Mitsui-Itochu Iron Pty Ltd

ABN 84 008 702 761

Annual report for the financial year ended 31 March 2021

Mitsui-Itochu Iron Pty Ltd
Annual report - 31 March 2021

Contents

Directors' report

The directors present their report on Mitsui-Itochu Iron Pty Ltd (the Company) for the year ended 31 March 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Motoi Yamamoto
Toru Kojima
Takeo Okubo
Kosuke Onozawa (resigned 31 March 2021)
Shuzo Kato (appointed 1 April 2021)
Hironori Makanae (resigned 31 March 2021)
Norimasa Matsuzawa (appointed 1 April 2021)
Koichi Kawanishi (alternate director for Toru Kojima) (resigned 28 May 2021)
Daizo Ishii (alternate director for Toru Kojima) (appointed 28 May 2021)
Shintaro Sato (alternate director for Takeo Okubo)
Nobuhiro Takabatake (alternate director for Kosuke Onozawa) (resigned 31 March 2021)
Naotake Tsuchiya (alternate director for Shuzo Kato) (appointed 1 April 2021)
Kenichi Shirao (alternate director for Hironori Makanae) (resigned 31 March 2021)
Nitchu Otsubo (alternate director for Norimasa Matsuzawa) (appointed 1 April 2021)
Gavin Patterson (alternate director for Motoi Yamamoto)

Principal activities

The Company's principal continuing activity in the course of the financial year was its 10% interest in the Mt Newman Joint Venture, which is engaged in iron ore operations (including mining, processing, product blending, railing, shipping & sales) in Western Australia. During the financial year there was no significant change in the nature of that activity.

Dividends

	2021	2020
	$'000	$'000
Interim ordinary dividend	**349,000**	180,000
Final ordinary dividend	**-**	196,000
	349,000	376,000

For the year ended 31 March 2021 the interim ordinary dividend was paid on 29 September 2020, a second interim ordinary dividend was paid on 23 March 2021.
For the year ended 31 March 2020 the interim ordinary dividend was paid on 26 September 2019, the final ordinary dividend was paid on 24 March 2020.

Dividends paid to shareholders were franked to 100% at 30% corporate income tax rate.

Review of operations

Iron ore sales revenue for the financial year ended 31 March 2021 was up by 32% at $2,414,142,000 compared to the previous financial year of $1,828,786,000. This was mainly driven by higher iron ore price and higher sales volume. The net profit after tax of $619,452,000 for the financial year was higher compared to the previous financial year of $490,339,000. Sales volumes (in 100% terms) were 148.2Mwmt compared to 138.9Mwmt in the previous financial year.

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian government and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 31 March 2021 these impacts have not had a significant effect on the Company's financial results or operations. Due to the continually evolving nature of COVID-19 and the ongoing global vaccination programs, the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on the financial statements for future periods, however, believe that any impact is expected to be temporary.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the Company during the year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Likely developments and expected results of operations

Disclosure of information on likely developments in the operations of the Company and the expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company has exposures to environmental regulations through participation in the Mt Newman Joint Venture (operated by BHP) in respect of exploration, mining, transport and power generation activities in the Pilbara region of Western Australia. Licenses to explore and mine are issued under the *Mining Act 1978* with activities also subject to regulations under *Environmental Protection Act 1986*. The Manager of the joint venture (BHP) is responsible for ongoing compliance with environmental regulations and guidelines. The directors have not been advised by the Manager of the joint venture of any significant noncompliance during the year.

Indemnification of officers and auditors

During the financial year, a related company of the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, its officers and of any related body corporate against a liability incurred as such a director, secretary or officer to the extent permitted by the Corporation Act. The contract of the insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an auditor of the Company or of any related body corporate against a liability incurred as such an auditor.

Proceedings on behalf of the company

There are no persons applying for leave under s.237 of the *Corporations Act 2001* to bring, or intervene in proceedings on behalf of the Company.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 6.

This report is signed in accordance with a resolution of the directors pursuant to section 298(2) of the *Corporations Act 2001*.

DocuSigned by:
Motoi Yamamoto
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Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 12th July 2021

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

12 July 2021

The Board of Directors
Mitsui-Itochu Iron Pty Ltd
Level 25, Exchange Tower
2 The Esplanade
Perth WA 6000

Dear Board Members,

Auditor's Independence Declaration to Mitsui-Itochu Iron Pty Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Mitsui-Itochu Iron Pty Ltd.

As lead audit partner for the audit of the financial report of Mitsui-Itochu Iron Pty Ltd for the year ended 31 March 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Tower 2, Brookfield Place
123 St Georges Terrace
Perth WA 6000
GPO Box A46
Perth WA 6837 Australia

Tel: +61 8 9365 7000
Fax: +61 8 9365 7001
www.deloitte.com.au

Independent Auditor's Report to the members of Mitsui-Itochu Iron Pty Ltd

Opinion

We have audited the financial report of Mitsui-Itochu Iron Pty Ltd (the "Company") which comprises the statement of financial position as at 31 March 2021, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 31 March 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 31 March 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company 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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants
Perth, 12 July 2021

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Company.

This declaration is signed in accordance with a resolution of the directors made pursuant to S.295(5) of the *Corporations Act 2001*.

On behalf of the directors.

DocuSigned by:
Motoi Yamamoto
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Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 12th July 2021

Mitsui-Itochu Iron Pty Ltd
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Financial statements

	Notes	2021 $'000	2020 $'000
Revenue	2(a)	**2,414,142**	1,828,786
Joint Venture operating costs		**(1,109,353)**	(776,647)
Royalties		**(90,370)**	(73,203)
Depreciation and amortisation expense	3	**(116,733)**	(112,561)
Impairment losses	3	**(1,901)**	(3,783)
Shipping costs		**(145,291)**	(152,405)
Sales commission expense		**(42,890)**	(32,097)
Service fees		**(1,269)**	(1,327)
Finance costs	3	**(3,330)**	(3,448)
Other expenses	3	**(33,153)**	(5,805)
Other income	2(b)	**19,978**	32,368
Profit before income tax		**889,830**	699,878
Income tax expense	4	**(270,378)**	(209,539)
Profit for the year		**619,452**	490,339
Other comprehensive income for the year			
Items that were classified subsequently to profit or loss account from cash flow hedge reserve			
Gain / (Loss) on changes in fair value of hedging instruments (net of tax)	19(a)	**7,346**	(1,127)
Reclassified to the profit or loss statement	19(a)	**(7,346)**	1,127
Total cash flow hedge reserve		-	-
Total comprehensive income for the year		**619,452**	490,339

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Notes	2021 $'000	2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**487,517**	268,381
Trade and other receivables	6	**119,209**	79,456
Inventories	7	**122,700**	86,637
Prepayments		**3,761**	2,827
Other financial assets		**11,477**	-
Total current assets		**744,664**	437,301
Non-current assets			
Inventories	8	**5,756**	14,536
Deferred expenditure	9	**73,836**	75,627
Property, plant and equipment	10	**1,388,213**	1,348,701
Deferred tax assets	4	**35,722**	30,932
Right-of-use assets	11	**19,043**	5,880
Intangible assets	12	**2,923**	4,031
Financial assets	13	**1,171**	1,176
Total non-current assets		**1,526,664**	1,480,883
Total assets		**2,271,328**	1,918,184
LIABILITIES			
Current liabilities			
Trade and other payables	14	**80,923**	86,348
Current tax liabilities		**40,714**	7,490
Provisions	15	**2,612**	2,760
Lease liabilities	16	**4,271**	2,318
Total current liabilities		**128,520**	98,916
Non-current liabilities			
Deferred tax liabilities	4	**108,121**	106,614
Provisions	17	**101,301**	60,115
Lease liabilities	16	**14,591**	3,340
Total non-current liabilities		**224,013**	170,069
Total liabilities		**352,533**	268,985
Net assets		**1,918,795**	1,649,199
EQUITY			
Issued capital	18	**8,086**	8,086
Other reserves	19(a)	**-**	856
Retained earnings	19(b)	**1,910,709**	1,640,257
Total equity		**1,918,795**	1,649,199

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

	Notes	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2019		8,086	-	1,525,918	1,534,004
Profit for the year		-	-	490,339	490,339
Loss on changes in FV of hedging instruments (net of tax)	19 (a)	-	(1,127)	-	(1,127)
Reclassified to the profit or loss	19 (a)	-	1,127	-	1,127
Revaluation			856		856
Total comprehensive income for the year		**-**	**856**	**490,339**	**491,195**
Dividends provided for or paid	21(a)	-	-	(376,000)	(376,000)
Balance at 31 March 2020		**8,086**	**856**	**1,640,257**	**1,649,199**
Balance at 1 April 2020		8,086	856	1,640,257	1,649,199
Profit for the year		-	-	619,452	619,452
Gain on changes in FV of hedging instruments (net of tax)	19 (a)	-	7,346	-	7,346
Reclassified to the profit or loss	19 (a)	-	(7,346)	-	(7,346)
Revaluation		-	(856)	-	(856)
Total comprehensive income for the year		**-**	**(856)**	**619,452**	**618,596**
Dividends provided for or paid	21(a)	-	-	(349,000)	(349,000)
Balance at 31 March 2021		**8,086**	**-**	**1,910,709**	**1,918,795**

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

	Notes	**2021 $'000**	2020 $'000
Cash flows from operating activities			
Receipts from customers		**2,380,324**	1,826,545
Payments to suppliers and employees		**(1,451,037)**	(1,056,885)
Interest paid		**(3,330)**	(3,448)
Income taxes paid		**(240,070)**	(179,363)
Interest received		**2,327**	5,189
Net cash generated by operating activities	25	**688,214**	592,038
Cash flows from investing activities			
Payments for property, plant and equipment		**(98,554)**	(107,896)
Payments for deferred expenditure		**(15,987)**	(14,379)
(Payment for) / Proceeds from disposal of property, plant and equipment		**(874)**	545
Net cash used in investing activities		**(115,415)**	(121,730)
Cash flows from financing activities			
Payment of finance lease liabilities		**(4,663)**	(588)
Dividends paid	21(a)	**(349,000)**	(376,000)
Net cash used in financing activities		**(353,663)**	(376,588)
Net increase in cash and cash equivalents		**219,136**	93,720
Cash and cash equivalents at the beginning of the financial year		**268,381**	174,661
Cash and cash equivalents at end of financial year	5	**487,517**	268,381

The above Statement of cash flows should be read in conjunction with the accompanying notes.

Contents of the notes to the financial statements

1 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) General information

This financial report covers Mitsui-Itochu Iron Pty Ltd as an individual entity. The financial report is presented in Australian currency.

Mitsui-Itochu Iron Pty Ltd's registered office and principal place of business is:

Level 25, Exchange Tower
2 The Esplanade
Perth, WA 6000

(b) Significant accounting policies

Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards – Reduced Disclosure Requirements, and comply with other requirements of the law.

For the purposes of preparing the financial statements, the Company is a for-profit entity.

The financial report was authorised for issue by the directors on 12th July 2021.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments and assets. Historical cost is based on the fair values of the consideration given in exchange for assets. Unless otherwise indicated, all amounts are presented in thousand Australian dollars.

Rounding of amounts

The Company is of the kind referred to in ASIC Corporations Instrument 2016/191, dated 24 March 2016, and in accordance with the requirements of the legislative corporation instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

(c) Interest in joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor. The Company has only joint operations. The Company recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses. These have been incorporated in the financial statements under the appropriate headings.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company's operations are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss, except when deferred in equity as qualifying cash flow hedges.

At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(e) Other financial assets/liabilities

Other financial assets/liabilities are measured at fair value. Short term deposits represents the excess of cash called funds held on deposit by the Joint Venture Manager on behalf of the participants. When these deposits are in overdraft, they are recognised as other financial liabilities.

(f) Revenue recognition

(i) Sale of goods - iron ore (as disclosed in note 2a)

The Company recognises sales revenue related to the transfer of promised goods or services when control of the goods or services passes to the customer. The amount of revenue recognised reflects the consideration to which the Company is or expects to be entitled in exchange for those goods or services.

In most instances, control passes and sales revenue is recognised when the product is delivered onto the vessel on which it will be transported once loaded, to the destination port nominated by the customer. As such, there is only one performance obligation, being for provision of product at the point where control passes.

The Company’s products are sold to customers under contracts which vary in tenure and pricing mechanisms, including some volumes sold in the spot market. Pricing for iron ore is on a range of terms, the majority being either monthly or quarterly average pricing mechanisms, with a smaller proportion of iron ore volumes being sold on the spot market.

The majority of the Company’s products are sold on a provisional price basis in accordance with the sales contract terms. Revenue is recorded using the provisional pricing and where required, revenue is adjusted in the period for a price difference estimate between provisional invoice values and the anticipated final price. Price difference accruals are reversed in the following period when the quotation period price is finalised and the final price adjustment invoice is recorded in revenue.

The Company has a number of long-term contracts to supply product to customers in future periods. Generally, revenues are recognised on an as invoiced basis, hence, the right to consideration from a customer corresponds directly with the entity’s performance completed to date. The Company does not disclose information on the transaction price allocated to performance obligations that are unsatisfied as this information is not considered relevant or material to the users of the financial statements.

1 Summary of significant accounting policies (continued)

(f) Revenue recognition (continued)

Presentation and disclosures

Sales revenue as reported in the income statement comprises revenue from contracts with customers, which is accounted for under AASB 15 “Revenue from Contracts with Customers” and subsequent movements in provisionally priced receivables which are accounted for under AASB 9 “Financial Instruments”.

The Company does not separately disclose the freight and insurance services component of the total sales revenue.

(i) Interest income

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Mitsui-Itochu Iron Pty Ltd has not implemented the tax consolidation legislation.

1 Summary of significant accounting policies (continued)

(h) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

For these leases, the Company recognises the lease payments as an operating expense over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

If the Company uses its incremental borrowing rate, it must explain how the rate is determined. The rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability compromise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- The lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under guaranteed residual value, in which case the lease liability is remeasured by discounting the revised leased payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Company did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. The costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

1 Summary of significant accounting policies (continued)

(h) Leases (continued)

Right-of-use assets are depreciated over the shorter period of either lease term or useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies AASB 136 Impairment of Assets to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, plant and equipment' (note 1(p)).

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line 'Joint Venture operating costs' or 'Other expenses' in the statement of profit or loss.

As a practical expedient, AASB 16 permits a lessee not to separate non-lease components, and instead account for any lease and associates non-lease component as a single arrangement. The Company has not used this practical expedient.

(i) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1 Summary of significant accounting policies (continued)

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(k) Trade receivables

All recognised financial assets (eg: trade receivables) are measured in their entirety at amortised cost given the financial assets are held with the sole objective to hold (rather than sell) in order to collect contractual cash flows that are solely payments of principal and interest (if any) on the principal amount outstanding.

Where required, the Company would recognise a loss allowance for expected credit losses (ECL) on trade receivables, to reflect changes in credit risk of trade receivables. The Company always recognises lifetime ECL for trade receivables. The expected credit losses are estimated using a provision matrix based on the Company's historical credit loss experience adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both current as well as the forecast direction of conditions at the reporting date, including time value of money, where appropriate. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset (e.g: trade receivable).

The amount of expected credit losses is then updated at each reporting date to reflect, if any, changes in credit risk since the initial recognition of respective trade receivables.

Other receivables are measured at amortised cost using the effective interest method less impairment. Interest receivables are recognised by applying the effective interest rate.

(l) Inventories

(i) Raw materials, work in progress and finished goods

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Warehouse inventories

Warehouse inventories, comprising mainly spares and stores, is stated at the lower cost and net realisable value. Cost is determined on a weighted average basis less a provision for obsolescence.

(m) Intangible Assets

IT Software

Costs incurred in acquiring software that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of software, upgrades and service time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

IT costs include only those costs directly attributable to the development phase and are only recognised following completion and where the Company has an intention and ability to use the asset.

1 Summary of significant accounting policies (continued)

(n) Derivatives and hedging activities

The Company enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently revalued to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which case it is recognised in other comprehensive income and accumulated in the cash flow hedging reserve. The accumulated gain or loss is reclassified to profit or loss when the hedging instrument expires or is sold, terminated or exercised.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Company has both legal right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivative are presented as current assets or current liabilities.

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk in cash flow hedges. Hedges of foreign exchange risk on highly probable forecast transactions are accounted for as cash flow hedges.

At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Movement in the hedging reserves in equity are detailed in note 19(a).

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the ‘other gains and losses’ line item.

(o) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

1 Summary of significant accounting policies (continued)

(p) Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit and loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on the major categories of property, plant, equipment and right-of-use assets is calculated on a unit of production basis and/or straight line basis over their estimated useful lives as follows:

• Buildings	25 - 50 years
• Plant and equipment	3 - 30 years
• Exploration evaluation and development	Life of proven and probable reserves
• Right-of-use assets	Term of lease or useful life of underlying assets

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Only the development assets within the exploration evaluation and development category are being depreciated.

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 (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

(q) Overburden removal and stripping expenditure

Overburden and other mine waste materials are often removed during the initial development of a mine site in order to access the mineral deposit. This activity is referred to as development stripping. The directly attributable costs (inclusive of an allocation of relevant overhead expenditure) are capitalised as a development stripping asset. Capitalisation of development stripping costs ceases at the time the saleable material begins to be extracted from the mine.

Production stripping commences at the time that saleable materials begin to be extracted from the mine and normally continues throughout the life of the mine. Stripping costs in the production phase of a surface mine are capitalised as a production stripping asset only when the following criteria are met:

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the joint venture;
- The joint venture can identify the component of ore body for which access has been improved; and
- The costs relating to the stripping activity associated with that component can be measured reliability.

The production stripping asset is then depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The units of production method is applied for depreciation purposes. Changes to the estimated life of component ratio are accounted for prospectively from the date of the change.

(r) Exploration and evaluation expenditure

Exploration and evaluation expenditure in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

- the rights to tenure of the area of interest are current, and
- such evaluation costs are expected to be recouped through successful development and exploration of the area of interest or alternatively, by it's sales, or

1 Summary of significant accounting policies (continued)

(r) Exploration and evaluation expenditure (continued)

- exploration and/or evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in relation to the area are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of mineral rights, studies, trenching and sampling and associated activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

Exploration and evaluation assets are assessed for impairment when facts and circumstances (as identified in AASB 6 Exploration for and Evaluation of Mineral Resources) suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset (or the cash generating units to which it has been allocated, being no larger than the relevant area of interest) is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years. Where a decision is made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified to development cost.

(s) Development costs and mining rights

Development expenditure is recognised at cost less accumulated amortisation and any impairment losses. Where commercial production in an area of interest has commenced, the associated costs are amortised over the estimated economic life of the mine or lease term on a straight line basis as follows:

Mining rights	25-30 years

Changes in factors such as estimates of proved and probable reserves that affect economic life estimations are dealt with on a prospective basis.

(t) Trade and other payables

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

(u) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of managements best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and risk specific to the liability. The increase in the provision due to the passage of time is recognised as a finance cost.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

1 Summary of significant accounting policies (continued)

(v) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including monetary benefits such as accumulating annual leave expected to be settled within 12 months of the reporting date are recognised in current provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits 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.

(w) Issued capital

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(x) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised, on or before the end of the reporting period but not distributed at the end of the reporting period.

(y) Provision for restoration and rehabilitation

A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of exploration, development, production, transportation or storage activities undertaken in joint ventures, it is probable that an outflow of economic benefits will be required to settle the obligation based on the Joint Ventures' interpretation of environmental and regulatory requirements, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of removing facilities, abandoning sites, land rehabilitation and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the reporting date, based on current legal and other requirements and technology. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at the end of the balance sheet date.

The initial estimate of the restoration and rehabilitation provision relating to exploration, development and production facilities is capitalised into the cost of the related asset and depreciated on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner. The unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

(z) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

1 Summary of significant accounting policies (continued)

(aa) Critical accounting judgements and key sources of estimation uncertainty in applying the company's accounting policies

In the application of the Company's accounting policies management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Company has identified the following critical accounting policies under which significant judgements, estimates and assumptions are made and where actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Reserve estimates

Reserves are estimates of the amount of product that can be economically and legally extracted from the Company's interests in properties. In order to calculate reserves, estimates and assumptions are required about a range of geological, technical and economic factors, including quantities, grades, production techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Because the economic assumptions used to estimate reserves change from period to period, and because additional geological data is generated during the course of operations, estimates of reserves may change from period to period. Changes in reported reserves may affect the Company's financial results and financial position in a number of ways, including the following:

- Asset carrying values may be affected due to changes in estimated future cash flows.
- Depreciation and amortisation charged in the profit or loss may change where such charges are determined by the units of production basis, or where the useful economic lives of assets change.
- Overburden removal costs recorded on the balance sheet or charged in the profit or loss may change due to changes in stripping ratios or the units of production basis of depreciation.
- Decommissioning, site restoration and environmental provisions may change where changes in estimated reserves affect expectations about the timing or cost of these activities.

Exploration, evaluation and development expenditure

The Company's accounting policy for exploration, evaluation and development expenditure results in certain items of expenditure being capitalised for an area of interest where it is considered likely to be recoverable by future exploitation or sale or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. This policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after having capitalised the expenditure under the policy, a judgment is made that recovery of the expenditure is unlikely, the relevant capitalised amount will be written off to the profit or loss.

Provision for restoration and rehabilitation

The Company's accounting policy requires the recognition of provisions for the restoration and rehabilitation of each site. The provision recognised represents management's best estimate of the present value of the future costs required. Significant estimates and assumptions are made in determining the amount of restoration and rehabilitation provisions. Those estimates and assumptions deal with uncertainties such as changes to the relevant legal and regulatory framework, the magnitude of possible contamination and the timing, extent and costs of required restoration and rehabilitation activity. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for operating sites are recognised in the statement of financial position by adjusting both the restoration and rehabilitation asset and provision. Such changes give rise to a change in future depreciation and interest charges. For closed sites, changes to estimated costs are recognised immediately in the profit or loss.

1 Summary of significant accounting policies (continued)

(ab) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

There are new and revised Standards and Interpretations adopted in these financial statements affecting the amounts disclosed in the current period (and/or prior periods).

(ac) Application of new and revised Australian Accounting Standards

Amendments to Accounting Standards that are mandatorily effective for the current reporting period

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2020.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Company include:

- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*

In the current year, the Company has applied a number of amendments to Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the Board) that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*
Amends AASB 3 Business Combinations to clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

- Clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs
- Remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs
- Add guidance and illustrative examples to help entities assess whether a substantive process has been acquired
- Narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs
- Add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

1 Summary of significant accounting policies (continued)

(ac) Application of new and revised Australian Accounting Standards (continued)

AASB 2018-7 ***Amendments to Australian Accounting Standards – Definition of Material***
These amendments are intended to address concerns that the wording in the definition of 'material' was different in the Conceptual Framework for Financial Reporting, AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendments address these concerns by:
- Replacing the term 'could influence' with 'could reasonably be expected to influence'
- Including the concept of 'obscuring information' alongside the concepts of 'omitting' and 'misstating' information in the definition of material
- Clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework

Aligning the definition of material across IFRS Standards and other publications.

AASB 2019-1 ***Amendments to Australian Accounting Standards – References to the Conceptual Framework***
Makes amendments to various Accounting Standards and other pronouncements to support the issue of the revised Conceptual Framework for Financial Reporting.

AASB 2019-3 ***Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform***
The amendments affect entities that apply the hedge accounting requirements of AASB 9 Financial Instruments or AASB 139 Financial Instruments: Recognition and Measurement to hedging relationships directly affected by the interest rate benchmark reform.

The amendments would mandatorily apply to all hedging relationships that are directly affected by the interest rate benchmark reform and modify specific hedge accounting requirements, so that entities would apply those hedge accounting requirements assuming that the interest rate benchmark is not altered as a result of the interest rate benchmark reform.

AASB 2019-5 ***Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia***
Amends AASB 1054 Australian Additional Disclosures to add a requirement for entities that intend to be compliant with IFRS standards to disclose the information required by AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors (specifically paragraphs 30 and 31) for the potential effect of each IFRS pronouncement that has not yet been issued by the AASB.

(ad) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards, Interpretations and amendments that have been issued but are not yet effective:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128],* AASB 2015-*10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128* and AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 April 2022 (Editorial corrections in AASB 2017-5 applied from 1 April 2018)

1 Summary of significant accounting policies (continued)

(ad) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective (continued)

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*	1 April 2022
AASB 2014-10 *Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*, AASB 2015-10 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128*, AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*	1 April 2022
AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current* and *AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 April 2023
AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*	1 April 2022
AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 April 2022
AASB 2020-4 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions* and AASB 2020-7 *Amendments to Australian Accounting Standards – COVID-19-Related Rental Concessions Tier 2 Disclosures*	1 April 2021
AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*	1 April 2021

2 Revenue and other income

		2021 $'000	2020 $'000
	From continuing operations:		
(a)	**Sales revenue**		
	Sales of iron ore	**2,403,648**	1,830,396
	Foreign exchange gain / (loss) on cash flow hedges (net)	**10,494**	(1,610)
		2,414,142	1,828,786
(b)	**Other income**		
	Interest	**2,327**	5,189
	Foreign exchange gain (net)	**-**	17,752
	Other income	**17,651**	9,427
		19,978	32,368

3 Expenses

	2021 $'000	2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	**91,852**	91,745
Deferred expenditure	**17,777**	16,130
Right-of-use asset	**5,123**	2,486
Total depreciation	**114,752**	110,361
Amortisation		
Intangible assets	**1,981**	2,200
Total amortisation	**1,981**	2,200
Total depreciation and amortisation	**116,733**	112,561
Finance costs		
Unwinding of discount on rehabilitation provision	**2,890**	3,161
Interest expense	**440**	287
Finance costs expensed	**3,330**	3,448
Other expenses		
Loss on sale of property, plant and equipment	**874**	2
Ethel Creek Partnership loss	**5**	398
Employee benefits expenses	**1,594**	841
Foreign exchange loss (net)	**25,618**	-
Other expenses	**5,062**	4,564
	33,153	5,805
Impairment losses		
Impairment loss on property, plant & equipment	**1,767**	3,400
Impairment loss on land & buildings	**65**	239
Impairment loss on intangible assets	**69**	144
	1,901	3,783

4 Income tax

	2021 $'000	2020 $'000
(a) The major components of income tax expense are:		
Current tax		
Current income tax expense in respect of current year	**271,453**	206,669
Under income tax provision in prior years	**1,861**	2,442
	273,314	209,111
Deferred tax		
Deferred income tax (benefit)/expense recognised in the current year	**(4,490)**	3,313
Under/(Over) deferred income tax provision in prior years	**1,554**	(2,885)
	(2,936)	428
Total income tax expense recognised in the current year	**270,378**	209,539
Deferred tax through other comprehensive income		
Deferred income tax expense (reversed) / recognised in the current year	**(347)**	366
Deferrred income tax is comprised of:		
(Increase)/Decrease in deferred tax assets	**(4,790)**	3,213
Increase/(Decrease) in deferred tax liabilities	**1,507**	(2,419)
	(3,283)	794

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2021 $'000	2020 $'000
Accounting profit before income tax	**889,830**	699,878
Income tax expense calculated at rate of 30%	**266,949**	209,963
Tax effect of current year permanent adjustments	**14**	19
Adjustment recognised in the current year in relation to prior years	**3,415**	(443)
Income tax reported in the statement of profit or loss	**270,378**	209,539

(c) Deferred tax assets/liabilities

	2021 $'000	2020 $'000
Deferred tax assets expected to be settled within 12 months	**4,165**	893
Deferred tax assets expected to be settled after more than 12 months	**31,557**	30,039
	35,722	30,932
Deferred tax liabilities expected to be settled within 12 months	**2,650**	3,845
Deferred tax liabilities expected to be settled after more than 12 months	**105,471**	102,769
	108,121	106,614
Total net deferred tax liabilities	**72,399**	75,682

4 Income tax (continued)

(d) Temporary differences

Deferred tax balances are presented in the statement of financial position as follows:

Balance at 31 March 2021	**Opening balance $'000**	**Recognised in profit or loss $'000**	**Closing balance $'000**
Trade and other receivables	(495)	155	(340)
Unrealised forex (gains) / losses	(1,714)	3,626	1,912
Inventories	(1,455)	(452)	(1,907)
Property, plant and equipment	(60,164)	(795)	(60,959)
Deferred expenditure	(22,689)	538	(22,151)
Financial assets	(1,643)	(4,070)	(5,713)
Loss allowance	38	80	118
Provisions	10,904	78	10,982
Financial liabilities	1,536	4,123	5,659
Total temporary differences	**(75,682)**	**3,283**	**(72,399)**

Balance at 31 March 2020	**Opening balance $'000**	**Recognised in profit or loss $'000**	**Closing balance $'000**
Trade and other receivables	(97)	(398)	(495)
Unrealised forex (gains) / losses	(1,105)	(609)	(1,714)
Inventories	(1,468)	13	(1,455)
Property, plant and equipment	(63,090)	2,926	(60,164)
Deferred expenditure	(23,213)	524	(22,689)
Financial assets	-	(1,643)	(1,643)
Loss allowance	199	(161)	38
Provisions	13,886	(2,982)	10,904
Financial liabilities	-	1,536	1,536
Total temporary differences	**(74,888)**	**(794)**	**(75,682)**

The tax rate used in the above reconciliation of 30% is that applied to resident companies pursuant to the income tax statues of Australia as at the reporting date.

5 Current assets – Cash and cash equivalents

	2021 $'000	2020 $'000
Cash at bank and on hand	**487,517**	268,381
	487,517	268,381

6 Current assets – Trade and other receivables

	2021 $'000	2020 $'000
Net trade receivables		
Trade receivables	**109,790**	72,428
Loss allowance	**(392)**	(126)
	109,398	72,302
Net other receivables		
Other receivables	**9,811**	5,932
Hedge receivable	**-**	1,222
	9,811	7,154
	119,209	79,456

Trade receivables
The average credit period on sales of iron ore is 30 days. No interest is charged on outstanding trade receivables.
The Company always measure the loss allowance for trade receivables at an amount equal to lifetime ECL
There is no movement in lifetime ECL recognised during the year.

7 Current assets – Inventories

	2021 $'000	2020 $'000
Ore in process		
- at cost	**91,896**	69,691
Warehouse inventories		
- lower of cost or net realisable value	**30,804**	16,946
	122,700	86,637

8 Non-current assets – Inventories

	2021 $'000	2020 $'000
Ore in process		
- at cost	**2,033**	2,083
Warehouse inventories		
- lower of cost or net realisable value	**3,723**	12,453
	5,756	14,536

9 Non-current assets – Deferred expenditure

	2021 $'000	2020 $'000
Development stripping		
Cost	**3,686**	3,686
Accumulated depreciation	**(1,243)**	(1,091)
	2,443	2,595
Production stripping		
Cost	**155,647**	139,661
Accumulated depreciation	**(84,254)**	(66,629)
	71,393	73,032
Total deferred expenditure	**73,836**	75,627

10 Non-current assets – Property, plant and equipment

	Construction in progress $'000	Land & buildings, property, plant & equipment $'000	Exploration evaluation & development $'000	Rehabilitation asset $'000	Total $'000
At 31 March 2020					
Cost	185,371	2,053,384	29,020	42,706	2,310,481
Accumulated depreciation & impairment	-	(940,521)	(4,645)	(16,614)	(961,780)
Net book amount	185,371	1,112,863	24,375	26,092	1,348,701
At 31 March 2021					
Cost	**205,573**	**2,129,292**	**30,192**	**83,413**	**2,448,470**
Accumulated depreciation & impairment	**-**	**(1,036,477)**	**(5,805)**	**(17,975)**	**(1,060,257)**
Net book amount	**205,573**	**1,092,815**	**24,387**	**65,438**	**1,388,213**

Accumulated impairment losses are recognised in Land and Buildings, Property, Plant & Equipment, ($41.4m) at 31 March 2021 (2020: $39.5m).

11 Non-current assets – Right-of-use assets

	2021 $'000	2020 $'000
Right-of-use assets	**26,651**	8,366
Less: Accumulated depreciation	**(7,608)**	(2,486)
Written down value	**19,043**	5,880

12 Non-current assets – Intangible assets

	2021 $'000	2020 $'000
Cost	**22,177**	21,236
Accumulated depreciation and impairment	**(19,254)**	(17,205)
Net book amount	**2,923**	4,031

Accumulated impairment losses are recognised in Intangible assets ($0.06m), at 31 March 2021 (2020: $0.5m).

13 Non-current assets – Financial assets

	2021 $'000	2020 $'000
Investment in Ethel Creek Partnership - at fair value through profit & loss	**1,171**	1,176
	1,171	1,176

14 Current liabilities – Trade and other payables

	2021 $'000	2020 $'000
Trade payables	**49,667**	56,206
Accrued expenses	**22,581**	15,328
Other payables	**8,675**	14,814
	80,923	86,348

15 Current liabilities – Provisions

	2021 $'000	2020 $'000
Employee entitlements	**205**	154
Other provisions	**2,407**	2,606
	2,612	2,760

16 Non-current liabilities – Lease liabilities

	2021	2020
	$'000	$'000
Within one year	**4,271**	2,318
More than one year	**14,591**	3,340
	18,862	5,658

17 Non-current liabilities – Provisions

	2021	2020
	$'000	$'000
Mine rehabilitation	**100,725**	59,452
Employee benefits	**576**	663
	101,301	60,115

18 Issued Capital

Share Capital

	2021	2020
	$'000	$'000
Fully paid ordinary shares (8,086,188 shares)	**8,086**	8,086
Total contributed equity	**8,086**	8,086

The Company does not have a limited amount of authorised capital and issued shares do not have a par value. Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

19 Other reserves and retained earnings

(a) Other reserves

	2021	2020
	$'000	$'000
Movements:		
Hedging reserve - cash flow hedges		
Balance at the beginning of the year	**856**	-
Gain / (Loss) on changes in FV of hedging instruments during the year (net of tax)	**7,346**	(1,127)
Reclassified to the profit or loss	**(7,346)**	1,127
Revaluation	**(1,222)**	1,222
Related income tax	**366**	(366)
Balance at the end of the year	**-**	856

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gains or losses on the hedging transaction impacts the profit and loss, consistent with the applicable accounting policy.

(b) Retained earnings

	2021	2020
	$'000	$'000
Movements:		
Balance 1 April	**1,640,257**	1,525,918
Net profit for the year	**619,452**	490,339
Dividends	**(349,000)**	(376,000)
Balance 31 March	**1,910,709**	1,640,257

20 Related party transactions

Mitsui-Itochu Iron Pty Ltd is a proprietary company, incorporated and operating in Australia. The ultimate parent entities are Mitsui & Co., Ltd and Itochu Corporation, both of which are incorporated in Japan.

During the year, the Company entered into the following transactions with related parties:

	Sale of Iron Ore		Service Fees	
	2021	2020	**2021**	2020
	$'000	$'000	**$'000**	$'000
Mitsui & Co., Ltd	**-**	(13)	**717**	612
Mitsui & Co. (Australia) Ltd	**-**	-	**328**	317
Itochu Corporation	**-**	-	**132**	265
Itochu Australia Ltd	**-**	-	**92**	133
	-	(13)	**1,269**	1,327

21 Dividends

(a) Ordinary shares

	2021	2020
	$'000	$'000
Interim dividend	**349,000**	180,000
Final dividend	**-**	196,000
	349,000	376,000

(b) Franking account balance

	2021	2020
	$'000	$'000
Franking account balance	**699,828**	609,390
	699,828	609,390

22 Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by the auditor of the Company.

Audit services

	2021	2020
	$	$
Deloitte Touche Tohmatsu Australian firm		
Audit and review of financial reports under the Corporations Act 2001 and other audit work	**165,451**	163,640
Other assurance services		
Other audit services	**39,584**	72,786
Total remuneration for audit services	**205,035**	236,426

Other audit services relates to assessment performed on the Company's Japanese-SOX internal control environment and clearance report prepared for the Company's principal auditors based in Japan.

23 Commitments

Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2021 $'000	2020 $'000
Property, plant and equipment		
Payable:		
Within one year	**11,472**	22,405
	11,472	22,405

24 Interests in joint operations

Details of the Company's interest in joint operations are set out below:

	2021	2020
Mt Newman Joint Venture - Iron ore operations in Western Australia	**10%**	10%

25 Reconciliation of profit after income tax to net cash inflow from operating activities

	2021 $'000	2020 $'000
Profit for the year	**619,452**	490,338
Depreciation and amortisation of non current assets	**116,733**	112,564
Net loss on disposal of property, plant and equipment	**874**	2
Impairment loss on property, plant and equipment	**1,901**	3,783
(Increase) / Decrease in deferred tax asset balance	**(2,916)**	792
Increase in right of use asset & lease liabilities	**4,704**	-
Change in operating assets and liabilities:		
(Increase) in current receivables	**(40,975)**	(9,233)
(Increase) in current inventories	**(36,063)**	(11,892)
(Increase) / Decrease in other current assets	**(12,411)**	979
Decrease / (Increase) in non-current inventories	**8,780**	(9,524)
Decrease in other non-current assets	**5**	399
Increase in current payables	**27,799**	24,487
(Decrease) in current provisions	**(148)**	(7,325)
Increase / (Decrease) in non-current provisions	**479**	(3,332)
Net cash generated by operating activities	**688,214**	592,038

26 Non-cash investing and financing activities

During the current year, the Company entered into the following non-cash investing and financing activities which are not reflected in the statement of cash flows:

- loss on sales of property, plant & equipment amounting $874,000
- impairment charges amounting $1,901,000

27 Financial instruments

	2021 $'000	2020 $'000
Cash at bank and on hand	**487,517**	268,381
Investment in Ethel Creek partnership - at fair value through profit & loss	**1,171**	1,176
	488,688	269,557

28 Key management personnel remuneration

	2021 $	2020 $
Key management employee remuneration - salary	**884,000**	705,000
	884,000	705,000

29 Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

30 Operational update

The outbreak of the 2019 novel strain of coronavirus causing a contagious respiratory disease known as COVID-19, and the subsequent quarantine measures imposed by the Australian government and related travel and trade restrictions have caused disruption to businesses and resulted in significant global economic impacts. As at 31 March 2021 these impacts have not had a significant effect on the Company's financial results or operations. Due to the continually evolving nature of COVID-19 and the ongoing global vaccination programs, the Directors cannot reasonably estimate the effects that the COVID-19 pandemic could have on the financial statements for future periods, however, believe that any impact is expected to be temporary.

31 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 12th July 2021.