8. RISK FACTORS

The Group's business, financial condition, results of operations and growth prospects may be affected by risks and uncertainties directly or indirectly pertaining to the Group's business. In addition, the Shareholders may have different shareholder rights after they become the New Holdco Shareholders as a result of the Reorganisation Proposal being implemented. The risk factors set out below are those that relate to the difference between the places of incorporation of the New Holdco and the Company as well as those that may cause the Group's business, financial condition, results of operations or growth prospects to be materially different from expected or historical results. Such factors are by no means exhaustive or comprehensive, and there may be other risks in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

8.1. RISKS RELATING TO IMPLEMENTATION OF THE SCHEME

(a) Regulatory Approvals (Conditions Precedent)

A Condition Precedent to the approval of the Scheme is the receipt of a number of regulatory approvals. The required approvals are still pending as at the date of this document. If these approvals are not received by the End Date (being [REDACTED]), there is a risk that the Scheme may not proceed.

(b) Listing Approval

The Implementation of the Scheme is subject to the Stock Exchange granting unconditional approval for the listing on the Stock Exchange by way of introduction, and permission to deal in, the New Holdco Shares to be issued pursuant to the Scheme and such approval has not been revoked prior to the implementation of the Scheme. As such, even if the approval of Shareholders is obtained, the Scheme will not be implemented unless this unconditional approval is granted.

(c) Timetable

As set out in further detail in the Expected Timetable, the timetable for the Scheme is indicative only and is subject to change. For instance, if there is a delay in the HKEx Listing approval being granted after the Scheme has become Effective, then your Shares will remain suspended until either all of the Implementation Conditions are satisfied and the Scheme is implemented, or, the Scheme is terminated. If the Implementation Conditions are not satisfied by the End Date for the Scheme (being [REDACTED]), then either party may terminate the Scheme Implementation Deed and unless otherwise agreed between the Company and the New Holdco, the Scheme will lapse.

8.2. RISKS RELATING TO HOLDING NEW HOLDCO SHARES

Scheme Shareholders (other than Non-Qualifying Overseas Shareholders) who receive the New Holdco Shares may be exposed to the following additional key risks relating to holding shares in the New Holdco, a company incorporated in Hong Kong and to be listed on the Stock Exchange, which will be the holding company of the Company.

8.3. RISKS DUE TO THE DIFFERENCE BETWEEN THE PLACES OF INCORPORATION OF THE NEW HOLDCO AND THE COMPANY

There are differences between the laws of Australia and those of Hong Kong, and certain remedies available to the minority Shareholders under the laws of Australia may not be available to the minority shareholders of the New Holdco in Hong Kong.

The New Holdco is a company incorporated in Hong Kong with limited liability, and the laws of Hong Kong differ in some respects from those of Australia. As a foreign entity, the New Holdco will not be subject to Chapters 6, 6A, 6B or 6C of the Corporations Act dealing with the acquisition of shares (for example, substantial holdings and takeovers).

Matters relating to the corporate affairs of the New Holdco are governed by, among other things, the Articles, the Companies Ordinance and the common law of Hong Kong. Such matters include the rights of the New Holdco Shareholders to take action against the New Holdco and the New Holdco Directors, protection of the interests of the minority New Holdco Shareholders and the fiduciary duties of the New Holdco Directors to New Holdco.

Due to the differences between the laws of Australia and the laws of Hong Kong, certain remedies available to minority Shareholders of the Company under Australia law may not be available in the same manner to minority shareholders of the New Holdco under Hong Kong law, and a shareholder (or member) of the New Holdco may bring certain actions which may not be available in the same manner to Shareholders of the Company but, if brought by a shareholder of the New Holdco, may expose the New Holdco to potential costs or liabilities. For example, on a petition by a member of a company, the court may, if it considers that the company's affairs are being or have been conducted in a manner unfairly prejudicial to the interests of the members generally or one or more members; or an actual or proposed act or omission of the company is or would be so prejudicial, exercise the power to make any order that it thinks fit for giving relief in respect of the matter mentioned above, including, among other things, an order appointing a receiver or manager of the company's property and/or business, or any other order: (i) for regulating the conduct of the company's affairs in the future; (ii) for the purchase of the shares of any member of the company by another member of the company; (iii) for the purchase of the shares of any member of the company by the company and the reduction accordingly of the company's capital; or (iv) for any other purpose; and may order the company or any other person to pay any damages that the Court thinks fit to a member of the company whose interests have been unfairly prejudiced. For further details, please refer to Appendix VI.

It will not be possible to transfer of shares in New Holdco without attracting stamp duty because such transfer, being a transfer of shares in a company incorporated in Hong Kong, must be registered in Hong Kong.

The court in Hong Kong has power to wind up a Hong Kong company in various circumstances, including where the court is of the opinion that it is just and equitable that the company should be wound up, or on application of the Registrar of Companies of Hong Kong on various grounds. The manner in which such power may be exercised and the procedures involved may be different from those applicable to an Australia company.

8.4. MARKET RISKS

Failure to identify or acquire new reserves and subsequently obtain the mining tenements to mine at the area identified could negatively affect the business and results of operations in the long term.

It is common for gold mines of a similar type as the Company's operating mines to have a "revolving mine life", which means that it is only commercially sensible to perform exploratory activities to prove a certain amount of ore reserves exists due to the vertical mineralisation in the mines. This therefore limits the identified ore reserves of the operating mines and as such, the mine lives of the operating mines rarely exceed two years. Notwithstanding the aforesaid, the Group may not always be able to identify or acquire new reserves in a timely fashion to supplement the current mining operations, be they the extensions to the current operating mines or new mines in the Nordic region, which carry prospective mineral resources and are economically mineable. If the Group is not able to identify by exploration, or acquire new reserves, the Group will not be able to sustain the long-term profitability or the operations in future years.

The success of any mining exploration program depends on various factors, including, among other things, (i) whether ore bodies can be located; (ii) whether the location of ore bodies are economically viable to mine; (iii) whether appropriate metallurgical processes can be developed and appropriate mining and processing facilities can be economically constructed; and (iv) whether necessary tenements can be obtained. If a valuable resource is discovered, it could take several years and require significant capital expenditure to complete the initial phases of exploration before production commences, and during this period, the economic feasibility may change significantly.

Accordingly, there is no assurance that any current or future exploration activities or development projects will extend the mine life of operating mines or result in the successful development of pre-production assets or any new economically viable mining operations. In the event that the Group is able to identify new reserves from a site where the Group does not have the land designation or right to mine, under the laws of Finland and Sweden, the Group will be required to obtain the mining tenements from the relevant governmental authorities to carry out exploration, excavation and production activities at the site where the new reserves are identified. Obtaining appropriate mining tenements as necessary is therefore crucial to the business operations.

8.5. OPERATING RISKS

The Group may face difficulties in obtaining all permits necessary for the exploration, excavation and production activities at the site of the existing operations or for pre-production assets or in respect of any other mines or projects the Group acquires or becomes interested in the future, and the Group will be subject to ongoing obligations to comply with the permit requirements, which will incur additional time and costs.

Due to the nature of mining and gold production, the operations are subject to stringent laws, rules and regulations imposed by the EU Directives, the Finnish and Swedish governments and other regulatory authorities, which govern the aspects of environment protection, health and safety of employees and occupation as well as the use of land. These laws and regulations stipulate the penalties and other liabilities for the violation of such standards and establish, in certain circumstances, obligations to rehabilitate current and former facilities and locations where operations are being, or have been, conducted.

One such stipulation under the applicable environmental EU Directives and national legislations of Finland and Sweden requires the Group to obtain all applicable permits to undertake the planned exploration and mining activities at the site of the existing operations or for pre-production assets, or in respect of any other mines or projects the Group acquires or becomes interested in the future. Each applicable permit is limited to a specific geographic area and potentially a time period. According to the Directors, many factors will influence the timing of the grant of any permits required for the operations, including: (i) some of the relevant approvals are not subject to any time limits within the relevant governmental department; (ii) it is possible that adverse decisions can be made by the relevant governmental department for particular public interest; and (iii) rights of appeal exist in favour of third parties, which can delay a project timetable. Accordingly, these permits may not be granted in a timely manner or at all. As a result, whether the Group can carry out the planned exploration and mining activities at the site of the existing operations or for pre-production assets depends on the ability to obtain these applicable permits from the relevant governmental authorities. These permits are crucial to the business operations. Failure to obtain all applicable permits may prevent the Group from being able to develop the projects or may result in significant expenses or delays, which could negatively affect the current and planned mining operations, and could have a material and adverse impact on the business, production schedules, results of operations, financial position, and growth prospects. For details of all applicable permits obtained or in the process of being obtained by the Group, please refer to the Section headed "Management discussion and analysis — Tenement register" in Appendix I to this document.

Considering the Finnish and Swedish regulations have particular concerns about environment protection, including discharge of hazardous waste and materials and mine rehabilitation, the operations are subject to ongoing environmental compliance with the applicable laws and permit requirements. As stipulated in the Finnish Act on Environmental Impact Assessment Procedure of 1994 (468/1994) as well as the Environmental Code, the Group is required to submit an EIA enclosing information regarding the site, formation and the extent of the proposed operations and obtain the approvals thereof by the relevant Finnish and Swedish governmental authorities before being granted the necessary Environmental Permits. Furthermore, it is stipulated under the laws of Finland and Sweden that environmental bonds must be deposited with the respective governmental authorities and a provision for rehabilitation of the gold projects must be set aside in the Group's financial statements. As such, upon the closure of the mines, the Group will bear rehabilitation obligations in respect of the areas the Group has utilised (which is already provided for in the consolidated financial statements).

Additionally, certain of the operating mines and pre-production assets are located in environmentally sensitive areas, and therefore the operations are under close scrutiny by the respective environmental regulatory authorities in Finland and Sweden. Given the sensitivity to environmental matters in the Nordic region, there is a potential for the existing operations to become part of a designated nature reserve. In the event that a nature reserve is established adjacent to or within an area covered by the projects' tenements, the operations might then require exemptions or additional approvals for certain actions such as updates to post-mine closure rehabilitation plans, which may result in increasing rehabilitation provisions for the projects. Accordingly, to prolong the permits for the mine and extend the operations of the projects may, in such cases, be difficult.

Furthermore, the Group has been the subject of appeals and complaints lodged by various NGOs. In order to defend the appeals and address the complaints, the Group has had to incur expenses, such as the commissioning of independent research and studies to prove the compliance with various regulations and to address the questions of the regulatory authorities. More onerous environmental, health and safety laws, policies and/or industry standards, codes and practices, including environmental rehabilitation requirements, may be implemented by the relevant authorities in the future that may require the Group to undertake costly measures or obtain additional approvals. The business and results of operations could be materially and adversely affected by any obligations which may be imposed under such new laws, policies and/or standards.

The recovery rate and production costs of the gold are dependent on a number of technical assumptions and factors and any change in these assumptions and factors may have an adverse effect on the production volume and profit margin. The Resources and Reserves may not ultimately be capable of being extracted at a profit.

Mining is inherently unpredictable by its nature and necessary assumptions are made on samples retrieved, and geological characteristics such as ground conditions and physical characteristics of ores (such as hardness and presence or absence of certain metallurgical characteristics) which affect the extraction speed, recovery rates and costs of production. Actual production may vary from estimates for a variety of reasons, including:

(a) actual gold ore mined varying from estimates of grade, tonnage, and metallurgical and other characteristics;

(b) encountering unusual or unexpected geological conditions;

(c) mining dilution; and

(d) actual gold recovery rate in formal production lower than estimates during the testing.

The Group has prepared resource estimates for the operating mines and pre-production assets in accordance with the JORC Code. These estimates are necessarily based on various assumptions including geological conditions and historical production from the area compared with production from other mining areas. Actual factors may, however, vary considerably from these assumptions. Such resource estimates are, therefore, by their nature, imprecise and depend to some extent on interpretations, which may ultimately prove to be inaccurate.

In addition, substantial additional work and expenditure may be required to obtain additional reserves and to construct mining facilities and infrastructure. Only those deposits that the Group can economically and legally extract or produce, based on a comprehensive evaluation of cost, grade, recovery and other factors, are considered reserves.

The estimates may prove to be materially inaccurate, or the resources and the reserves may not ultimately be extracted at a profit. The grade of ore ultimately mined may also differ from that indicated by drilling results. If any of the above characteristics are incorrectly estimated, the Group may have substantially less, if any, deposits which could be recovered profitably. This can materially and adversely affect the amount of gold the Group is able to produce and the costs and time required for such production which could affect the production schedule and financial results.

Lost time injuries, serious workplace accidents or significant equipment failures may lead to harm to the employees or other persons, temporary stoppage of the operations or closure of the operating mines, which could delay the production schedules and disrupt the operations, and impose a material and adverse impact on the business, results of operations and the financial results.

Due to the nature of the business, the exploration, excavation and production operations will involve the handling and storage of explosive, toxic and other dangerous articles and operation under perilous conditions, such as deep underground and utilising heavy machinery at both the operating mines and the production plants. The Group may experience accidents in the course of the operations which may cause significant property damage, personal injuries or other liabilities. These factors may require additional expenditure to remediate the issues and may cause a deposit that has been mined profitably in the past to become unprofitable. Any losses and liabilities incurred or payments the Group may be required to make, if not adequately insured against, could have a material and adverse effect on the results of operations or otherwise materially disrupt the operations.

In the event that serious workplace accidents occur within the premises of the projects, investigations may be carried out by the relevant governmental authorities, which may require the Group to temporarily suspend the operations or close down the operating mines. This may in turn result in delay in the production schedules, temporary or permanent loss of trained employees, and other legal liabilities if the Group fails to defend successfully any legal proceedings or claims against the Group commenced by the employees, contractors or other third parties, which may also require the Group to spend time, resources and management attention to address, all of which may materially and adversely affect the results of operations. Workplace accidents can also affect reputation within the industry which may lead to difficulty in attracting talents to work for the Group and engaging high quality contractors. This may also result in greater attention paid on the Group's operations by regulatory bodies and governmental authorities in the Finnish and Swedish jurisdictions. These consequences may result in higher compliance costs.

The Group's operations and financial position may be materially and adversely affected in the short to medium term if the Group faces significant delay or failure in obtaining the Environmental Permit regarding the full scale mining at Fäboliden, and consequently the full mining operations at Fäboliden are not able to commence in accordance with the current timetable.

As at the Latest Practicable Date, all of the Group's ore production came from Jokisivu. Further delays in the Company's application for an Environmental Permit to commence full scale mining activities at Fäboliden may adversely impact the Company's operations and financial position in the short to medium term. The Group will also have to acquire new projects which may take time. Operations of the Group could be minimal until new projects are identified and commercial production commences. For details of the status of the application, please refer to the Section headed "Management discussion and analysis — Financial review — Company strategy and future developments" in Appendix I to this document.

8.6. FINANCIAL RISKS

(a) Foreign exchange risk

The Group operates in Finland and Sweden, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the EUR, SEK and US$. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Any currency fluctuations on the repatriation of earnings or, in the future, any equity investments and loans that the Group may have, may therefore impact on the Group's businesses, financial condition, results of operations or growth prospects. The Group cannot assure you that the Group could effectively manage the currency exposures, any depreciation or fluctuation of the currencies in which the Group conducts operations relative to the EUR, SEK and US$ could adversely affect the Group's businesses, financial condition, results of operations or growth prospects.

(b) Commodity price risk

The Company's revenue is primarily generated from the sale of gold at the global market spot price of gold. Historically, while the gold price has increased in value over time, it has fluctuated widely and there can be no assurance that the gold price will not continue to fluctuate in the future or that such prices will otherwise remain at sufficiently high levels to support the profitability and cash flow.

Fluctuations in gold price are inherently difficult to predict, being dependent on numerous factors such as (i) global macro-economic and political events and sentiments; (ii) supply and demand for gold; (iii) interest rate and inflation rate expectations; (iv) actual and predicted behavior of central banks in relation to gold acquisition and disposals; and (v) performance of exchange-traded gold funds and speculative trading in gold. If the gold price should fall below or remain below the cost of production for any sustained period, the business and results of operations would be materially and adversely affected.

(c) Liquidity risk

The Company is exposed to liquidity risk through its financial liabilities and its obligations to make payment on its financial liabilities as and when they fall due. The Company maintains a balance in its approach to funding using debt and or equity raisings.

(d) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted. The Company's maximum exposure to credit risk at the reporting date in relation to each class of financial asset is the carrying amount of those assets as indicated in the consolidated statement of financial position.

Credit risk is managed on a group basis and predominantly arises from cash and cash equivalents deposited with banks and financial institutions, trade and other receivables, environmental and other bonds. The Company is exposed to a concentration of credit risk in relation to its gold concentrate sales to a nearby smelter in Finland.

(e) Interest rate risk

The Company is also subject to fair value interest rate risk that the value of a financial instrument will fluctuate because of changes in market interest rates and cash flow interest rate risk that the future cash flow from a financial instrument will fluctuate because of changes in market interest rates.

(f) Costs

Fuel, power, labour and all other costs can vary from existing rates and assumptions. In particular, recent geopolitical developments, including the ongoing conflict in Iran and associated disruptions to oil supply routes, have contributed to higher and more volatile global fuel prices, which may increase the Group's operating and transport costs for the Group than currently assumed.