

Mitsui Iron Ore Corporation Pty Ltd

ABN 16 050 157 456

Annual report for the financial year ended 31 March 2023

Mitsui Iron Ore Corporation Pty Ltd

Annual report - 31 March 2023

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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 2023. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The following persons held office as directors of the Company during the financial year and up to the date of this report:

Motoi Yamamoto
 Toru Kojima (resigned 31 May 2023)
 Hideaki Kusaka (appointed 1 June 2023)
 Takeo Okubo
 Gavin Patterson (alternate director for Motoi Yamamoto)
 Daizo Ishii (alternate director for Toru Kojima) (resigned 31 May 2023)
 Isao Sato (alternate director for Hideaki Kusaka) (appointed 1 June 2023)
 Shintaro Sato (alternate director for Takeo Okubo)

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; and
- (c) 7% interest in the Posmac Joint Venture

The Joint Ventures are engaged in iron ore operations (including mining, processing, product blending, raiiling, shipping & sales). During the financial year there was no significant change in the nature of these activities.

Dividends

	2023	2022
	\$'000	\$'000
Interim ordinary dividend	346,000	528,000
Final ordinary dividend of the prior financial year	295,000	60,000
	641,000	588,000

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 2023 was down 16% at \$1,601,664,000 compared to the previous financial year of \$1,914,346,000. This is mainly due to the lower iron ore price achieved throughout the year and decrease in sales volumes, offset by favourable foreign exchange. The net profit after tax of \$658,060,000 for the financial year was a decrease of approximately 20% over the previous financial year of \$826,218,000.

Total Goldsworthy sales volumes (100% Joint Venture level) were higher than last financial year at 125.1 Mwmt (2022: 95.9 Mwmt). MAC product sales represented 100% of the total Goldsworthy sales. MAC sales destinations were made up of China at 104.6 Mwmt (2022: 81.8 Mwmt), Korea at 7.6 Mwmt (2022: 4.8 Mwmt), Japan at 9.9 Mwmt (2022: 6.8 Mwmt), Taiwan at 1.5 Mwmt (2022: 1.6 Mwmt) and Other Asia at 1.5 Mwmt (2022: 0.9 Mwmt).

Yandi ore sales volumes (100% Joint Venture level) were lower than last financial year at 26.4 Mwmt (2022: 60.2 Mwmt). Shipments to China were 17.4 Mwmt (2022: 40.9 Mwmt). Korea sales were 4.0 Mwmt (2022: 10.1 Mwmt) and Japan were 3.6 Mwmt (2022: 7.4 Mwmt). The remaining 2023 Yandi sales mix was made up of Taiwan at 0.6 Mwmt (2022: 1.4 Mwmt) and Other Asia at 0.8 Mwmt (2022: 0.4 Mwmt).

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 financial year ended 31 March 2023, a final ordinary dividend of \$314,000,000 was declared on 26 May 2023 and was paid on 7 June 2023.

On 1st June 2023, BHP announced it has identified issues with certain allowances and entitlements affecting a number of its current and former employees in Australia across various BHP assets which includes employees of Western Australia Iron Ore ("WAIO") Joint Ventures which the Company is exposed through its unincorporated joint venture holdings. Based on current available information, which is very limited and not available by assets, BHP estimates that the cost of remediating the leave and contracting issue across all BHP assets approximates \$450,000,000 (pre-tax at 100% asset level). The WAIO exposure (and therefore the Company's share of exposure) is anticipated to be a large proportion of this total liability, which BHP unofficially indicated. Management had applied its best estimate on this exposure based on judgment with current very limited known information from the Operator as above. For the purpose of current financial year ended 31 March 2023, management had treated this event as an adjusting subsequent event and accordingly have provided for the estimated exposure cost in accordance to accounting standards.

Other than the matters outlined above, there has not been any other 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 secretaries, 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*.

A handwritten signature in black ink that reads "Motoi Yamamoto". The signature is written in a cursive, flowing style.

Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 26th July 2023

26 July 2023

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

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 report of Mitsui Iron Ore Corporation Pty Ltd for the year ended 31 March 2023, 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



D K Andrews
Partner
Chartered Accountants

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

Opinion

We have audited the financial report of Mitsui Iron Ore Corporation Pty Ltd (the "Company") which comprises the statement of financial position as at 31 March 2023, 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:

- Giving a true and fair view of the Company's financial position as at 31 March 2023 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards – Simplified Disclosures 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 2023, 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 – Simplified Disclosures 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



D K Andrews

Partner

Chartered Accountants

Perth, 26 July 2023

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.

A handwritten signature in black ink that reads "Motoi Yamamoto". The signature is written in a cursive, flowing style.

Motoi Yamamoto
President and Managing Director
Place: Perth
Date: 26th July 2023

Mitsui Iron Ore Corporation Pty Ltd

Annual report - 31 March 2023

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Mitsui Iron Ore Corporation Pty Ltd
Statement of profit or loss and other comprehensive income
For the year ended 31 March 2023

	Notes	2023 \$'000	2022 \$'000
Revenue	2(a)	1,602,309	1,913,837
Other income	2(b)	30,492	7,401
Joint Venture operating costs		(278,191)	(239,553)
Royalties		(163,126)	(188,247)
Depreciation and amortisation expense	3	(83,563)	(112,737)
Impairment losses		(507)	(513)
Shipping costs		(121,616)	(143,984)
Sales commission expense		(36,971)	(44,783)
Service fees		(1,006)	(1,546)
Finance costs	3	(10,108)	(4,324)
Other expenses	3	(6,755)	(5,445)
Profit before income tax		930,958	1,180,106
Income tax expense	4	(277,658)	(353,888)
Profit for the year		653,300	826,218
 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)	18(a)	452	(356)
Reclassified to the profit or loss statement	18(a)	(452)	356
Total cash flow hedge reserve		-	-
 Total comprehensive income for the year		653,300	826,218

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 2023

	Notes	2023 \$'000	2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	5	140,449	146,250
Trade and other receivables	6	683,323	694,963
Inventories	7	56,142	49,358
Prepayments		818	855
Other financial assets		2,440	8,731
Total current assets		883,172	900,157
Non-current assets			
Inventories	8	2,041	7,390
Deferred expenditure	9	38,106	32,657
Property, plant and equipment	10	750,512	714,425
Deferred tax assets	4	90,857	63,292
Right-of-use assets	11	4,016	5,785
Intangible assets	12	16,831	16,178
Total non-current assets		902,363	839,727
Total assets		1,785,535	1,739,884
LIABILITIES			
Current liabilities			
Trade and other payables	13	72,559	125,376
Provisions	14	19,458	11,808
Lease liabilities	15	977	1,881
Other financial liabilities		317	-
Total current liabilities		93,311	139,065
Non-current liabilities			
Deferred tax liabilities	4	59,545	35,559
Provisions	16	171,051	115,205
Lease liabilities	15	3,493	4,220
Total non-current liabilities		234,089	154,984
Total liabilities		327,400	294,049
Net assets		1,458,135	1,445,835
EQUITY			
Issued capital	17	8,000	8,000
Retained earnings	18(b)	1,450,135	1,437,835
Total equity		1,458,135	1,445,835

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

Mitsui Iron Ore Corporation Pty Ltd
Statement of changes in equity
For the year ended 31 March 2023

	Notes	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 April 2021		8,000	-	1,199,617	1,207,617
Profit for the year		-	-	826,218	826,218
Loss on changes in FV of hedging instruments (net of tax)	18(a)	-	(356)	-	(356)
Reclassified to the profit or loss statement	18(a)	-	356	-	356
Revaluation	18(a)	-	-	-	-
Total comprehensive income for the year		-	-	826,218	826,218
Dividends provided for or paid	20	-	-	(588,000)	(588,000)
Balance at 31 March 2022		8,000	-	1,437,835	1,445,835
 Balance at 1 April 2022		 8,000	 -	 1,437,835	 1,445,835
Profit for the year		-	-	653,300	653,300
Gain on changes in FV of hedging instruments (net of tax)	18(a)	-	452	-	452
Reclassified to the profit or loss statement	18(a)	-	(452)	-	(452)
Revaluation	18(a)	-	-	-	-
Total comprehensive income for the year		-	-	653,300	653,300
Dividends provided for or paid	20	-	-	(641,000)	(641,000)
Balance at 31 March 2023		8,000	-	1,450,135	1,458,135

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

Mitsui Iron Ore Corporation Pty Ltd
Statement of cash flows
For the year ended 31 March 2023

	2023	2022
Notes	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	1,629,996	1,927,172
Payments to suppliers and employees	(606,221)	(630,475)
Interest paid	(198)	(242)
Interest received	15,718	3,448
Income taxes paid	(328,304)	(411,243)
Net cash generated by operating activities	710,991	888,660
24	<hr/>	<hr/>
Cash flows from investing activities		
Payments for property, plant and equipment	(62,782)	(59,661)
Payments for deferred expenditure	(12,263)	(14,573)
Withdrawal/(Placement) of cash in term deposits greater than 3 months	402	(184,965)
Proceeds/(Payments) from sale of property, plant and equipment	165	(152)
Net cash used in investing activities	(74,478)	(259,351)
Cash flows from financing activities		
Payments of other financial & lease liabilities	(1,314)	(2,064)
Dividends paid	(641,000)	(588,000)
Net cash used in financing activities	(642,314)	(590,064)
Net (decrease) / increase in cash and cash equivalents		
	(5,801)	39,245
Cash and cash equivalents at the beginning of the financial year	146,250	107,005
Cash and cash equivalents at end of financial year	140,449	146,250
5	<hr/>	<hr/>

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 dollars.

Mitsui Iron Ore Corporation 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 – Simplified Disclosures for For-Profit Entities, 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 26th July 2023.

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.

(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) 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 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 at the load port or truck at a designated China port. 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.

(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.

(g) 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.

1 Summary of significant accounting policies (continued)

(g) Income tax (continued)

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.

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.

(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 comprise:

- 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.

1 Summary of significant accounting policies (continued)

(h) Leases (continued)

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 lease 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(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 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)

(j) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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 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.

(m) 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.

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 18(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 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 | 20 - 50 years |
| • Plant and equipment | 3 - 30 years straight-line |
| • Exploration evaluation and development | Based on the estimate life of reserves on a unit of production basis |
| • 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(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 reliably.

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.

(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 its 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 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.

(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 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.

(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 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.

1 Summary of significant accounting policies (continued)

(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.

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 net basis.

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 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.

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 2022.

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

- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Entities*
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures*
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments*

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 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments

Makes amendments to the following Standards:

- Annual improvements:
 - AASB 9 *Financial Instruments* to clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of AASB 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity (the borrower) and the lender, including fees.
 - AASB 16 *Leases* to amend Illustrative Example 13 to remove the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- AASB 116 *Property, Plant and Equipment* to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.
- AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* to specify that the 'cost of fulfilling' an onerous contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities

A separate disclosure Standard applied in the preparation of general purpose financial statements prepared in accordance with 'Tier 2' of the differential reporting framework in AASB 1053 *Application of Tiers of Australian Accounting Standards*. Entities preparing general purpose financial statements in accordance with this Standard are not required to comply with the disclosure requirements of other Australian Accounting Standards. However, the recognition and measurement requirements of all Australian Accounting Standards must be applied. The disclosure requirements in AASB 1060 replace those required under 'Reduced Disclosure Requirements' (RDR) which shaded those disclosure requirements of Australian Accounting Standards that were not applicable to Tier 2 entities. The number of disclosures required by this Standard are generally less than RDR.

1 Summary of significant accounting policies (continued)

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

AASB 2020-7 Amendments to Australian Accounting Standards – COVID-19-Related Rental Concessions Tier 2 Disclosures

Adds disclosure requirements for entities applying AASB 1060 that have applied the practical expedient in AASB 16 for the accounting for COVID-19-related rent concessions.

AASB 2020-9 Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments

Amends the Tier 2 (Simplified Disclosures) requirements in AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* to provide relief for entities applying AASB 1060 from disclosing the financial effects of changing accounting policies in response to interest rate benchmark reform. The interest rate benchmark reform amendments (issued in September 2020) were addressed in AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*.

(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 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i> , AASB 2015-10 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i> and AASB 2017-5 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i> , AASB 2021-7 <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i>	1 April 2023 and 1 April 2025
AASB 2020-1 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current</i> and AASB 2020-6 <i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date</i>	1 April 2024
AASB 2021-2 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates</i>	1 April 2023
AASB 2021-5 <i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 April 2023
AASB 2021-6 <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i>	1 April 2023

2 Revenue and other income

	2023 \$'000	2022 \$'000
From continuing operations:		
a) Sales revenue		
Sales of iron ore	1,601,664	1,914,346
Foreign exchange gain/(loss) on cash flow hedges (net)	645	(509)
	<u>1,602,309</u>	<u>1,913,837</u>
b) Other income		
Interest	17,087	3,341
Foreign exchange gain (net)	12,976	3,145
Net gain on sale of property, plant and equipment	165	-
Other income	264	915
	<u>30,492</u>	<u>7,401</u>
Total revenue and other income	<u>1,632,801</u>	<u>1,921,238</u>

3 Expenses

	2023 \$'000	2022 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Property, plant and equipment	74,328	106,176
Deferred expenditure	6,814	4,301
Right-of-use asset	635	1,149
	<u>81,777</u>	<u>111,626</u>
<i>Amortisation</i>		
Intangible assets	1,542	488
Mining rights	244	623
	<u>1,786</u>	<u>1,111</u>
Total depreciation and amortisation	<u>83,563</u>	<u>112,737</u>
<i>Finance costs</i>		
Unwinding of discount on rehabilitation provision	9,910	4,082
Interest expense	198	242
	<u>10,108</u>	<u>4,324</u>
<i>Other expenses</i>		
Net loss on sale of property, plant and equipment	-	152
Employee benefits	1,406	797
Other expenses	5,349	4,496
	<u>6,755</u>	<u>5,445</u>

4 Income tax

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

	2023 \$'000	2022 \$'000
Current tax		
Current income tax expense in respect of current year	284,881	368,511
Over income tax provision in prior years	<u>(3,644)</u>	<u>(196)</u>
	<u>281,237</u>	<u>368,315</u>
Deferred tax		
Deferred income tax benefit recognised in the current year	(6,690)	(14,154)
Under/(Over) deferred income tax provision in prior years	<u>3,111</u>	<u>(273)</u>
	<u>(3,579)</u>	<u>(14,427)</u>
Total income tax expense recognised in the current year	<u>277,658</u>	<u>353,888</u>
Deferred income tax is comprised of:		
Increase in deferred tax assets	(27,565)	(15,279)
Increase in deferred tax liabilities	<u>23,986</u>	<u>851</u>
	<u>(3,579)</u>	<u>(14,428)</u>

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

	2023 \$'000	2022 \$'000
Accounting profit before income tax	930,958	1,180,106
Income tax expense calculated at rate of 30%	279,287	354,032
Tax effect of current year permanent adjustments	(1,096)	326
Over income tax provision in prior years	<u>(533)</u>	<u>(469)</u>
Income tax reported in the statement of profit or loss	<u>277,658</u>	<u>353,888</u>

(c) Deferred tax assets/liabilities

	2023 \$'000	2022 \$'000
Deferred tax assets expected to be recovered within 12 months	6,442	4,359
Deferred tax assets expected to be recovered after more than 12 months	<u>84,415</u>	<u>58,933</u>
	<u>90,857</u>	<u>63,292</u>
Deferred tax liabilities expected to be settled within 12 months	601	360
Deferred tax liabilities expected to be settled after more than 12 months	<u>58,944</u>	<u>35,199</u>
	<u>59,545</u>	<u>35,559</u>
Total net deferred tax assets	<u>31,312</u>	<u>27,733</u>

4 Income tax (continued)

(d) Temporary differences

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

Balance at 31 March 2023	Opening balance \$'000	Recognised in profit or loss \$'000	Closing balance \$'000
Trade and other receivables	(142)	(48)	(190)
Unrealised forex (gains) / losses	157	(250)	(93)
Inventories	2,105	(83)	2,022
Property, plant and equipment	5,112	(1,276)	3,836
Deferred expenditure	(8,719)	(2,671)	(11,390)
Financial assets	(1,735)	530	(1,205)
Loss allowance	44	(24)	20
Provisions	29,081	7,890	36,971
Financial liabilities	1,830	(489)	1,341
Total temporary differences	27,733	3,579	31,312

Balance at 31 March 2022	Opening balance \$'000	Recognised in profit or loss \$'000	Closing balance \$'000
Trade and other receivables	(114)	(28)	(142)
Unrealised forex (gains) / losses	1,576	(1,419)	157
Inventories	(76)	2,181	2,105
Property, plant and equipment	(2,471)	7,583	5,112
Deferred expenditure	(5,772)	(2,947)	(8,719)
Financial assets	(2,080)	345	(1,735)
Loss allowance	24	20	44
Provisions	20,116	8,965	29,081
Financial liabilities	2,102	(272)	1,830
Total temporary differences	13,305	14,428	27,733

5 Current assets – Cash and cash equivalents

	2023 \$'000	2022 \$'000
Cash at bank and on hand	140,449	146,250

6 Current assets – Trade and other receivables

	2023 \$'000	2022 \$'000
Net trade receivables		
Trade receivables	68,648	85,053
Loss allowance	(68)	(148)
	<u>68,580</u>	<u>84,905</u>
Net other receivables		
Accrued interest	1,732	363
Term deposits	606,598	607,000
Other receivables	2,487	2,695
Intercompany tax receivable	3,926	-
	<u>614,743</u>	<u>610,058</u>
Total trade and other receivables	<u>683,323</u>	<u>694,963</u>

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

	2023 \$'000	2022 \$'000
Ore in process		
- lower of cost or net realisable value	51,899	45,345
Warehouse inventories		
- lower of cost or net realisable value	4,243	4,013
	<u>56,142</u>	<u>49,358</u>

8 Non-current assets – Inventories

	2023 \$'000	2022 \$'000
Ore in process		
- lower of cost or net realisable value	1,566	6,829
Warehouse inventories		
- lower of cost or net realisable value	475	561
	<u>2,041</u>	<u>7,390</u>

9 Non-current assets – Deferred expenditure

	2023 \$'000	2022 \$'000
Development stripping		
Cost	10,380	10,301
Accumulated depreciation	(5,641)	(4,298)
Net book amount	<u>4,739</u>	<u>6,003</u>
Production stripping		
Cost	65,990	53,806
Accumulated depreciation	(32,623)	(27,152)
Net book amount	<u>33,367</u>	<u>26,654</u>
Total deferred expenditure	<u>38,106</u>	<u>32,657</u>

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 2022						
Cost	33,678	1,259,738	37,539	8,011	93,940	1,432,906
Accumulated depreciation and impairment	-	(637,485)	(8,870)	(3,140)	(68,986)	(718,481)
Net book amount	<u>33,678</u>	<u>622,253</u>	<u>28,669</u>	<u>4,871</u>	<u>24,954</u>	<u>714,425</u>
At 31 March 2023						
Cost	68,217	1,276,311	37,559	8,011	145,154	1,535,252
Accumulated depreciation and impairment	-	(693,135)	(10,374)	(3,461)	(77,770)	(784,740)
Net book amount	<u>68,217</u>	<u>583,176</u>	<u>27,185</u>	<u>4,550</u>	<u>67,384</u>	<u>750,512</u>

Accumulated impairment losses are recognised for property, plant & equipment (\$49.0m) at 31 March 2023 (2022: \$48.5m).

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

	2023	2022
	\$'000	\$'000
Right-of-use assets	5,682	9,040
Less: Accumulated depreciation	(1,666)	(3,255)
Written down value	4,016	5,785

12 Non-current assets – Intangible assets

	Mining rights \$'000	Other \$'000	Total \$'000
At 31 March 2022			
Cost	32,544	6,603	39,147
Accumulated amortisation	(16,687)	(6,282)	(22,969)
Net book amount	15,857	321	16,178
At 31 March 2023			
Cost	32,544	9,042	41,586
Accumulated amortisation	(16,930)	(7,825)	(24,755)
Net book amount	15,614	1,217	16,831

13 Current liabilities – Trade and other payables

	2023	2022
	\$'000	\$'000
Trade Payables	27,742	32,505
Accrued expenses	39,925	44,809
Other payables	4,892	4,921
Intercompany tax payable	-	43,141
	72,559	125,376

14 Current liabilities – Provisions

	2023	2022
	\$'000	\$'000
Employee benefits	7,519	617
Other provisions	2,691	2,289
Mine rehabilitation	9,248	8,902
	19,458	11,808

15 Current and Non-current liabilities - Lease liabilities

	2023	2022
	\$'000	\$'000
Within one year	977	1,881
More than one year	3,493	4,220
	4,470	6,101

16 Non-current liabilities – Provisions

	2023	2022
	\$'000	\$'000
Employee benefits	21	21
Mine rehabilitation	171,030	115,184
	171,051	115,205

17 Issued capital

Share Capital

	2023	2022
	\$'000	\$'000
Fully paid ordinary shares (8,000,000 shares)	8,000	8,000
Total contributed equity	8,000	8,000

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.

18 Other reserves and retained earnings

(a) Other reserves

	2023	2022
	\$'000	\$'000
Movements in cash flow hedging reserve were as follows:		
<i>Hedging reserve - cash flow hedges</i>		
Balance at the beginning of the year	-	-
Gain/(Loss) on changes in FV of hedging instruments during the year (net of tax)	452	(356)
Reclassified to the profit or loss statement	(452)	356
Revaluation	-	-
Related income tax	-	-
Balance at the end of the year	<u>-</u>	<u>-</u>

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

	2023	2022
	\$'000	\$'000
Movements in accumulated retained earnings were as follows:		
Balance 1 April	1,437,835	1,199,617
Net profit for the year	653,300	826,218
Dividends paid	(641,000)	(588,000)
Balance 31 March	<u>1,450,135</u>	<u>1,437,835</u>

19 Related party transactions

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

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

	<u>Service Fees</u>	
	2023	2022
	\$'000	\$'000
Mitsui & Co., Ltd	704	1,082
Mitsui & Co. (Australia) Ltd	302	464
	<u>1,006</u>	<u>1,546</u>

20 Dividends

(a) Ordinary shares

	2023 \$'000	2022 \$'000
Interim ordinary dividend	346,000	528,000
Final ordinary dividend of the prior financial year	295,000	60,000
	<u>641,000</u>	<u>588,000</u>

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

(b) Franking account balance

	2023 \$'000	2022 \$'000
Franking account balance	668,639	615,049
	<u>668,639</u>	<u>615,049</u>

21 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

	2023 \$	2022 \$
<i>Deloitte Touche Tohmatsu Australian firm</i>		
Audit and review of financial reports under the Corporations Act 2001 and other audit work	188,044	182,967
Other assurance services		
Other audit services	42,855	40,776
Total remuneration for audit services	<u>230,899</u>	<u>223,743</u>

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.

22 Commitments

Capital commitments

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

	2023	2022
	\$'000	\$'000
Property, plant & equipment Payable:		
Within one year	14,017	5,635
	14,017	5,635

23 Interests in joint operations

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

		Ownership interest	
		2023	2022
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 venture 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.

24 Reconciliation of profit after income tax to net cash generated by operating activities

	2023	2022
	\$'000	\$'000
Profit for the year	653,300	826,218
Depreciation and amortisation of non current assets	83,563	112,737
Net (gain)/loss on disposal of property, plant and equipment	(165)	152
Impairment loss on property, plant and equipment	507	513
Movement in deferred tax	(3,579)	(14,428)
Change in operating assets and liabilities:		
Decrease in current receivables	11,238	10,766
Increase in current inventories	(6,784)	(7,932)
Decrease / (Increase) in other current assets	6,328	(4,237)
Decrease in non-current right-of-use assets	1,769	1,149
Decrease in non-current inventories	5,349	3,687
(Decrease) in current payables	(52,817)	(44,848)
Increase in current provisions	7,650	9,278
Increase / (Decrease) in non-current provisions	4,632	(4,395)
Net cash generated by operating activities	710,991	888,660

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:

- Impairment charges \$507,185
- Gain on sales of property, plant & equipment amounting \$164,680

26 Financial instruments

	2023 \$'000	2022 \$'000
Cash at bank and on hand	140,449	146,250
Net trade receivables	68,580	84,905
Term deposits	606,598	607,000
Other financial assets	2,440	8,731
Trade Payables	(27,742)	(32,505)
Other financial liabilities	(317)	-
	<u>790,008</u>	<u>814,381</u>

27 Key management personnel

	2023 \$'000	2022 \$'000
Key management employee remuneration - salary	1,182	668
	<u>1,182</u>	<u>668</u>

28 Subsequent events

Subsequent to the financial year ended 31 March 2023, a final ordinary dividend of \$314,000,000 was paid on 7 June 2023.

On 1st June 2023, BHP announced it has identified issues with certain allowances and entitlements affecting a number of its current and former employees in Australia across various BHP assets which includes employees of Western Australia Iron Ore ("WAIO") Joint Ventures which the Company is exposed through its unincorporated joint venture holdings. Based on current available information, which is very limited and not available by assets, BHP estimates that the cost of remediating the leave and contracting issue across all BHP assets approximates \$450,000,000 (pre-tax at 100% asset level). The WAIO exposure (and therefore the Company's share of exposure) is anticipated to be a large proportion of this total liability, which BHP unofficially indicated. Management had applied its best estimate on this exposure based on judgment with current very limited known information from the Operator as above. For the purpose of current financial year ended 31 March 2023, management had treated this event as an adjusting subsequent event and accordingly have provided for the estimated exposure cost in accordance to accounting standards.

Other than the matters outlined above, there has not been any other 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.

29 Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 26th July 2023.