Mitsui Iron Ore Corporation Pty Ltd

ABN 16 050 157 456

Annual report
for the financial year ended
31 March 2020

Mitsui Iron Ore Corporation Pty Ltd
Annual report - 31 March 2020

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Directors' report

The directors present their report on Mitsui Iron Ore Corporation Pty Ltd (the Company) for the year ended 31 March 2020. 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
Takayuki Tsuchida (resigned 1 April 2020)
Toru Kojima (appointed 1 April 2020)
Takeo Okubo
Gavin Patterson (alternate director for Motoi Yamamoto)
Genichiro Horiguchi (alternate director for Takayuki Tsuchida) (resigned 1 November 2019)
Koichi Kawanishi (alternate director for Takayuki Tsuchida) (appointed 1 November 2019) (resigned 1 April 2020)
Koichi Kawanishi (alternate director for Toru Kojima) (appointed 1 April 2020)
Yuta Takahashi (alternate director for Takeo Okubo) (appointed 1 April 2019) (resigned 1 November 2019)
Shintaro Sato (alternate director for Takeo Okubo) (appointed 1 November 2019)

Principal activities

During the period the principal continuing activities of the Company consisted of holding a:
(a) 7% interest in the Mount Goldsworthy Mining Associates Joint Venture
(b) 7% interest in the Yandi Joint Venture
(c) 7% interest in the Posmac Joint Venture

The Joint Ventures are 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 these activities.

Dividends

	2020 **$'000**	2019 $'000
Interim ordinary dividend	**138,000**	119,000
Final ordinary dividend	**291,000**	101,000
	429,000	220,000

Review of operations

Iron ore sales revenue for the financial year ended 31 March 2020 was up 59% at $1,153,145,000 compared to the previous financial year of $724,919,000. This is mainly due to the higher iron ore price, favourable sales volumes and foreign exchange rate. The net profit after tax of $478,428,000 for the financial year was an increase of approximately 107% over the previous financial year of $230,955,000.

Yandi ore sales volumes (100% Joint Venture level) were higher than last financial year at 80.0 Mwmt (2019: 75.5). Shipments to China were 50.7 Mwmt (2019: 46.7). Korea sales were 17.3 Mwmt (2019: 15.1) and Japan were 7.8 Mwmt (2019: 7.4). The remaining 2020 Yandi sales mix was made up of Taiwan at 2.1 Mwmt (2019: 2.0), Australia at 0.3 Mwmt (2019: 2.3) and Other Asia at 1.8 Mwmt (2019: 2.0).

Total Goldsworthy sales volumes (100% Joint Venture level) were higher than last financial year at 59.5 Mwmt (2019: 53.1). MAC product sales represented 100% of the total Goldsworthy sales. MAC sales were made up of China at 50.5 Mwmt (2019: 46.3), Korea at 2.8 Mwmt (2019: 2.5), Japan at 4.8 Mwmt (2019: 3.2), Taiwan at 1.0 Mwmt (2019: 0.6), Australia at 0.1 Mwmt (2019: 0.3) and Other Asia at 0.3 Mwmt (2019: 0.2).

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

Subsequent to the end of the financial year, the Company has been made aware of possible overpayments of port charges made by the Company to BHP. The investigation into the amount of overpayment is ongoing and the receipt of any refund remains subject to verification and agreement between the Company and BHP. No refund amount has been recognised in the Company's 31 March 2020 financial statements.

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 2020 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 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 disturbance is expected to be temporary.

Other than the above, 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 various BHP joint ventures 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 *Corporation 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 *Corporation Act 2001.*

Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 28th July 2020

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

28 July 2020

Dear Board Members,

Auditor's Independence Declaration to Mitsui Iron Ore Corporation 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 Iron Ore Corporation Pty Ltd.

As lead audit partner for the audit of the financial statements of Mitsui Iron Ore Corporation Pty Ltd for the financial year ended 31 March 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

D K Andrews
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

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Independent Auditor's Report to the Members of Mitsui Iron Ore Corporation Pty Ltd

Opinion

We have audited the financial report, being a special purpose financial report, of Mitsui Iron Ore Corporation Pty Ltd (the "Company") which comprises the statement of financial position as at 31 March 2020, 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 other explanatory information, 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 2020 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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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 and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes 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

D K Andrews
Partner
Chartered Accountants
Perth, 28 July 2020

Directors' declaration

As stated in note 1(b) to the financial statements, in the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet *Corporations Act 2001* requirements.

The directors declare that:

(a) the financial statements and notes set out on pages 11 to 41 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the *Corporations Act 2001*; and

(ii) giving a true and fair view of the Company's financial position as at 31 March 2020 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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.

Motoi Yamamoto

Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 28th July 2020

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	Notes	**2020 $'000**	2019 $'000
Revenue	2(a)	**1,153,145**	724,919
Joint Venture operating costs		**(214,438)**	(197,159)
Royalties		**(97,465)**	(70,239)
Depreciation and amortisation expense	3	**(57,705)**	(58,406)
Impairment of property, plant & equipment		**(3,163)**	-
Shipping costs		**(81,702)**	(65,319)
Sales commission expense		**(26,715)**	(16,614)
Service fees		**(1,523)**	(1,038)
Finance costs	3	**(3,880)**	(3,429)
Other expenses	3	**(4,790)**	(3,885)
Other income	2(b)	**21,928**	18,511
Profit before income tax		**683,692**	327,341
Income tax expense	4	**(205,264)**	(96,386)
Profit for the year		**478,428**	230,955
Other comprehensive income for the year			
Items that were classified subsequently to profit or loss account from cash flow hedge reserve			
(Loss) on changes in fair value of hedging instruments (net of tax)	18(a)	**(1,035)**	(3,373)
Reclassified to the profit or loss statement	18(a)	**1,035**	3,373
Total cash flow hedge reserve		**-**	-
Total comprehensive income for the year		**478,428**	230,955

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

Mitsui Iron Ore Corporation Pty Ltd
Statement of financial position
For the year ended 31 March 2020

	Notes	**2020 $'000**	2019 $'000
ASSETS			
Current assets			
Cash and cash equivalents	5	**128,842**	166,552
Trade and other receivables	6	**487,286**	462,820
Inventories	7	**31,014**	27,544
Prepayments		**520**	1,050
Other financial assets		**3,724**	3,510
Total current assets		**651,386**	661,476
Non-current assets			
Inventories	8	**10,226**	8,450
Deferred expenditure	9	**16,116**	8,576
Property, plant and equipment	10	**690,832**	546,845
Deferred tax assets	4	**35,646**	34,444
Right-of-use assets	11	**8,076**	-
Intangible assets	12	**17,539**	17,742
Total non-current assets		**778,435**	616,057
Total assets		**1,429,821**	1,277,533
LIABILITIES			
Current liabilities			
Trade and other payables	13	**143,815**	71,751
Provisions	14	**2,356**	11,222
Lease liabilities	15	**2,588**	-
Other financial liabilities		**1,459**	-
Total current liabilities		**150,218**	82,973
Non-current liabilities			
Provisions	16	**91,576**	63,530
Lease liabilities	15	**5,801**	-
Deferred tax liabilities	4	**33,228**	32,281
Total non-current liabilities		**130,605**	95,811
Total liabilities		**280,823**	178,784
Net assets		**1,148,998**	1,098,749
EQUITY			
Issued capital	17	**8,000**	8,000
Other reserves	18(a)	**821**	-
Retained earnings	18(b)	**1,140,177**	1,090,749
Total equity		**1,148,998**	1,098,749

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

	Notes	Contributed equity $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 April 2018		8,000	-	1,079,794	1,087,794
Profit for the year		-	-	230,955	230,955
Loss on changes in FV of hedging instruments (net of tax)	18(a)	-	(3,373)	-	(3,373)
Reclassified to the profit or loss	18(a)	-	3,373	-	3,373
Total comprehensive income for the year		**-**	**-**	**230,955**	**230,955**
Dividends provided for or paid	19	-	-	(220,000)	(220,000)
Balance at 31 March 2019		**8,000**	**-**	**1,090,749**	**1,098,749**
Balance at 1 April 2019		8,000	-	1,090,749	1,098,749
Profit for the year		-	-	478,428	478,428
Loss on changes in FV of hedging instruments (net of tax)	18(a)	-	(1,035)	-	(1,035)
Reclassified to the profit or loss	18(a)	-	1,035	-	1,035
Revaluation	18(a)	-	821	-	821
Total comprehensive income for the year		**-**	**821**	**478,428**	**479,249**
Dividends provided for or paid	19	-	-	(429,000)	(429,000)
Balance at 31 March 2020		**8,000**	**821**	**1,140,177**	**1,148,998**

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

	Notes	**2020** **$'000**	2019 $'000
Cash flows from operating activities			
Receipts from customers		**1,138,392**	734,255
Payments to suppliers and employees		**(414,702)**	(341,606)
Interest paid		**(177)**	(23)
Interest received		**12,462**	13,157
Withdrawal / (Placement) of cash in term deposit greater than 3 months		**151**	(145,151)
Income taxes paid		**(158,403)**	(115,628)
Net cash generated by operating activities	24	**577,723**	145,004
Cash flows from investing activities			
Payments for property, plant and equipment		**(178,580)**	(90,236)
Payments for deferred expenditure		**(8,278)**	(6,567)
Proceeds from sale of property, plant and equipment		**425**	226
Net cash used in investing activities		**(186,433)**	(96,577)
Cash flows from financing activities			
Dividends paid	19	**(429,000)**	(220,000)
Net cash used in financing activities		**(429,000)**	(220,000)
Net decrease in cash and cash equivalents		**(37,710)**	(171,573)
Cash and cash equivalents at the beginning of the financial year		**166,552**	338,125
Cash and cash equivalents at end of financial year	5	**128,842**	166,552

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

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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 Iron Ore Corporation Pty Ltd as an individual entity. The financial report is presented in Australian currency.

Mitsui Iron Ore Corporation Pty Ltd is a proprietary company incorporated and operating in Australia. The parent entity is Mitsui & Co. Mineral Resources Development Pty Ltd which is incorporated in Australia. The ultimate parent entity is Mitsui & Co., Ltd. which is incorporated in Japan.

Mitsui Iron Ore Corporation Pty Ltd's registered office and principle place of business is:

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

The financial report was authorised for issue by the directors on 28th July 2020.

(b) Significant accounting policies

Financial reporting framework

This 'special purpose financial report' has been prepared to satisfy the directors' reporting requirements under the *Corporations Act 2001*. For the purpose of preparing the financial statements, the Company is a for-profit entity.

Statement of compliance

The financial report has been prepared in accordance with the *Corporations Act 2001*, the recognition and measurement requirements specified by all Australian Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards AASB 101 'Presentation of Financial statements', AASB 107 'Cash Flow Statements', AASB 108 'Accounting Policies', Changes in Accounting Estimates and Errors', and AASB 1054 'Australian Additional Disclosures'.

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. 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 corporations instrument amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(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 profit or loss, except when they are 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) 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.

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.

1 Summary of significant accounting policies (continued)

(e) Revenue recognition (continued)

(ii) 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.

(f) Income tax

The income tax expense 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.

Tax consolidation legislation

The Company is part of a tax-consolidated group under Australian taxation law. Mitsui & Co (Australia) Ltd is the Head Company in the tax-consolidated group. The implementation date for the tax consolidated group was 1 April 2004.

The current and deferred tax amounts for the tax consolidated group are allocated among entities in the group using a group allocation approach whereby each entity in the tax consolidated group is allocated current and deferred taxes in a systematic manner which is consistent with the broad principles of AASB 112, based on the underlying tax effect of transactions within the members.

In order to determine the allocation of current and deferred tax amounts allocated to each member, each member prepares a standalone calculation which includes the tax effect of intercompany transactions that are part of the group's normal business activities but excludes intercompany dividends and any capital gain (or loss) arising from the intra group transfer of assets that would occur but for the parties being members of the tax consolidated group.

Deferred tax assets and deferred tax liabilities are measured by reference to the carrying amounts of the assets and liabilities of the members' balance sheet and their tax values applying under tax consolidation.

The tax consolidated group assesses the recovery of the Company's unused tax losses and tax credits only in the period in which they arise, in accordance with AASB 112. The Head Company recognises deferred tax assets arising from unused tax losses and tax credits of the Company to the extent that it is probable that future taxable profits of the tax consolidated group will be available against which the asset can be utilised.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Tax consolidation legislation (continued)

Any current tax liabilities (or assets) and deferred tax assets arising from unused tax losses or tax credits assumed by the Head Company from the members in the tax consolidated group are recognised in conjunction with any tax funding arrangements amounts.

The members of the tax consolidated group have entered into a tax funding arrangement which sets out the funding obligations of members of the tax consolidated group in respect of tax amounts. The tax funding arrangements generally require payments to/from the Head Company equal to the current tax liability (asset) assumed by the Head Company and any tax loss or tax credit deferred tax asset assumed by the Head Company.

The members of the tax consolidated group have also entered into a valid Tax Sharing Agreement under the tax consolidation legislation which sets out the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations and the treatment of entities leaving the tax consolidated group.

(g) 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.

1 Summary of significant accounting policies (continued)

(g) Leases (continued)

- 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.

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(o)).

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.

(h) 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 cost 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)

(i) 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.

(j) 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.

(k) 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 of spares and stores, is stated at the lower of costs and net realisable value. Cost is determined on a weighted average basis less a provision for obsolescence.

(l) 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.

(m) 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.

1 Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

A derivative with a positive fair value is recognised as a financial assets 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.

(n) 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)

(o) 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 profit or 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 the end of each reporting period.

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(h)).

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

(p) 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 its sales, or
- 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 or 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.

1 Summary of significant accounting policies (continued)

(q) 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 and mining right 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.

(r) 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 unit 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.

(s) Intangible assets

(i) 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.

(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.

1 Summary of significant accounting policies (continued)

(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 risks specific to the liability. The increase in the provisions due to the passage of time is recognised as 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.

(v) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including monetary benefits such as accumulating annual leave is expected to be settled within 12 months of the reporting date are recognised in the provision for employee benefits 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.

1 Summary of significant accounting policies (continued)

(y) Provision for restoration and rehabilitation (continued)

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.

(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.

1 Summary of significant accounting policies (continued)

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

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 judgement 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.

(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 2019.

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

- AASB 16 *Leases*
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle
- AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements
- Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments.

Impact of initial application of AASB 16 *Leases*

In the current year, the Company has applied AASB 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

1 Summary of significant accounting policies (continued)

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

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Company's financial statements is described below.

The date of initial application of AASB 16 for the Company is 1 April 2019.

The Company has applied AASB 16 using the modified retrospective approach which:

- Requires the Company to recognise the cumulative effect of initially applying AASB 16 as an adjustment to the opening balance of retained earnings at the date of initial application.
- Does not permit restatement of comparatives, which continue to be presented under AASB 117.

Lease definition

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in AASB 117.

The Company applies the definition of a lease and related guidance set out in AASB 16 to all lease contracts entered into or changed on or after 1 April 2019 (whether it is a lessor or a lessee in the lease contract).

Explanatory note on application (Lessee Accounting)
Former operating leases

AASB 16 changes how the Company accounts for leases previously classified as operating leases under AASB 117, which were off balance sheet.

Applying AASB 16, for all leases (except as noted below), the Company:

- Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with AASB 16; and
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss.

Lease incentives (e.g. rent free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under AASB 117 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses on a straight line basis.

Under AASB 16, right-of-use assets are tested for impairment in accordance with AASB 136.

Former finance leases

For leases that were classified as finance leases applying AASB 117, the carrying amount of the leased assets and obligations under finance leases measured applying AASB 117 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Company has elected to apply the low-value lease recognition exemption. The right-of-use asset and the lease liability are accounted for applying AASB 16 from 1 April 2019.

The Company has applied a modified retrospective approach and therefore, the comparative figures have not been restated within accompanying financial statements.

1 Summary of significant accounting policies (continued)

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

Other pronouncements adopted for the first time in the current period

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 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures

The Company has adopted the amendments to AASB 128 Investments in Associates and Joint Ventures for the first time in the current year. The amendment clarifies that AASB 9 *Financial Instruments*, including its impairment requirements, applies to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. The Company applies AASB 9 to such long-term interests before it applies AASB 128. In applying AASB 9, the Company does not take account of any adjustments to the carrying amount of long-term interests required by AASB 128 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with AASB 128).

AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015–2017 Cycle

The Company has adopted the amendments included in AASB 2008-1 for the first time in the current year. The Standard include amendments to three Standards:

- AASB 112 *Income Taxes* – The amendments clarify that the Company should recognise the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the Company originally recognised the transactions that generated the distributable profits. This is the case irrespective of whether different tax rates apply to distributed and undistributed profits
- AASB 123 *Borrowing Costs* – The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings
- AASB 11 *Joint Arrangements* - The amendments clarify that when a party that participates in, but does not have joint control of, a joint operation that is a business obtains joint control of such a joint operation, the Company does not remeasure its previously held interest in the joint operation.

AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

AASB 2018-3 establishes the disclosure requirements of AASB 16 *Leases* in financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (RDR). These disclosure requirements have been applied by the Company in presenting and disclosing information in these financial statements.

Interpretation 23 Uncertainty over Income Tax Treatments

The Company has adopted Interpretation 23 for the first time in the current year. Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Company to:

- Determine whether uncertain tax positions are assessed separately or as an entity
- Assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the Company should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings
  - If no, the Company should reflect the effect of uncertainty in determining its accounting tax position using either the most likely amount or the expected value method.

1 Summary of significant accounting policies (continued)

(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)
AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*	1 April 2020
AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*	1 April 2020
AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*	1 April 2020
AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*	1 April 2020

2 Revenue and other income

	2020 **$'000**	2019 $'000
From continuing operations:		
a) Sales revenue		
Sales of iron ore	**1,154,623**	729,737
Foreign exchange loss on cash flow hedges (net)	**(1,478)**	(4,818)
	1,153,145	724,919
b) Other income		
Interest	**11,985**	14,770
Foreign exchange gain (net)	**9,552**	3,623
Net gain on sale of property, plant and equipment	**133**	10
Other income	**258**	108
	21,928	18,511

3 Expenses

	2020 **$'000**	2019 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment	**54,797**	52,167
Deferred expenditure	**738**	5,601
Right-of-use asset	**956**	-
	56,491	57,768
Amortisation		
Intangible assets	**591**	15
Mining rights	**623**	623
	1,214	638
Total depreciation and amortisation	**57,705**	58,406
Finance costs		
Unwinding of discount on rehabilitation provision	**3,703**	3,406
Interest expense	**177**	23
	3,880	3,429
Other expenses		
Employee benefits expenses	**871**	946
Other expenses	**3,919**	2,939
	4,790	3,885

4 Income tax

(a) The major components of income tax expense are:

	2020 $'000	2019 $'000
Current tax		
Current income tax expense in respect of current year	**206,522**	103,153
(Over)/under income tax provision in prior years	**(652)**	1,676
	205,870	104,829
Deferred tax		
Deferred income tax benefit recognised in the current year	**(1,360)**	(5,124)
Under/(over) deferred income tax provision in prior years	**754**	(3,319)
	(606)	(8,443)
Total income tax expense recognised in the current year	**205,264**	96,386
Deferred tax through other comprehensive income		
Deferred income tax expense recognised in the current year	**352**	-
Deferred income tax is comprised of:		
(Increase)/Decrease in deferred tax assets	**(1,201)**	7,069
Increase/(Decrease) in deferred tax liabilities	**947**	(15,512)
	(254)	(8,443)

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

	2020 $'000	2019 $'000
Accounting profit/(loss) before income tax	**683,692**	327,341
Income tax expense calculated at rate of 30%	**205,108**	98,202
Tax effect of current year permanent adjustments	**53**	(173)
Under/(over) income tax provision in prior years	**102**	(1,643)
Income tax reported in the statement of profit or loss	**205,264**	96,386

(c) Deferred tax assets/liabilities

	2020 $'000	2019 $'000
Deferred tax assets expected to be recovered within 12 months	**797**	3,460
Deferred tax assets expected to be recovered after more than 12 months	**34,849**	30,984
	35,646	34,444
Deferred tax liabilities expected to be settled within 12 months	**1,330**	954
Deferred tax liabilities expected to be settled after more than 12 months	**31,898**	31,327
	33,228	32,281
Total net deferred tax assets	**2,418**	2,163

5 Current assets – Cash and cash equivalents

	2020 $'000	2019 $'000
Cash at bank and on hand	**128,842**	166,552
	128,842	166,552

6 Current assets – Trade and other receivables

	2020 $'000	2019 $'000
Net trade receivables		
Trade receivables	**50,947**	28,497
Loss allowance	**(229)**	(336)
	50,718	28,161
Net other receivables		
Accrued interest	**1,539**	2,016
Term deposits (Greater than 3 months term)	**430,000**	430,151
Hedge receivable	**1,173**	-
Other receivables	**3,856**	2,492
	436,568	434,659
Total trade and other receivables	**487,286**	462,820

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

	2020 $'000	2019 $'000
Ore in process		
- at cost	**24,746**	24,260
Warehouse inventories		
- lower of cost or net realisable value	**6,268**	3,284
	31,014	27,544

8 Non-current assets – Inventories

	2020 $'000	2019 $'000
Ore in process		
- at cost	**9,619**	8,132
Warehouse inventories		
- lower of cost or net realisable value	**607**	318
	10,226	8,450

9 Non-current assets – Deferred expenditure

	2020 $'000	2019 $'000
Development stripping		
Cost	**2,389**	2,389
Accumulated depreciation	**(1,054)**	(826)
Net book amount	**1,335**	1,563
Production stripping		
Cost	**34,896**	26,617
Accumulated depreciation	**(20,115)**	(19,604)
Net book amount	**14,781**	7,013
Total deferred expenditure	**16,116**	8,576

10 Non-current assets – Property, plant and equipment

	Construction in progress $'000	Land, buildings, property, plant & equipment $'000	Exploration evaluation & development $'000	Leasehold assets $'000	Rehabilitation asset $'000	Total $'000
At 31 March 2019						
Cost	109,414	863,054	27,347	8,011	41,005	**1,048,831**
Accumulated depreciation and impairment	-	(471,548)	(3,347)	(2,179)	(24,912)	**(501,986)**
Net book amount	109,414	391,506	24,000	5,832	16,093	**546,845**
At 31 March 2020						
Cost	247,062	882,776	31,873	8,011	66,631	**1,236,353**
Accumulated depreciation and impairment	-	(511,131)	(4,528)	(2,500)	(27,362)	**(545,521)**
Net book amount	247,062	371,645	27,345	5,511	39,269	**690,832**

Accumulated impairment losses are recognised for property, plant & equipment ($46.1m) at 31 March 2020.
(2019: $42.8m).

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

	2020	2019
	$'000	$'000
Right-of-use assets	**9,032**	-
Less: Accumulated depreciation	**(956)**	-
Written down value	**8,076**	-

12 Non-current assets – Intangible assets

	Mining rights	Other	**Total**
	$'000	$'000	**$'000**
At 31 March 2019			
Cost	32,544	5,067	**37,611**
Accumulated amortisation	(14,819)	(5,050)	**(19,869)**
Net book amount	17,725	17	**17,742**
At 31 March 2020			
Cost	32,544	5,746	**38,290**
Accumulated amortisation	(15,442)	(5,309)	**(20,751)**
Net book amount	17,102	437	**17,539**

13 Current liabilities – Trade and other payables

	2020	2019
	$'000	$'000
Trade Payables	**56,223**	34,279
Accrued expenses	**21,623**	18,390
Other payables	**3,165**	3,746
Intercompany tax payable	**62,804**	15,336
	143,815	71,751

14 Current liabilities – Provisions

	2020	2019
	$'000	$'000
Employee benefits	**529**	492
Other provisions	**1,827**	10,730
	2,356	11,222

15 Lease liabilities

	2020 $'000	2019 $'000
Within one year	**2,588**	-
More than one year	**5,801**	-
	8,389	-

16 Non-current liabilities – Provisions

	2020 $'000	2019 $'000
Mine rehabilitation	**91,555**	62,510
Employee benefits	**21**	21
Lease provision	**-**	999
	91,576	63,530

17 Issued capital

Share Capital

	2020 $'000	2019 $'000
Fully paid ordinary shares (8,000,000 shares)	**8,000**	8,000
Total contributed equity	**8,000**	8,000

18 Other reserves and retained earnings

(a) Other reserves

Movements in cash flow hedging reserve were as follows:	**2020** **$'000**	2019 $'000
Hedging reserve - cash flow hedges		
Balance at the beginning of the year	**-**	-
Loss on changes in FV of hedging instruments during the year (net of tax)	**(1,035)**	(3,373)
Reclassified to the profit or loss	**1,035**	3,373
Revaluation	**1,173**	-
Related income tax	**(352)**	-
Balance at the end of the year	**821**	-

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

Movements in accumulated retained earnings were as follows:	**2020** **$'000**	2019 $'000
Balance 1 April	**1,090,749**	1,079,794
Net profit for the year	**478,428**	230,955
Dividends paid	**(429,000)**	(220,000)
Balance 31 March	**1,140,177**	1,090,749

19 Dividends

Ordinary shares

	2020 **$'000**	2019 $'000
Interim dividend	**138,000**	119,000
Final dividend	**291,000**	101,000
	429,000	220,000

20 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

	2020	2019
	$	$
Deloitte Touche Tohmatsu Australian firm		
Audit and review of financial reports under the Corporations Act 2001 and other audit work	**170,836**	171,730
Other assurance services		
Other audit services	**-**	71,050
Total remuneration for audit services	**170,836**	242,780

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.

21 Commitments

Capital commitments

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

	2020	2019
	$'000	$'000
Property, plant & equipment		
Payable:		
Within one year	**72,539**	31,690
	72,539	31,690

22 Interests in joint operations

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

		Ownership interest	
		2020	2019
Mount Goldsworthy Mining Associates Joint Venture	(i)	**7%**	7%
Yandi Joint Venture	(i)	**7%**	7%
Posmac Joint Venture	(ii)	**7%**	7%

(i) These joint ventures have a 31 March year end.
(ii) This joint ventures has a 31 December year end.

The financial statements include some interests in joint ventures with different fiscal year-ends from that of the Company. Adjustments are made for the effects of significant transactions or events that occur due to differences of fiscal year-ends.

23 Subsequent events

Subsequent to the end of the financial year, the Company has been made aware of possible overpayments of port charges made by the Company to BHP. The investigation into the amount of overpayment is ongoing and the receipt of any refund remains subject to verification and agreement between the Company and BHP. No refund amount has been recognised in the Company's 31 March 2020 financial statements.

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 2020 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 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 disturbance is expected to be temporary.

Other than the above, 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.

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

	2020 **$'000**	2019 $'000
Profit for the year	**478,428**	230,955
Depreciation and amortisation of non current assets	**57,705**	58,406
Net (gain) on disposal of property, plant and equipment	**(133)**	(10)
Impairment loss on property, plant and equipment	**3,163**	-
(Decrease) in deferred tax balance	**(607)**	(8,443)
Change in operating assets and liabilities:		
(Increase) in current receivables	**(23,293)**	(143,454)
(Increase) in current inventories	**(3,470)**	(3,215)
Decrease in other current assets	**316**	1,202
(Increase) in non-current inventories	**(1,776)**	(2,738)
Increase in current payables	**72,064**	1,213
(Decrease)/Increase in current provisions	**(8,866)**	10,675
Increase in other current liabilities	**1,772**	-
Increase in non-current provisions	**2,420**	413
Net cash generated by operating activities	**577,723**	145,004

25 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:

- Gain on sales of property, plant & equipment amounting $132,874
- Impairment charges $3,163,658