with the Mining Business Strategy team of Ok Tedi Mining Limited. The Company will be preparing another Detailed Mine Closure Plan four years before the end of mine life. The amount of provision recognised at balance sheet date is the latest estimated cost of US$230.9 million escalated to 2032 at an inflation rate of 2.39 percent (2020: 2.24 percent) and is discounted using a US treasury note risk free rate.

(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 two to three years; 20% for three to four years; 30% for four to five years; 40% for five to six years; 50% for six to seven years; 60% for seven to eight years and 100% above eight 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.

Major costs being depreciated or amortised over the extended mine life to 2029 (2020: 2026) that would have a significant financial impact should earlier mine closure eventuate are:

	CONSOLIDATED		COMPANY	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
Property, plant and equipment	2,065,200	2,238,505	2,055,185	2,227,033
Mine development cost	2,057,215	1,836,096	2,057,215	1,836,096
Intangible assets	29,108	32,747	29,108	32,747
TOTAL COSTS AT RISK	**4,151,523**	**4,107,348**	**4,141,508**	**4,095,876**

(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$1,300 for gold. These are consistent with external sources of information;
- Remaining mine life of eight years to 2029 and recoverable ore of 210 Mt; and
- 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 2021.

(iii) Revenue from Customer Contracts

The Group concluded that it satisfies the performance obligation with customers 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. For the contracts signed under the shipping terms CIF FO (Cost, Insurance and Freight) and (Free Out), freight services represent a separate performance obligation satisfied over time to the port of discharge.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

4. REVENUE

(a) SALES REVENUE

	CONSOLIDATED		COMPANY	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
Copper	2,068,249	1,701,682	2,068,249	1,701,682
Gold	1,301,683	1,754,398	1,301,683	1,754,398
Silver	40,619	70,278	40,619	70,278
Finalisation/revaluation adjustments (note 1(c))	58,545	181,431	58,545	181,431
GROSS REVENUE	**3,469,096**	**3,707,789**	**3,469,096**	**3,707,789**
Treatment and refining charges (TCRC)	(90,517)	(131,006)	(90,517)	(131,006)
TOTAL SALES REVENUE	**3,378,579**	**3,576,783**	**3,378,579**	**3,576,783**

The deduction of TCRC represents a consideration payable to a customer.
The pricing arrangements with customers generally include the freight element for delivery.
The value of these freight services of K58.0 M (2020: K43.7 M) are included in Gross Revenue and represent a performance obligation which is recognised over time.

(b) OTHER OPERATING INCOME/(EXPENSE), NET

Gain/(loss) on disposal of equipment	1,932	(1,951)	1,932	(1,951)
Other income	10,413	20,536	4,772	-
TOTAL OTHER OPERATING INCOME/(EXPENSE), NET	**12,345**	**18,585**	**6,704**	**(1,951)**

5. GENERAL AND ADMINISTRATIVE COSTS

Community & Operations Support	164,869	148,022	164,869	148,022
Commercial	138,396	120,064	138,396	120,064
Peoples and Capability	128,553	129,249	128,553	129,249
Managing Director	25,393	32,307	25,393	32,307
Business Strategy & Development	26,674	27,120	26,674	27,120
Major Project	1,813	2,072	1,813	2,072
Inventory Movement	(13,773)	(53,133)	(13,773)	(53,133)
Production Levy	17,545	26,929	17,545	24,929
Other expenses	341,617	157,923	342,007	143,613
TOTAL GENERAL AND ADMINISTRATIVE COSTS	**831,087**	**590,553**	**831,477**	**574,243**

5. GENERAL AND ADMINISTRATIVE COSTS (continued)

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Included in the operating profit before tax are the following items:				
Auditors' remuneration:				
- Auditing services	977	792	700	703
- Other services	171	209	64	204
Donations	549	354	362	354

6. FINANCE INCOME/ FINANCE COST

(a) FINANCE INCOME				
Foreign exchange gain, net	7,173	12,534	7,180	12,534
Interest Income - FAF	-	34,795	-	34,795
Interest Income	24	284	22	281
TOTAL FINANCE INCOME	**7,197**	**47,613**	**7,202**	**47,610**
(b) FINANCE COST				
Unwinding of discount on long term provisions:				
Restoration and rehabilitation (note 21)	6,849	13,232	6,849	13,232
Finance Lease (note 20)	44,643	43,646	43,885	43,646
Interest Expense - FAF	11,009	-	11,009	-
Bank charges	15	6	-	-
Bank Overdraft Facility	1,581	4,315	1,581	4,315
TOTAL FINANCE COST	**64,097**	**61,199**	**63,324**	**61,193**

7. INCOME TAX EXPENSE

	CONSOLIDATED		COMPANY	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
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	541,379	1,019,403	537,758	1,016,797
Prima facie tax on the profit for the year at 30%	(162,414)	(305,821)	(161,327)	(305,039)
Tax effect of permanent differences:				
Non-deductible items	(3,311)	956	(3,311)	956
Non-taxable income	485	10,573	-	10,496
Unrealised exchange (gain)/loss	-	-	-	-
Adjustments in tax expense	-	-	-	-
INCOME TAX EXPENSE	**(165,240)**	**(294,292)**	**(164,638)**	**(293,587)**
TAX EXPENSE COMPRISES:				
Income tax - current year (note 17)	(90,191)	(200,458)	(89,452)	(199,591)
Deferred tax - current year (note 18(a))	(75,049)	(93,834)	(75,186)	(93,996)
Previous year tax adjustment	-	-	-	-
INCOME TAX EXPENSE	**(165,240)**	**(294,292)**	**(164,638)**	**(293,587)**

8. PROPERTY, PLANT AND EQUIPMENT

	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY EQUIPMENT & OTHERS ASSETS	CAPITAL WORKS IN PROGRESS	TOTAL
	K'000	K'000	K'000	K'000
CONSOLIDATED				
Cost 1 January 2021	498,892	5,514,572	267,304	6,280,768
Accumulated depreciation 1 January 2021	(397,065)	(3,645,198)	-	(4,042,263)
NET BOOK VALUE 1 JANUARY 2021	**101,827**	**1,869,374**	**267,304**	**2,238,505**
Addition to right of use assets	-	40,503	-	40,503
Additions - property, plant and equipment	-	-	162,455	162,455
Transfer from capital works in progress	2,543	161,155	(163,698)	-
Disposals (net book value)	-	(2,416)	-	(2,416)
Depreciation charge	(21,101)	(352,746)	-	(373,847)
NET BOOK VALUE 31 DECEMBER 2021	**83,269**	**1,715,870**	**266,061**	**2,065,200**
Cost 31 December 2021	501,434	5,702,507	266,061	6,470,002
Accumulated depreciation 31 December 2021	(418,165)	(3,986,637)	-	(4,404,802)
NET BOOK VALUE 31 DECEMBER 2021	**83,269**	**1,715,870**	**266,061**	**2,065,200**
Cost 1 January 2020	497,989	4,353,069	857,364	5,708,422
Accumulated depreciation 1 January 2020	(376,001)	(3,310,343)	-	(3,686,344)
NET BOOK VALUE 1 JANUARY 2020	**121,988**	**1,042,726**	**857,364**	**2,022,078**
Addition to right of use assets	-	359,285	-	359,285
Additions - property, plant and equipment	-	-	232,277	232,277
Transfer from capital works in progress	902	821,435	(822,337)	-
Disposals (net book value)	-	(2,704)	-	(2,704)
Depreciation charge	(21,063)	(351,368)	-	(372,431)
NET BOOK VALUE 31 DECEMBER 2020	**101,827**	**1,869,374**	**267,304**	**2,238,505**
Cost 31 December 2020	498,892	5,514,572	267,304	6,280,768
Accumulated depreciation 31 December 2020	(397,065)	(3,645,198)	-	(4,042,263)
NET BOOK VALUE 31 DECEMBER 2020	**101,827**	**1,869,374**	**267,304**	**2,238,505**

8. PROPERTY, PLANT AND EQUIPMENT (continued)	BUILDINGS AND IMPROVEMENTS	PLANT, MACHINERY EQUIPMENT & OTHERS ASSETS	CAPITAL WORKS IN PROGRESS	TOTAL
	K'000	K'000	K'000	K'000
COMPANY				
Cost 1 January 2021	498,308	5,498,635	266,946	6,263,889
Accumulated depreciation 1 January 2021	(396,662)	(3,640,194)	-	(4,036,856)
NET BOOK VALUE 1 JANUARY 2021	**101,646**	**1,858,441**	**266,946**	**2,227,033**
Additions to right of use assets	-	40,503	-	40,503
Additions - property, plant and equipment	-	-	162,272	162,272
Transfer from capital works in progress	2,285	160,886	(163,171)	-
Disposals (net book value)	-	(2,408)	-	(2,408)
Depreciation charge (note 3(a)(v))	(21,005)	(351,210)	-	(372,215)
NET BOOK VALUE 31 DECEMBER 2021	**82,926**	**1,706,212**	**266,047**	**2,055,185**
Cost 31 December 2021	500,593	5,697,616	266,047	6,464,256
Accumulated depreciation 31 December 2021	(417,667)	(3,991,404)	-	(4,409,071)
NET BOOK VALUE 31 DECEMBER 2021	**82,926**	**1,706,212**	**266,047**	**2,055,185**
Cost 1 January 2020	497,406	4,337,302	857,106	5,691,814
Accumulated depreciation 1 January 2020	(375,688)	(3,306,718)	-	(3,682,406)
NET BOOK VALUE 1 JANUARY 2020	**121,718**	**1,030,584**	**857,106**	**2,009,408**
Additions to right of use assets	-	359,285	-	359,285
Additions - property, plant and equipment	-	-	231,858	231,858
Transfer from capital works in progress	902	821,116	(822,018)	-
Disposals (net book value)	-	(2,704)	-	(2,704)
Depreciation charge	(20,974)	(349,840)	-	(370,814)
NET BOOK VALUE 31 DECEMBER 2020	**101,646**	**1,858,441**	**266,946**	**2,227,033**
Cost 31 December 2020	498,308	5,498,635	266,946	6,263,889
Accumulated depreciation 31 December 2020	(396,662)	(3,640,194)	-	(4,036,856)
NET BOOK VALUE 31 DECEMBER 2020	**101,646**	**1,858,441**	**266,946**	**2,227,033**

8. PROPERTY, PLANT AND EQUIPMENT (continued)

(a) RIGHT OF USE ASSETS

Plant, machinery and 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	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Amount recognised under IFRS 16	977,251	936,748	964,452	923,950
Accumulated depreciation	(458,926)	(313,545)	(455,086)	(310,986)
NET BOOK AMOUNT	**518,325**	**623,203**	**509,366**	**612,964**
MOVEMENT IN THE RIGHT OF USE ASSETS				
Balance at beginning of the year	623,203	419,615	612,964	408,095
Additional leases during the year	40,503	359,285	40,503	359,285
Depreciation for the year	(145,381)	(155,697)	(144,101)	(154,416)
BALANCE AT END OF THE YEAR	**518,325**	**623,203**	**509,366**	**612,964**

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 K82,925,921 (2020 K101,645,971). 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 2029 (note 3 (a)(ii)).

9. MINE DEVELOPMENT COSTS (Consolidated and Company)

	PRE-PRODUCTION EXPENDITURE K'000	DEFERRED STRIPPING COST K'000	TOTAL K'000
CONSOLIDATED AND COMPANY			
Cost 1 January 2021	392,749	2,212,194	2,604,943
Accumulated depreciation 1 January 2021	(389,596)	(379,251)	(768,847)
NET BOOK VALUE 1 JANUARY 2021	**3,153**	**1,832,943**	**1,836,096**
Additions	-	327,112	327,112
Amortisation	(274)	(105,719)	(105,993)
NET BOOK VALUE 31 DECEMBER 2021	**2,879**	**2,054,336**	**2,057,215**
Closing cost 31 December 2021	392,749	2,539,306	2,932,055
Accumulated amortisation 31 December 2021	(389,870)	(484,970)	(874,840)
NET BOOK VALUE 31 DECEMBER 2021	**2,879**	**2,054,336**	**2,057,215**
Cost 1 January 2020	392,710	1,985,181	2,377,891
Accumulated depreciation, 1 January 2020	(388,649)	(255,239)	(643,888)
NET BOOK VALUE 1 JANUARY 2020	**4,061**	**1,729,942**	**1,734,003**
Additions	-	227,013	227,013
Amortisation	(908)	(124,012)	(124,920)
NET BOOK VALUE 31 DECEMBER 2020	**3,153**	**1,832,943**	**1,836,096**
Cost 31 December 2020	392,749	2,212,194	2,604,943
Accumulated amortisation December 2020	(389,596)	(379,251)	(768,847)
NET BOOK VALUE 31 DECEMBER 2020	**3,153**	**1,832,943**	**1,836,096**

10. INTANGIBLE ASSETS

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Opening net book value	32,747	38,205	32,747	38,205
Amortisation	(3,639)	(5,458)	(3,639)	(5,458)
CLOSING NET BOOK VALUE	**29,108**	**32,747**	**29,108**	**32,747**
Cost	67,050	67,050	67,050	67,050
Accumulated amortisation	(37,942)	(34,303)	(37,942)	(34,303)
NET BOOK VALUE	**29,108**	**32,747**	**29,108**	**32,747**

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

11. RESTORATION & REHABILITATION ASSET

Opening net book value	76,599	41,302	76,599	41,302
Adjustment to provision (note 21)	(13,630)	42,270	(13,630)	42,270
Amortisation	(8,642)	(6,973)	(8,642)	(6,973)
CLOSING NET BOOK VALUE	**54,327**	**76,599**	**54,327**	**76,599**
Cost	541,810	555,440	541,810	555,440
Accumulated amortisation	(487,483)	(478,841)	(487,483)	(478,841)
NET BOOK VALUE	**54,327**	**76,599**	**54,327**	**76,599**

12. DEPRECIATION & AMORTISATION

Property, plant and equipment (note 8)	373,847	372,431	372,215	370,814
Mine development costs (note 9)	105,993	124,920	105,993	124,920
Intangible assets (note 10)	3,639	5,458	3,639	5,458
Restoration & rehabilitation asset (note 11)	8,642	6,973	8,642	6,973
TOTAL DEPRECIATION/AMORTISATION	**492,121**	**509,782**	**490,489**	**508,165**

13. CASH AND CASH EQUIVALENTS

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Cash on hand	12	47	9	44
Cash at bank	251,271	335,784	229,606	309,381
TOTAL CASH AND CASH EQUIVALENTS	**251,283**	**335,831**	**229,615**	**309,425**

14. TRADE AND OTHER RECEIVABLES

Accounts receivable – trade	161,915	251,085	161,915	248,598
Accounts receivable – sundry (a), (b)	177,392	85,603	176,336	83,968
	339,307	**336,688**	**338,251**	**332,566**
Less: Provision for doubtful debts (c)	(1,202)	(1,283)	(1,202)	(1,283)
TOTAL CURRENT RECEIVABLES	**338,105**	**335,405**	**337,049**	**331,283**

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

(a) IMPAIRED RECEIVABLES

As at 31 December 2021, other receivables of the Group with a nominal value of K1.2 million which are over six months overdue (2020: K1.7 million) are considered to be impaired. There was K1.2 million provision for the year (2020: K1.3 million). 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 2021 (2020: nil) which are short term in nature with no history of default.

(b) PAST DUE BUT NOT IMPAIRED

As at 31 December 2021, sundry receivables of K5.3 million (2020: K2.9 million) 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
2021 K'000	11,049	665	932	336	3,319	16,301
2020 K'000	2,316	504	285	44	2,027	5,176

14. TRADE AND OTHER RECEIVABLES (continued)

(c) PROVISION FOR DOUBTFUL DEBTS

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Opening balance	1,283	502	1,283	502
Increase in provision	(81)	804	(81)	804
Write-offs applied against provision	-	(23)	-	(23)
CLOSING BALANCE	**1,202**	**1,283**	**1,202**	**1,283**

(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.

15. INVENTORIES

	2021 K'000 (Consolidated)	2020 K'000 (Consolidated)	2021 K'000 (Company)	2020 K'000 (Company)
MATERIALS AND SUPPLIES:				
Spare parts and consumables	949,086	839,466	949,086	839,466
Less: Provision for obsolete stock (a)	(34,953)	(42,063)	(34,953)	(42,063)
TOTAL CONSUMABLES	**914,133**	**797,403**	**914,133**	**797,403**
CONCENTRATE:				
Product in process	74,609	65,947	74,609	65,947
Product on hand	79,113	74,004	79,113	74,004
TOTAL CONCENTRATE	**153,722**	**139,951**	**153,722**	**139,951**
TOTAL INVENTORIES	**1,067,855**	**937,354**	**1,067,855**	**937,354**

(a) PROVISION FOR OBSOLETE STOCK

Opening balance	42,063	34,765	42,063	34,765
Provision – addition/(reversal)	(7,110)	7,298	(7,110)	7,298
CLOSING BALANCE	**34,953**	**42,063**	**34,953**	**42,063**

16. TRADE AND OTHER PAYABLES

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Accounts payable - trade	268,291	214,615	273,105	212,866
Dividends payable (a)	27,000	-	27,000	-
Other payables	105,710	4,717	93,273	356
TOTAL TRADE AND OTHER PAYABLES	**401,001**	**219,332**	**393,378**	**213,222**
(a) DIVIDEND PAYABLE				
Opening Balance	-	-	-	-
Declared	450,000	550,000	450,000	550,000
Paid	(423,000)	(550,000)	(423,000)	(550,000)
CLOSING BALANCE	**27,000**	**-**	**27,000**	**-**

17. INCOME TAX PAYABLE/(REFUNDABLE)

Opening balance payable/(refundable)	57,772	(6,310)	57,358	(6,441)
Tax expense (note 7)	90,191	200,458	89,452	199,591
TCS, royalty and interest withholding tax	(59,087)	(71,582)	(59,087)	(71,562)
Prior year adjustments	6,485	-	6,485	-
Payments	(27,511)	(64,794)	(26,620)	(64,230)
CLOSING BALANCE PAYABLE/(REFUNDABLE)	**67,850**	**57,772**	**67,588**	**57,358**

18. DEFERRED INCOME TAX, NET

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Deferred Income Tax comprises:				
DEFERRED TAX ASSET:				
Employee benefits	21,232	19,476	20,460	18,879
Rehabilitation and restoration liability	243,050	245,085	243,050	245,085
Provision for stock obsolescence	10,486	12,619	10,486	12,619
Others	50,874	42,977	50,840	42,960
TOTAL DEFERRED TAX ASSETS	**325,642**	**320,157**	**324,836**	**319,543**
DEFERRED TAX LIABILITY:				
Prepayments / consumables inventory	(222,908)	(194,381)	(222,908)	(194,381)
Financial Assurance Fund	(210,118)	(210,171)	(210,118)	(210,171)
Property, plant and equipment	(414,215)	(338,084)	(414,215)	(338,084)
Others	(47,100)	(71,171)	(47,089)	(71,215)
TOTAL DEFERRED TAX LIABILITIES	**(894,341)**	**(813,807)**	**(894,330)**	**(813,851)**
DEFERRED TAX ASSET / (LIABILITY), NET	**(568,699)**	**(493,650)**	**(569,494)**	**(494,308)**
(a) MOVEMENT IN DEFERRED INCOME TAX (LIABILITY)/ASSET				
Opening balance	(493,650)	(399,870)	(494,308)	(400,312)
Charged to income statement (note 7)	(75,049)	(93,834)	(75,186)	(93,996)
Adjustment on tax liability	-	54	-	-
CLOSING BALANCE	**(568,699)**	**(493,650)**	**(569,494)**	**(494,308)**

19. PROVISIONS AND OTHER LIABILITIES

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Employee entitlements (note 20(a))	55,025	47,832	52,055	45,663
Community Mine Continuation Agreements	16,969	(24)	16,969	(24)
Compensation Provision	16,819	33,261	16,819	33,261
Community Projects	3,358	15,539	257	-
Lease liability - Current (note 20(b))	109,382	121,428	108,258	120,382
Deferred Income - Lease Current	6,400	6,406	6,400	6,406
Other Current Liabilities	108	1,070	7	-
Production levy	17,345	18,439	17,345	18,439
TOTAL CURRENT PROVISIONS AND OTHER LIABILITIES	**225,406**	**243,951**	**218,110**	**224,127**

20. PROVISIONS AND OTHER LIABILITIES (Non-current)

	CONSOLIDATED		COMPANY	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
Deferred income - Lease Non-current	42,392	50,496	42,392	50,496
Lease liability - Non-Current	466,232	536,545	457,480	526,670
Employee entitlements	16,304	17,293	16,145	17,267
TOTAL NON-CURRENT PROVISIONS AND OTHER LIABILITIES	**524,928**	**604,334**	**516,017**	**594,433**
(a) EMPLOYEE ENTITLEMENTS (CURRENT AND NON-CURRENT)				
Opening balance	65,125	43,411	62,930	42,071
Provision created	34,389	54,760	32,919	52,985
Less: Payments made against the provision	(28,185)	(33,046)	(27,649)	(32,126)
CLOSING BALANCE	**71,329**	**65,125**	**68,200**	**62,930**
Current (note 19)	55,025	47,832	52,055	45,663
Non-current	16,304	17,293	16,145	17,267
CLOSING BALANCE	**71,329**	**65,125**	**68,200**	**62,930**

(b) LEASE LIABILITY

(i) 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%.

(ii) 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.

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.*

20. PROVISIONS AND OTHER LIABILITIES (Non-current) (Continued)

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
(b) LEASE LIABILITY (CONTINUED)				
(iii) Measurement of lease liabilities				
Commitments in relation to leases are payable as follows:				
Within one year	148,061	165,582	146,258	163,779
Later than one year but not later than five years	501,893	488,813	494,680	481,600
Later than five years	44,585	163,234	40,979	157,824
MINIMUM LEASE PAYMENTS	**694,539**	**817,629**	**681,917**	**803,203**
Future finance charges	(118,925)	(159,656)	(116,179)	(156,151)
RECOGNISED AS A LIABILITY	**575,614**	**657,973**	**565,738**	**647,052**
The present value of lease liabilities is as follows:				
Within one year	109,382	121,428	108,258	120,382
Later than one year but not later than five years	424,066	383,314	418,662	378,287
Later than five years	42,166	153,231	38,818	148,383
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**575,614**	**657,973**	**565,738**	**647,052**
Lease Liability Current	109,382	121,428	108,258	120,382
Lease Liability Non-Current	466,232	536,545	457,480	526,670
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**575,614**	**657,973**	**565,738**	**647,052**

(iv) 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.

(v) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	CONSOLIDATED 2021 K'000	CONSOLIDATED 2020 K'000	COMPANY 2021 K'000	COMPANY 2020 K'000
Vessels	176,690	206,374	175,556	205,120
Aircraft	119,924	139,128	119,924	139,128
Dredge	253,330	291,870	253,330	291,870
Land lease & Others	25,670	20,601	16,928	10,934
RECOGNISED AS A LIABILITY	**575,614**	**657,973**	**565,738**	**647,052**

20. PROVISIONS AND OTHER LIABILITIES (Non-current) (Continued)

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
(b) LEASE LIABILITY (CONTINUED)				
(vi) Amounts recognised in the income statement				
The statement of profit or loss shows the following amounts relating to leases				
Depreciation (note 8)	145,381	155,697	144,101	154,416
Lease Interest Expense (note 6(b))	44,643	43,646	43,885	43,646
TOTAL IMPACT IN PROFIT AND LOSS	**190,024**	**199,343**	**187,986**	**198,062**

The total cash outflow for leases in 2021 was K169.1 million (2020 K206.4 million).

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

The Group leases vessels, aircraft, dredging equipment and land lease. Lease contracts are typically made for fixed periods of three years to 15 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; and
- 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; and
- 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.

21. PROVISION FOR RESTORATION AND REHABILITATION

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Opening balance	816,949	739,106	816,949	739,106
Adjustment to cost (notes 1 and 11)	(13,630)	42,270	(13,630)	42,270
Impact of change in exchange rate on provision	-	22,341	-	22,341
Interest accretion (note 4(b) and 24)	6,849	13,232	6,849	13,232
CLOSING BALANCE (NOTES 1(c)(iii) AND 1(h))	**810,168**	**816,949**	**810,168**	**816,949**

22. ORDINARY SHARES

Issued and paid-up capital				
192,700,000 SHARES (2020:192,700,000 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	**450,000**	**550,000**	**450,000**	**550,000**

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

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
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.

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 K515.0 million (US$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 US$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 2021, the Company has capital commitments totalling K95.6 million which are not provided for in the accounts (31 December 2020: K109.5 million).

(d) SHORT TERM LEASES

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

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Due within 1 year	1,760	1,760	1,760	1,760
Due > 1 year	-	-	-	-
TOTAL SHORT TERM LEASES	**1,760**	**1,760**	**1,760**	**1,760**

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 million (2020: US$600 million) inclusive of self-insured retentions.

Self-insured retentions (ISR) include: Property Damage – US$12.5 million; Business Interruption – first 30 days after insurable event plus US$2.5 million 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 2021: 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 – RESTRICTED ASSET

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 2021 comprised a portfolio of investments, valued at balance date at K895 million or US$255 million (2020: K906 million or US$259 million). These investments are accounted for as a financial asset at fair value through profit or loss.

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)	
	2021 K'000	**2020 K'000**	**2021 K'000**	**2020 K'000**
Opening balance	906,049	845,218	906,049	845,218
Portfolio return - current year	(11,009)	34,795	(11,009)	34,795
Exchange variance	-	26,036	-	26,036
CLOSING BALANCE	**895,040**	**906,049**	**895,040**	**906,049**

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

Total Assets	5,943,031	5,843,819	5,910,278	5,801,791
Total Liabilities	1,787,884	1,619,039	1,764,587	1,583,448
Net Assets	**4,155,147**	**4,224,780**	**4,145,691**	**4,218,343**

29. RELATED PARTY TRANSACTIONS

(a) OWNERSHIP

Shareholders and their respective shareholdings are as follows:

	ORDINARY SHARES	% HOLDING
Kumul Minerals (Ok Tedi) Limited	129,109,000	67
Minerals Resources Ok Tedi No. 2 Limited	23,124,000	12
Minerals Resources CMCA Holdings Limited	23,124,000	12
Minerals Resources Star Mountain Limited	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

	2021 K'000	2020 K'000
Salaries and short-term employment benefits	22,237	20,483
Post-employment benefits	866	856
TOTAL COMPENSATION	**23,103**	**21,339**

30. EMPLOYEE BENEFITS

The number of people employed by the Company at the end of the year was 2,577 (2020: 1,781).

Staff costs comprise of the following:

	CONSOLIDATED		COMPANY	
	2021 K'000	2020 K'000	2021 K'000	2020 K'000
Salaries and wages	347,927	286,060	336,801	281,516
Contribution to retirement benefit funds	24,056	20,092	22,916	19,366
Other employee on-costs	50,116	55,572	46,752	55,418
TOTAL STAFF COSTS	**422,099**	**361,724**	**406,469**	**356,300**

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 REPORTING PERIOD

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

GENERAL STANDARD DISCLOSURES 2021

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ORGANISATIONAL PROFILE			
102-1	Name of the organisation	Company profile pp 5	
102-2	Activities, brands, products, and services	Company profile pp 5	
102-3	Location of headquarters	Company profile pp 5	
102-4	Location of operations	Company profile pp 5	
102-5	Ownership and legal form	Governance pp 10-11, Business review pp 18	
102-6	Markets served	Finance pp 48	
102-7	Scale of the organisation	Highlights pp 2, Company profile pp 5, Business review pp 18, 20	
102-8	Information on employees and other workers	People pp 28-33	
102-9	Supply chain	Highlights pp 2, Company profile pp 5, Social responsibility pp 45-47	
102-10	Significant changes to the organisation and its supply chain	Chairman & MD/CEO pp 8-9, Business review pp 18-21	
102-11	Precautionary Principle or approach	Governance pp 11	
102-12	External initiatives	Governance pp 11	
102-13	Membership of associations	Not reported	
STRATEGY			
102-14	Statement from senior decision-maker	Chairman & MD/CEO pp 8-9	YES
102-15	Key impacts, risks, and opportunities	Governance pp 10-11	YES
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	Vision and mission pp 6, Governance pp 10-11	
102-17	Mechanisms for advice and concerns about ethics	Governance pp 11, People pp 30	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
GOVERNANCE			
102-18	Governance structure	Governance pp 10-11	YES
102-19	Delegating authority	Governance pp 10	
102-20	Executive-level responsibility for economic, environmental, and social topics	Governance pp 10	
102-21	Consulting stakeholders on economic, environmental, and social topics	Governance pp 10, Materiality pp 13	
102-22	Composition of the highest governance body and its committees	Governance pp 10, Social Responsibility pp 40	
102-23	Chair of the highest governance body	Governance pp 10	
102-24	Nominating and selecting the highest governance body	Governance pp 10	
102-25	Conflicts of interest	Governance pp 11	
102-26	Role of highest governance body in setting purpose, values, and strategy	Governance pp 10	
102-27	Collective knowledge of the highest governance body	Governance pp 10	
102-28	Evaluating the highest governance body's performance	Governance pp 10-11	
102-29	Identifying and managing economic, environmental, and social impacts	Governance pp 10-11, Materiality pp 13	YES
102-30	Effectiveness of risk management processes	Governance pp 11	
102-31	Review of economic, environmental, and social topics	Governance pp 10	YES
102-32	Highest governance body's role in sustainability reporting	Governance pp 11	
102-33	Communicating critical concerns	Governance pp 10-11	
102-34	Nature and total number of critical concerns	Not reported	
102-35	Remuneration policies	Governance pp 10	
102-36	Process for determining remuneration	Not reported	
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	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	Regional map - front cover	
102-41	Collective bargaining agreements	Not reported	
102-42	Identifying and selecting stakeholders	Governance pp 10, Social responsibility pp 40, 43	
102-43	Approach to stakeholder engagement	Social responsibility pp 40	
102-44	Key topics and concerns raised	Materiality pp 13, Social responsibility pp 40	
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	Financial Statements pp 3-40	
102-46	Defining report content and topic boundaries	Company profile pp 5	
102-47	List of material topics	Materiality pp 13	
102-48	Restatements of information	Company profile pp 5	
102-49	Changes in reporting	Company profile pp 5	
102-50	Reporting period	Company profile pp 5	
102-51	Date of most recent report	Company profile pp 5	
102-52	Reporting cycle	Company profile pp 5	
102-53	Contact point for questions regarding the report	Company profile pp 5	
102-54	Claims of reporting in accordance with the GRI Standards	Company profile pp 5	
102-55	GRI content index	Financial Statements pp 41-43	
102-56	External assurance	Financial Statements pp 44	
MANAGEMENT APPROACH			
103-1	Explanation of the material topic and its Boundary	Company profile pp 5, Materiality pp 13	
103-2	The management approach and its components	Governance pp 10-11	
103-3	Evaluation of the management approach	Financial Statements pp 44	

SPECIFIC STANDARD DISCLOSERS

INCLUDING MINING AND METALS SUPPLEMENT

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ECONOMIC			
ECONOMIC PERFORMANCE			
201-1	Direct economic value generated and distributed	Chairman & MD/CEO pp 8-9, Highlights pp 2, Business review pp 18-21, Social responsibility pp 42-45,	YES
201-4	Financial assistance received from government	Not reported	
MARKET PRESENCE			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not reported	
202-2	Proportion of senior management hired from the local community	Not reported	
INDIRECT ECONOMIC IMPACTS			
203-1	Infrastructure investments and services supported	Social responsibility pp 42-46	
203-2	Significant indirect economic impacts	Social responsibility pp 42-46	
PROCUREMENT PRACTICES			
204-1	Proportion of spending on local suppliers	Social Responsibility pp 45-51	
ANTI-CORRUPTION			
205-2	Communication and training about anti-corruption policies and procedures	Governance pp 11	

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
ENVIRONMENTAL			
MATERIALS			
301-1	Materials used by weight or volume	Environment pp 34-39	YES
301-2	Recycled input materials used	Environment pp 34-39	YES
ENERGY			
302-1	Energy consumption within the organisation	Environment pp 36, 39	YES
302-3	Energy intensity	Environment pp 36, 39	YES
302-4	Reduction of energy consumption	Environment pp 36, 39	YES
WATER			
303-1	Water withdrawal by source	Environment pp 36, 39	YES
303-3	Water recycled and reused	Environment pp 36, 39	YES
BIODIVERSITY			
304-2	Significant impacts of activities, products, and services on biodiversity	Environment pp 38-39	YES
EMISSIONS			
305-1	Direct (Scope 1) GHG emissions	Environment pp 36, 39	
305-4	GHG emissions intensity	Environment pp 36, 39	
305-5	Reduction of GHG emissions	Environment pp 36, 39	
EFFLUENTS AND WASTE			
306-1	Water discharge by quality and destination	Environment pp 34-39	YES
306-2	Waste by type and disposal method	Environment pp 37-39	YES
306-3	Significant spills	Environment pp 39	YES
306-5	Water bodies affected by water discharges and/or runoff	Environment pp 34-39	YES
ENVIRONMENTAL COMPLIANCE			
307-1	Non-compliance with environmental laws and regulations	Environment pp 34	YES

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
SOCIETY			
EMPLOYMENT			
OCCUPATIONAL HEALTH AND SAFETY			
403-1	Occupational health and safety management system	Safety pp 14	YES
403-2	Hazard identification, risk assessment, and incident investigation	Safety pp 14-16	YES
403-3	Occupational health services	Safety pp 14-17	YES
403-4	Worker participation, consultation, and communication on occupational health and safety	Safety pp 14	YES
403-5	Worker training on occupational health and safety	Safety pp 14-17	YES
403-6	Promotion of worker health	Safety pp 14	YES
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Safety pp 14-17	YES
403-8	Workers covered by an occupational health and safety management system	Safety pp 14	YES
403-9	Work-related injuries	Safety pp 14-16	YES
403-10	Work-related ill health	Safety pp 14	YES
TRAINING AND EDUCATION			
404-2	Programs for upgrading employee skills and transition assistance programs	People pp 30	
404-3	Percentage of employees receiving regular performance and career development reviews	Not reported	
DIVERSITY AND EQUAL OPPORTUNITY			
405-1	Diversity of governance bodies and employees	People pp 32-33	
405-2	Ratio of basic salary and remuneration of women to men	Not reported	

ABBREVIATIONS

GRI STANDARD	DISCLOSURE TITLE	SECTION/PAGE NUMBER	EXTERNAL ASSURANCE
NON-DISCRIMINATION			
406-1	Incidents of discrimination and corrective actions taken	Not reported	
SECURITY PRACTICES			
410-1	Security personnel trained in human rights policies or procedures	Safety pp 17	YES
LOCAL COMMUNITIES			
413-1	Operations with local community engagement, impact assessments, and development programs	Social responsibility pp 40-47	
413-2	Operations with significant actual and potential negative impacts on local communities	Social responsibility pp 40-47	
SUPPLIER SOCIAL ASSESSMENT			
414-1	New suppliers that were screened using social criteria	Not reported	
PUBLIC POLICY			
415-1	Political contributions	Governance pp 11	
SOCIO-ECONOMIC COMPLIANCE			
419-1	Non-compliance with laws and regulations in the social and economic area	Social responsibility pp 40-47	

GRI STANDARD	DISCLOSURE TITLE	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 39	
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	Not reported	
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks	Environment pp 34-39	YES
MM4	Number of strikes and lock-outs exceeding one week's duration, by country	Not reported	
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 5, Business review pp 18, Social responsibility pp 45	
MM6	Number and description of significant disputes relating to land use, customary rights of local communities and indigenous peoples	Social responsibility pp 40	
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 40	
MM11	Programs and progress relating to materials stewardship	Business review pp 18-21	

PGK	Papua New Guinea Kina
t	tonnes
PwC	PriceWaterhouseCooper
OTML	Ok Tedi Mining Limited
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IESBA	International Ethics Standards Board for Accountants
LME	London Metal Exchange
NASFUND	The National Superannuation Fund of Papua New Guinea
NPAT	Net profit after tax
CMCA	Community Mine Continuation Agreement
MCP	Mine Closure Plan
PCEMP	Post Closure Environmental Monitoring Program
SIR	Self-insured retentions
OTDF	Ok Tedi Development Fund
GST	Goods and Services Tax

MATERIALITY COUNTS INDEPENDENT ASSURANCE REPORT

TO OK TEDI MINING LIMITED

SCOPE OF WORK

Materiality Counts was engaged by Ok Tedi Mining Limited (OTML) to provide independent limited assurance of its 2021 Annual Review (the Report) to the scope of work outlined below. The Report covers OTML's operations for the 12 months to 31 December 2021, 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, reviewed data collation processes, sighted original records, interrogated spreadsheets and re-performed calculations.

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

- **Environment:** Waste rock, tailings and pyrite management.
- **Safety:** Nobody gets hurt.
- **Governance:** Delivery of the Strategic Business Plan.

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 2021 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 2021. 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:

- **Environmental data completeness:** Comprehensive historical environmental data supported by evidence was readily available, for example historical dissolved copper levels at Nukumba.
- **Safety data accuracy:** Year-on-year safety performance reporting again demonstrated a high level of accuracy.
- **Production data context:** Operational performance reporting was consistent with raw data and provides valuable context for Report users.

The following areas for improvement were identified, all of which were addressed during the assurance process:

- **Environmental compliance:** Report more comprehensively on environmental compliance monitoring, provide greater clarity on compliance limits and more accurate coverage of compliance reporting requirements.
- **Industry comparisons:** When comparing performance to the industry average, back it up with publicly available data, for example on the ICMM website when reporting that the safety record compares favourably internationally.
- **Consistency of units:** Implement internal verification to ensure that correct units are used for data reported, for example incorrect reporting of hours versus participants for some safety training, now raised two years in a row.
- **Original source data:** Provide raw data, in addition to the reports in which the data was included, as evidence for medical and safety training data.

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

Materiality Counts, 14 May 2022, 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.

CONTACTS AND ACKNOWLEDGEMENTS

BANK OF SOUTH PACIFIC LIMITED
PO Box 13
Dakon Road
Tabubil, Western Province
Papua New Guinea

ANZ BANKING GROUP LIMITED
ANZ Building, Harbour City
Poreporena Freeway, Konedobu
Port Moresby, NCD
Papua New Guinea

EXTERNAL AUDITOR/TAX CONSULTANT
PricewaterhouseCoopers
PwC Haus, Level 6
Harbour City, Konedobu, Port Moresby
PO Box 484
Port Moresby, NCD
Papua New Guinea
Phone: +675 321 1500
Fax: +675 321 1428
www.pwc.com/pg

LAWYERS
Allens Linklaters
Level 8
Delloite Haus
McGregor Street
Port Moresby, NCD
Papua New Guinea

Corrs Chamber Westgarth
Level 2, MRDC Haus
Cnr Musgrave Street and Champion Parade
Port Moresby, NCD
Papua New Guinea
Phone +675 303 9800

OK TEDI MINING LIMITED
PO Box 1
Dakon Road, Tabubil
Western Province
Papua New Guinea
Phone: +675 649 3000 or
Phone: +675 649 3311

OK TEDI MINING LIMITED
PO Box 93
Hoawaginai Drive, Kiunga
Western Province
Papua New Guinea
Phone: +675 649 3720

OK TEDI MINING LIMITED
PO Box 506
MRDC Haus, Level 6
Musgrave Street & Champion Street
Port Moresby, NCD
Papua New Guinea
Phone: +675 321 3522

OK TEDI AUSTRALIA LIMITED
PO Box 535
Hamilton Central QLD 4007
936 Nudgee Road
Northgate, Queensland
Australia
Phone: +61 7 3363 9900

OK TEDI DEVELOPMENT FOUNDATION LIMITED
PO Box 21
Hoawaginai Drive, Kiunga
Western Province
Papua New Guinea
Phone: +675 649 5446

OK TEDI POWER LIMITED
PO Box 93
Hoawaginai Drive, Kiunga
Western Province
Papua New Guinea
Phone: +675 649 3786

WWW.OKTEDI.COM

This 2021 Annual Review has been printed on environmentally friendly paper stocks.

The preferred distribution of the Annual Review is digital online.

The cover and text have been printed on Grange Board, which is FSC certified. Containing fibre sourced only from responsible forestry practices, this sheet is ISO 14001 EMS accredited and is totally chlorine free.

ACKNOWLEDGEMENTS

Production and Publishing: nous.com.au
Report Management: EMM Consulting Pty Ltd
Images: OTML & Richard Dellman

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information contained in this Financial Review 2021, 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 Financial Review 2021. 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.

100% PAPUA NEW GUINEAN,
OWNED BY THE STATE,
WESTERN PROVINCE, AND
MINE ASSOCIATED COMMUNITIES

OK TEDI MINING

OK TEDI MINING LIMITED
Head Office
Phone: +675 649 3000

1 Dakon Road,
Tabubil,
Western Province,
Papua New Guinea

www.oktedi.com