2019 ANNUAL REPORT

Prepared by MRL Capital Limited
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MRL CAPITAL LIMITED

LIHIRIANS EQUITY TRUST

The Lihirians Equity Trust (**LET**) was established to hold in trust the shares in Lihir Gold Limited (**LGL**) for the benefit of the people of the Lihir Group of Islands. From 2005 these shares were sold and the proceeds of the sale reinvested into a portfolio of assets currently managed by MRL Capital Limited (**MRL**).

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2019

OUR VISION: LIHIR DESTINY

The Lihir Destiny sets out the following key principles:

Vision
To be self-reliant and financially independent.

Mission
To create a healthy, wealthy, happy and wise community.

Parallel
To ensure development in all villages on Lihir will happen in parallel with the development of the Lihir Gold Project.

Sustainable
To encourage sustainable development on Lihir that is not dependent on the Lihir Gold Project.

Mining Development
To ensure resource development continues to proceed as per the Integrated Benefits Package and compensation for land owners.

Balanced
To ensure that development is balanced in all villages and wards on Lihir.

Stable
To ensure development on Lihir is stable and in harmony with Lihir society, not destroying or eroding the order and culture.

Non-Mining Development
To ensure the Lihir Sustainable Development Plan is not dependent on the mine.

MRL'S VISION

To create the wealth required to empower Lihirians to be independent by ensuring sustainable development in line with the Lihir Destiny.

OUR HISTORY

1995

Mineral Resources Lihir incorporated as a wholly owned subsidiary of Mineral Resources Development Company Limited (MRDC).

1997

Establishment of the Lihirians Equity Trust.

MRL acquired 77 million LGL shares (6% of LGL).

MRL appointed as Trustee of the LET.

2005

Commenced sale of 15 million shares on the ASX to settle the outstanding EUR 16 million debt with European Investment Bank.

2007

The Lihir landowners equity in the Lihir Gold Mine completely liquidated on the ASX.

2008

MRL exited the Management Agreement with MRDC.

Incorporation of wholly owned Australian subsidiary Mineral Resources Lihir Pty Ltd (**MRLP**).

First Beneficiary dividend distribution of K18 million.

2009

MRLP acquired its first property at 76 Lake St, Cairns.

Second Beneficiary dividend distribution of K20 million.

2010

MRLP acquired its second property at 120 Bunda St, Cairns.

OUR HISTORY

2011

MRLP acquired its third property at 316 Adelaide St, Brisbane.

MRL acquired properties at Doyle St and Eagle St, Lae.

2012

MRLP acquired its fourth property at 488 Queen St, Brisbane.

MRL acquired a 20% shareholding in Gazelle International Hotel.

2013

Established CSO Lihir Foundation (MRL Foundation).

2016

Acquired 100% interest in South Sea Lines Limited (**SSL**).

Construction of Blue Orchid Apartments.

Awarded 'Best Private Sector Employer' by the PNG HR Institute.

2017

Developed Five-Year Strategic Plan.

2018

Incorporation of Lihir Development Finance Corporation Limited and MRL Energy Limited.

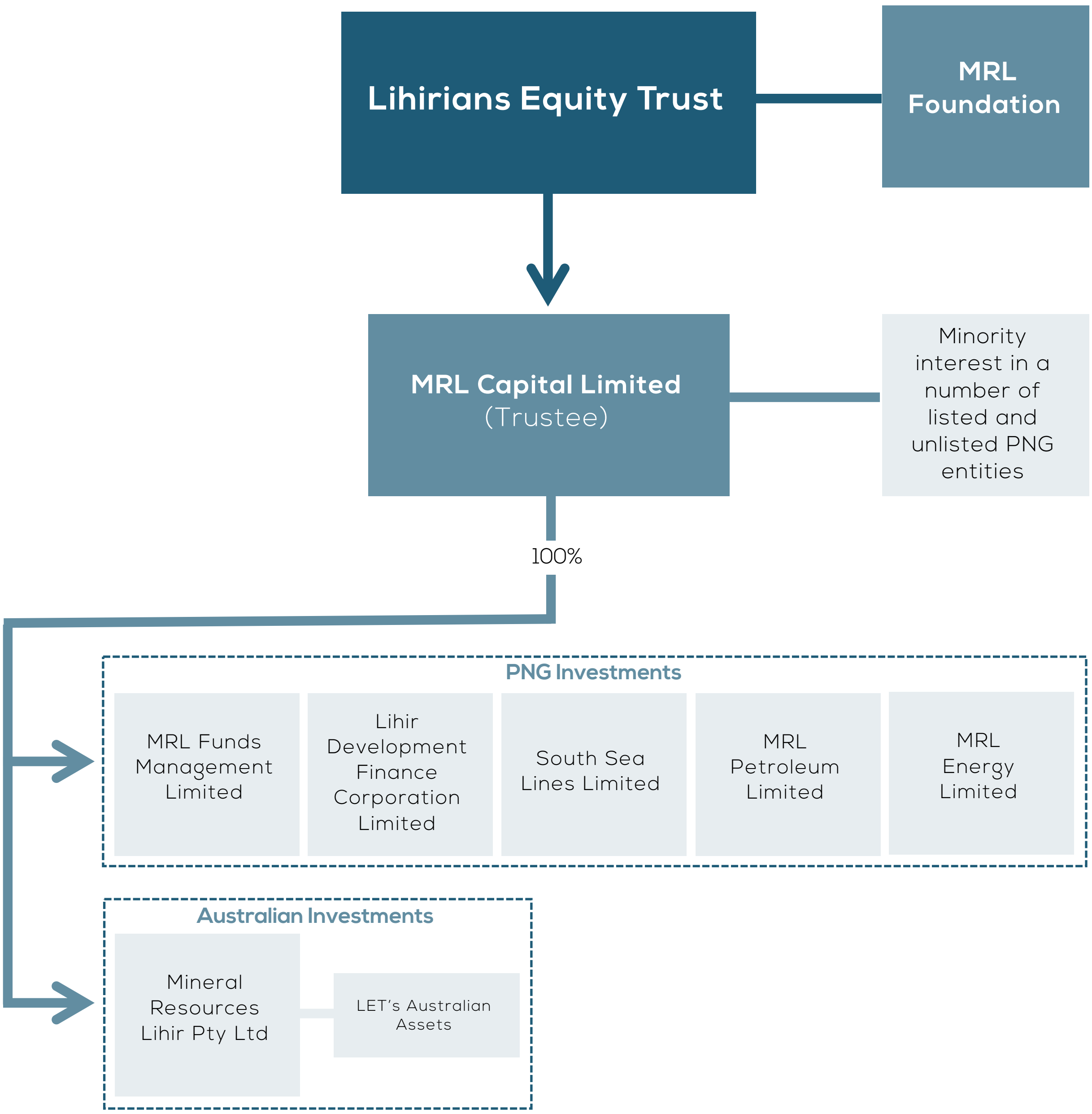
2019

MRLP acquired St Lucia Marketplace, Brisbane.

Investment in Investment Management Co Pty Limited.

Disposal of 99 Racecourse Road, Brisbane.

CORPORATE STRUCTURE



BOARD OF DIRECTORS & MANAGEMENT

Board of Directors

Mark Soipang
Board Chairman

The late
John Kapsa
Director

Cornelia Sokes
Director

Joseph Braun
Director

Jerry Morus
Director

Ludwig Musmus
Director

Executive Management

Lawrence Rausim
Chief Executive Officer

Bruce Apana
Group Corporate Counsel
& Head of Special Projects

Patrick Vagahu
Chief Financial Officer

CHAIRMAN'S STATEMENT

It gives me great pleasure as Chairman of the Board of MRL Capital Limited to present the financial results for the Lihirian Equity Trust, for the year ending 31 December 2019.

I am extremely pleased to report that as the Trustee and manager of the LET, MRL Capital Limited achieved positive results in 2019. The economic conditions during 2019 were just as challenging as 2018. Despite these ongoing challenges the Trust reported a profit.

The 2019 Financial Statements for the LET were independently audited by KPMG, who provided an Unqualified Audit Opinion. According to the audited financials, the value of the Trust's Total Assets increased by 4.79% to K500.64 million from K477.77 million. This increase was attributed to the movement in fair value of listed and unlisted investments in PNG and Mineral Resources Lihir Pty Ltd (Australia). At an operational level, the Trust recorded a profit before income tax of K3.63 million, an increase of K1.09 million when compared to the 2018 results.

2019 was the third year implementing our Five-Year Strategic Plan. The realignment of the LET's Investment Strategy with the Five-Year Strategic Plan has seen the total asset value of the LET grow by 4.79% when compared to 2018. With various investment opportunities being currently pursued, we are confident in achieving our target of increasing the total asset value of the LET to K600 million by 2021.

The achievement of a positive result during the year has enabled MRL to grow and continue to meet its obligations under the Trust Deed. That is, 50% of the profits are retained for growth and 50% for distribution, with 25% for CSO related programs and projects and 25% paid out as a distribution to Beneficiaries.

2019 also saw MRL carry out an extensive exercise to update the Beneficiaries' database. I am confident the updated database once completed will achieve the intended result of an accurate listing of all eligible Beneficiaries.

Under the CSO Charter, MRL Foundation Association Inc. continues to maintain its community service obligations on Lihir by funding projects in areas of education, health and infrastructure.

As a further testament to meeting our obligations, MRL established a new subsidiary, Lihir Development Finance Corporation (LDFC) to provide financial assistance to the clan companies and other Lihirian entities. This assistance ensures MRL is doing all it can to support all Lihirian entities achieve the "Lihir Destiny Dream".

I am pleased we have achieved a profit and will retain earnings for growth, CSO projects and beneficiary distributions. This is the purpose of having established the Lihirian Equity Trust, to provide for the long-term benefit of its Beneficiaries, the people of Lihir.

Finally, I take this opportunity to thank the Board of Directors of MRL for their contributions and support to ensure we always act in the best interests of our Beneficiaries. I would also like to acknowledge the hardworking Management Team, the staff of MRL in PNG and Australia and our external partners who have all contributed to our continued success.

Yours truly,

Mark Soipang
Chairman

LETTER FROM THE CEO

Dear Stakeholders and Beneficiaries,

Overall, the performance of the LET remained positive in 2019. The LET's financial position improved over the twelve months with net assets increasing from K462.15 million in the prior year to K478.80 million. Total Assets under management increased by K22.86 million to K500.64 million, largely driven by the positive fair value movements of the LET's investments in its subsidiaries. The LET reported Profit Before Tax of K3.63 million up K1.1 million on the previous financial year. Total Comprehensive Income for the year was K22.86 million up from K2.76 million in 2018. Despite the challenging economy the LET continued to generate positive returns.

Profit & Loss

- Total Operating Income - K14.94 million.
  Total Operating Income decreased by K0.895 million compared to K15.84 million in 2018.
- Total Operating Expense - K10.80 million.
  Total Operating Expense decreased by K2.10 million from K12.91 million in 2018.
- Total Net Operating Profit Before Tax - K3.62 million.
  Total Net Operating Profit Before tax increased by K1.09 million compared to K2.54 million in 2018.
- Total Net Profit After Tax and Other Comprehensive Income - K22.86 million.
  Total Net Profit After Tax and Other Comprehensive Income increased by K20.09 million from K2.76 million in 2018.

The improvement in the operating performance of the LET for 2019 is reflective of the focus on cost management and containment. Operating Expenses have reduced by over K2.0 million and is reflective of the measures put in place by Management to improve the overall operating performance of the LET. The movement in Total Other Comprehensive Income is attributable to the positive change in fair value of the investments held in South Sea Lines Limited and the Australian subsidiary, Mineral Resources Lihir Pty Ltd.

Balance Sheet

- Total Assets - K500.64 million.
  Total Assets increased by K22.86 million or 4.79%.
- Total Liabilities - K21.84 million.
  Total Liabilities increased by K6.20 million from K15.63 million in 2018 or 39.67%.
- Total Net Assets - K478.80 million.
  Total Net Assets increased by K16.66 million or 3.60%.

The LET balance sheet remains strong. Total Assets under management increased by 4.79% over 2019 whilst the Net Assets increased by 3.60% to K478.80 million. The increase in total assets is attributable to the positive fair value movements of investments in PNG listed and unlisted equities and the Australian subsidiary.

As at 31 December 2019 the LET had Cash and Cash Equivalents on hand of circa K5.11 million. Cash flows are closely monitored and managed so the LET can meet its financial and Beneficiary obligations.

I would like to take this time to sincerely thank our Chairman, Mark Soipang, and our Board of Directors for their continued counsel and guidance over 2019, and also acknowledge my fellow Management, colleagues and all staff in both Papua New Guinea and Australia. Thank you all for your invaluable support and commitment in continuing to deliver the results and other benefits for our Beneficiaries.

God bless MRL and its Beneficiaries!

Yours truly,

Lawrence Rausim
Chief Executive Officer

CORPORATE GOVERNANCE

MRL is the Trustee and manager of the LET. MRL seeks to meet the two primary objectives of the LET:

1. To preserve and grow the capital of the LET; and
2. To generate sufficient annual income to pay distributions to eligible Lihirians and to support a Community Service Obligation Program to improve education, health and social welfare standards for members of the clans, who are Beneficiaries of the LET.

As Trustee and manager of the LET, MRL has established an appropriate governance and Risk Management Framework for the administration of the LET.

The Board is primarily responsible for the governance and oversight of the LET and is comprised of a representative from each of the six Lihirian clans; Lamatlik, Nikama, Nissal, Tengawom, Tinetalgo and Unawos. Each Director is elected by their respective clan and serve for a term of three (3) years with eligibility for re-appointment.

The Board meets regularly to discuss the operations of the LET and to evaluate new investment opportunities. All decisions are made after careful deliberation and objective evaluation of all the facts available.

The Audit, Risk and Remuneration Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policies and monitoring corporate activity within the scope of its remit and making recommendations to the Board for resolution. It is not a policy making body, nor does it have substantive executive function in its own right.

The role of the Audit, Risk and Remuneration Committee is to assist the Board in fulfilling its corporate governance and oversight responsibilities for the annual audited financial statements, financial reporting process, audit process, performance management and remuneration and retention activities.

As at 31 December 2019, the Audit, Risk and Remuneration Committee comprised of Mr David McDougall as Chairman, and Mr Mark Soipang, Mr Lawrence Rausim, the late Mr John Kapsa and Ms Cornelia Sokes as committee members.

The Investment Committee assists the Board by reviewing and making recommendations to the Board on investment strategy, investment performance and outlook, compliance with the investment and gearing components of the company's Investment Policy, external group borrowings and compliance with debt covenants.

As at 31 December 2019, the Investment Committee comprised of Mr Mark Soipang as Chairman, and Mr David McDougall, Mr Lawrence Rausim and Mr Jerry Morus as committee members.

When necessary, the Board requests briefing from the Executive Management Team and independent professional advisors to assist the Board in fulfilling its responsibilities.

External Auditor

It is MRL's policy to appoint external auditors who can clearly demonstrate quality and independence. Following a tender process, KPMG were appointed as the external auditors in 2017 for a three (3) year period. The performance of the external auditors is annually reviewed.

2019 Board & Committee Meeting Attendance

	MRL Board	Audit, Risk & Remuneration Committee	Investment Committee
Mark Soipang, Chairman	4/4	4/4	4/4
Lawrence Rausim, CEO	n/a	4/4	4/4
John Kapsa	2/4	2/4	n/a
Cornelia Sokes	4/4	4/4	n/a
Jerry Morus	3/4	n/a	2/4
Joseph Braun	4/4	n/a	n/a
Ludwig Musmus	4/4	n/a	n/a
David McDougall	n/a	4/4	4/4

n/a = not applicable

INVESTMENT STRATEGY

Overall Investment Approach

MRL's Investment Governance Framework includes an Investment Policy and an Investment Strategy which govern the approach and activities of MRL in seeking to maximise growth and preserve the capital of the LET.

The objectives of the Investment Strategy require a proactive investment approach be adopted and provide that in order of priority, the goals of the LET's investment activities are:

1. Preservation of Capital;
2. Return on Investment; and
3. Liquidity.

1. Preservation of Capital

Preservation of capital is the principal objective of the approach to managing the LET investment portfolio. Investments are to be performed in a manner that seeks to ensure security of the capital of the overall portfolio in real terms, while growing the assets. This includes managing market risk, credit risk, interest rate and foreign exchange risks within the agreed risk management parameters.

2. Return on Investments

For each asset class the portfolio is expected to at least achieve a market average rate of return taking into account the risk tolerance. Any additional return target set by the Investment Committee or Board will also consider the risk parameters, prudent investment principles and cash flow and distribution expectations.

3. Liquidity

The LET will retain sufficient liquid assets to meet its operating cost and distribution obligations.

Setting Return Requirements

The overall objective for MRL's management of the LET is to optimise risk-adjusted returns for the Beneficiaries while growing the fund. The Investment Strategy determines how the investment portfolio is constructed and managed and is formulated by:

a) Setting rolling risk adjusted return objectives for the overall portfolio and individual asset classes which are designed to deliver a return above inflation;
b) Determining a strategic asset allocation (set on a longer term basis);
c) Implementing dynamic asset allocation tilts (to capitalise on significant market inefficiencies and anomalies or specific opportunities); and,
d) Using investment managers to complement in house skills when required.

Setting Risk Parameters

Risk is the chance of something happening that will have an impact upon objectives which can be measured in terms of consequences and likelihood. The risk management process involves systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating risk.

Managing investment risk in the portfolio is a critical component of MRL's overall Risk Management Framework.

Asset Allocation

MRL has evaluated the various categories of asset classes under which it manages the LET's assets. Considering the historical rates of return, the relative levels of risk associated with each category, and the objectives of the Strategic Plan, MRL recognises that asset allocation is critical to the performance of the LET.

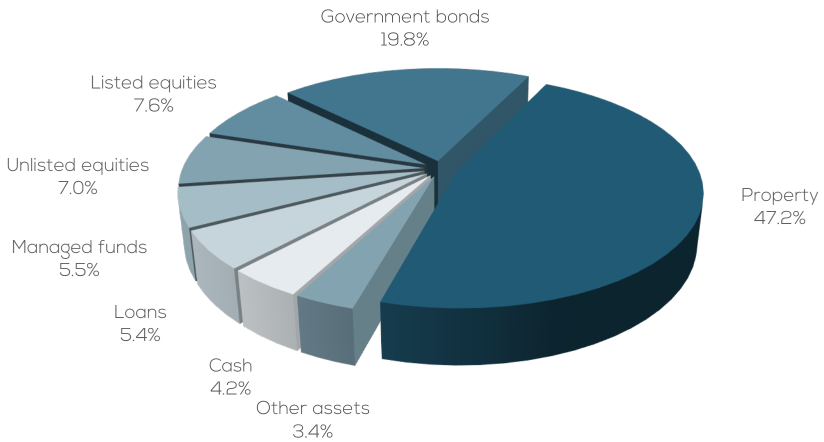
FUND INVESTMENTS

The LET's investment portfolio includes a combination of PNG and Australian assets. The PNG assets are held by MRL as Trustee for the LET, while the Australian assets are held by MRLP, a wholly-owned Australian subsidiary of MRL.

The LET's asset allocation, in line with the Investment Strategy, is invested according to the following minimum and maximum ranges for each asset class.

Asset Class	Percentage of Total Assets		
	Minimum	Target	Maximum
Cash	2.5%	2.5%	10%
Fixed income	20%	27.5%	35%
Property	30%	35%	50%
Listed equities			
• Domestic	2.5%	5%	10%
• International	12.5%	15%	20%
Private equity / business enterprises	10%	15%	25%

The LET's asset allocation as at 31 December 2019 is summarised below.



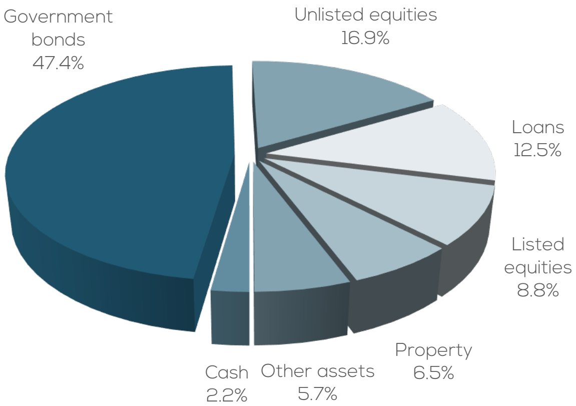
	PNG Assets	Australian Assets	LET Total Assets
	K	K	K
Property	14,924,776	243,441,918	258,366,694
Government bonds	108,254,451	-	108,254,451
Listed equities	20,022,167	21,651,585	41,673,752
Unlisted equities	38,500,055	-	38,500,055
Managed funds	-	39,993,770	29,993,770
Loans	28,639,506	718,107	29,357,613
Cash	5,114,306	17,875,927	22,990,233
Other assets	13,003,607	5,492,303	18,495,910
Group Total Assets	**228,458,686**	**319,173,610**	**547,632,478**
Less: MRLP Liabilities			(46,989,401)
MRLC Total Assets			**500,643,077**

FUND INVESTMENTS

PNG ASSETS AT 31 DECEMBER 2019

Approximately 47% of the PNG assets are Government bonds. The remainder of the assets include unlisted equities, loans, property, cash and listed equities. The largest unlisted equity is SSL, a Lae based shipping company that provides regular services to Lihir.

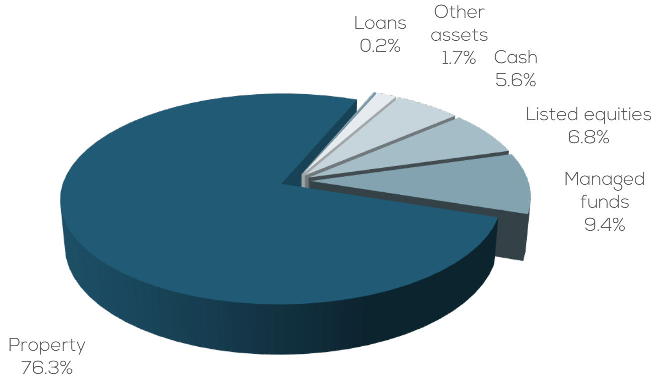
The PNG asset allocation as at 31 December 2019 is summarised below.



AUSTRALIAN ASSETS AT 31 DECEMBER 2019

The majority of the Australian assets are property and listed equities. Key property assets include commercial buildings in Brisbane and Cairns. The listed equities are held in two portfolios, one managed by Macquarie Wealth Management and the other managed by BT Private Wealth.

The Australian asset allocation as at 31 December 2019 is summarised below.



The LET's Total Assets under management has increased from K411.4 million in 2008 to K547.6 million in 2019.

COMMUNITY SERVICE OBLIGATIONS

The Community Service Obligation (CSO) program is designed to support and assist Lihirians with a strong focus on health, education and social welfare services.

The CSO projects and activities are undertaken by the CSO Lihir Foundation Inc., a charitable institution funded by distributions from the LET and managed by MRL. Initiatives supported under this program aim to contribute to the Lihirian community and ensure a more prosperous future, in line with the Lihir Destiny.

2019 CSO PROJECT OVERVIEW

The following table provides a list of CSO projects undertaken and initiated during 2019. All CSO projects are reviewed and approved accordingly to ensure they meet Trust Deed requirements and contribute towards the development of Lihir and its people.

Project Name	Type	Scope
Makapa School Rebuild	Education	Includes funding and project management to help rebuild the school. Issues were encountered with shipment of building materials which delayed the project.
CSO Workers Camp/Palie Manager's House Furniture	Infrastructure	Furnishing of the house.
Bulamue Sub Health Centre	Health	Maintenance works completed.
Solar Solutions	Health	Solar system solutions for Palie, Latual and Masahet health facilities.
Putput 1 Elementary Fencing	Education	New fencing for the school.
Continuous		
Lihir Malaria Elimination Program	Health	The CSO Foundation is a partner of the Lihir Malaria Elimination Program on Lihir Island.
Cadetship Program	Education	Sponsorship of Lihirian students across PNG & Australia in various fields of study.
In Progress		
Kinami Primary School 4x1 Classroom	Education	New classroom for the school.

CSO CADETSHIP PROGRAM

The CSO Cadetship Program provides Lihirians with scholarships for the opportunity to further their education to build the capacity of future Lihirian leaders. Students enrolled in the Cadetship Program during 2019 based in Papua New Guinea and Australia have been listed below with expected graduation dates.

Australian Based Students

Student Name	Degree / Area of Study	Graduation
Dietriche Rausim	Bachelor of Engineering Computer & Software	2021
Jessie Moab	Associate Degree of Engineering	2020
Julia Lourie	Bachelor of Commerce & International Business	2020
Tina Morus	Bachelor in Commerce	2021
Wesley Decklam	Masters in Business Process Management	2020

PNG Based Students

Student Name	Degree / Area of Study	Graduation
Jayson Bungim	Bachelor of Commerce	2020
Ruth Aming	Diploma in Tropical Agriculture	2020
Rose Tanle	Business Accounting	2020
Benedicta Misren	Bachelor of Science	2020
Theresia Butman	Bachelor of Education	2020
Serah Lusem	Bachelor of Agriculture & Rural Development	2020

*Graduation dates are estimates only based on students' current program length.

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Independent Auditor's Report

To the members of Lihirians Equity Trust

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lihirians Equity Trust ('the Trust').

In our opinion the accompanying financial statements of the Trust as contained on pages 22 to 55 are in accordance with the accounting policies as described in Note 2 and the Trust Deed, including

- giving a true and fair view of the Trust's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- complying with the International Financial Reporting Standards.

The financial statements comprise the:

- statement of financial position as at 31 December 2019;
- statement of profit and loss and other comprehensive income, statement of changes in equity, and statement of cash flows for the year then ended; and
- notes including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the Audit of the financial statements section of our report.

We are independent of the Trust in accordance with the Companies Act 1997 and the relevant ethical requirements of CPA Papua New Guinea. We provide other permitted non-audit services to the Trust. We have fulfilled our other ethical responsibilities in accordance with the ethical requirements of CPA Papua New Guinea.

We confirm that we have remained independent as required by the Companies Act 1997, during the time of our audit to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in the Trust's annual reporting which is provided in addition to the financial statements and the Auditor's Report. This includes, the Trust Information and Directors' Report. The Directors are responsible for the Other Information.

Our opinion on the financial statements does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management are responsible for:

- preparing financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the Companies Act 1997;
- implementing necessary internal control to enable the preparation of financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error; and
- assessing the Trust's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's 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 Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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.

KPMG

Report on Other Legal and Regulatory Requirements

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

In our opinion proper books of account have been kept by the Trust, sufficient to enable financial statements to be prepared, so far as it appears from our examination of those books; and to the best of our knowledge and according to the information and explanations given to us the financial statements give the information required by the Companies Act 1997, in the manner so required.

KPMG

Chartered Accountants

Suzaan Theron

Partner

Registered under the Accountants Act 1996

Port Moresby

25 September 2020

REPORT OF THE TRUSTEE

The Directors present their report together with the financial statements of the Lihirians Equity Trust (**LET**) for the year ended 31 December 2019 and the auditor's report thereon. MRL Capital Limited is the Trustee (**Trustee**) of the LET.

Directors

The Directors of the Trustee during the year:

Name	Position	Appointed/Resigned
Mr Mark Soipang	Chairman	Appointed 13 December 1996
Mr Joseph Braun	Director	Reappointed 21 February 2019
Mr John Kapsa	Director	Reappointed 21 February 2019
Ms Cornelia Sokes	Director	Reappointed 21 February 2019
Mr Jerry Morus	Director	Reappointed 21 February 2019
Mr Ludwig Musmus	Director	Appointed 21 February 2019
Mr Lawrence Rausim	Director	Resigned 31 December 2018

LET secretary

Mr Bruce Apana is the Company Secretary of the Trustee for the period under review (appointed on 5 May 2019).

Mr Daniel Edward Kaima resigned as Company Secretary of the Trustee on 21 February 2019.

State of affairs

In the opinion of the Directors, the accompanying statement of financial position gives a true and fair view of the state of affairs of the LET as at 31 December 2019, the accompanying statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows give a true and fair view of the results of the LET for the year then ended.

Activities

The principal activity of the LET is to hold investment assets, including a selection of term deposits, equity investments and commercial real estate in trust, on behalf of the six clans of Lihir island.

Results

The total comprehensive income for the year was K22,862,449 (2018: K2,762,611).

Distributions to Beneficiaries

On 16 May 2019, the LET resolved to approve the declaration of the distribution for 2018 and 2017, for the amount of K4,783,898 and K1,421,300, respectively.

Subsequent events

On the 11 March 2020, the World Health Organisation declared the Coronavirus (COVID 19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the LET's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the LET cannot reasonably estimate the impact these events will have on the LET's financial position, results of operations or cash flows in the future.

Signed on behalf of the Board of Directors of MRL Capital Limited.

Mark Soipang
Chairman
Date: 31 August 2020

Lawrence Rausim
Chief Executive Officer
Date: 31 August 2020

TRUSTEE'S DECLARATION

In the opinion of the Directors of MRL Capital Limited, the Trustee of the Lihirians Equity Trust (**LET**):

a) the financial statements of the LET as set out on pages 22 to 55 are drawn up so as to give a true and fair view of the state of the LET's affairs as at 31 December 2019, and of its results, cash flows and changes in equity for the financial year ended on the date; and
b) there are reasonable grounds to believe the LET will be able to pay its debts as and when they become due and payable.

Dated at Port Moresby this 31st day of August 2020.

Mark Soipang
Chairman

Lawrence Rausim
Chief Executive Officer

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
Operating income	**Note**	**K**	**K**
Interest income	7	11,499,136	12,361,223
Dividend income- PNG listed and unlisted shares	8	1,789,871	2,588,086
Rental income		928,971	888,488
Other income	9	724,003	-
		14,941,981	**15,837,797**
Fees and property expense	10	(511,603)	(394,219)
Total operating income		**14,430,378**	**15,443,578**
Operating expenses			
Personnel expense	11	2,681,670	1,990,220
Director expenses	12	2,061,048	2,189,140
Depreciation	23	671,787	223,366
Professional expenses	13	2,162,592	2,710,971
Interest expense		-	198,131
General administrative expenses	14	1,028,217	2,738,938
Loss on change in fair value of investment properties	21	-	399,367
Allowance for loan losses and provisions	17	2,196,048	2,455,316
Total operating expense		**10,801,362**	**12,905,449**
Profit before income tax		**3,629,016**	**2,538,129**
Income tax (expense)/benefit	25	(1,732,049)	9,986,202
Profit for the year		**1,896,967**	**12,524,331**
Other comprehensive income			
Equity investments at FVOCI – net change	22	20,965,482	(9,761,720)
Other comprehensive income, net of tax		**20,965,482**	**(9,761,720)**
Total comprehensive income for the year		**22,862,449**	**2,762,611**

The Statement of Comprehensive Income is to be read in conjunction with the notes to, and forming part of, the financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Capital	Retained earnings	Fair value reserve	Total
		K	K	K	K
Balance at 1 January 2018		**10**	**457,755,300**	**8,078,635**	**465,833,945**
Profit for the year		-	12,524,331	-	12,524,331
Other comprehensive income		-	-	(9,761,720)	(9,761,720)
Total comprehensive income		-	**12,524,331**	**(9,761,720)**	**2,762,611**
Transactions with owners of the LET, recognised directly in equity					
Distributions declared		-	(6,450,701)	-	(6,450,701)
Balance at 31 December 2018		**10**	**463,828,930**	**(1,683,085)**	**462,145,855**
Balance at 1 January 2019		**10**	**463,828,930**	**(1,683,085)**	**462,145,855**
Profit for the year		-	1,896,967	-	1,896,967
Other comprehensive income		-	-	20,965,482	20,965,482
Total comprehensive income for the year		-	**1,896,967**	**20,965,482**	**22,862,449**
Transactions with owners of the LET, recognised directly in equity					
Distributions declared		-	(6,205,198)	-	(6,205,198)
Balance at 31 December 2019		**10**	**459,520,699**	**19,282,397**	**478,803,106**

The Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019

		2019	2018
Assets	**Note**	**K**	**K**
Cash and cash equivalents	15	5,114,306	3,692,481
Trade and other receivables	16	3,306,148	2,463,513
Accrued interest on GIS and deposits	18	2,620,079	2,620,078
Current tax receivable	25(b)	5,811,731	5,110,340
Related party loans and receivables	17	51,811,459	50,109,078
PNG Government fixed income securities	19	105,634,372	108,682,075
PNG listed and unlisted shares	20	26,622,167	23,546,323
Investment properties	21	14,924,776	14,913,515
Shares in Australian subsidiary	22(a)	249,012,256	238,854,004
Shares in PNG subsidiary	22(b) & (c)	31,900,055	24,168,668
Property and equipment	23	2,772,279	1,876,528
Deferred tax assets	25(d)	1,113,449	1,742,915
Total assets		**500,643,077**	**477,779,518**
Liabilities			
Trade and other payables	26	12,464,801	7,418,779
Loans payable	29	7,082,887	7,529,978
Lease liabilities	24(b)	1,095,384	-
Employee benefits	27	1,196,899	684,906
Total liabilities		**21,839,971**	**15,633,663**
Net assets attributable to Beneficiaries		**478,803,106**	**462,145,855**
Equity			
Capital		10	10
Fair value reserve		19,282,397	(1,683,085)
Retained earnings		459,520,699	463,828,930
Total equity		**478,803,106**	**462,145,855**

The Statement of Financial Position is to be read in conjunction with the notes to, and forming part of, the financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		2019	2018
Cash flows from operating activities	**Note**	**K**	**K**
Interest income received		12,613,173	12,369,968
Management fee and rental income received		928,971	888,488
Investments in PNG listed and unlisted shares		-	(6,000,000)
Dividends received		1,789,871	2,588,086
Maturity/(purchase) of PNG Government treasury bills		1,933,667	(2,020,000)
Operating expenses and taxes paid		(8,903,180)	(12,058,503)
Net cash generated from operating activities		**8,362,502**	**(4,231,961)**
Cash flows from investing activities			
Purchase of property and equipment		-	(126,500)
Loan payments		(545,839)	-
Additional loans availed by related parties		(3,898,429)	(1,306,266)
Net cash used in investing activities		**(4,444,268)**	**(1,432,766)**
Cash used in financing activities			
Distributions paid		(1,999,326)	(5,184,124)
Payment of lease liabilities		(493,095)	-
Net cash used in financing activities		**(2,492,421)**	**(5,184,124)**
Net increase/(decrease) in cash and cash equivalents held		1,425,813	(10,848,851)
Cash and cash equivalents at beginning of year		3,692,481	14,560,140
Effect of exchange rate change on foreign currency balance		(3,988)	(18,808)
Cash and cash equivalents at end of financial year	15	**5,114,306**	**3,692,481**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1 General

The Lihirians Equity Trust (LET) is a Trust domiciled in Papua New Guinea. The administrative address of the Trust and MRL Capital Limited, the Trustee of the Trust (Trustee), is Level 3 PWC Haus, Harbour City, Port Moresby, Papua New Guinea.

The principal activity of the LET is to hold investment assets, including a selection of term deposits equity investments and commercial real estate in trust, on behalf of the six clans of Lihir island.

The financial statements have been authorised for issue by the Trustee's Board of Directors on 31 August 2020.

2 Basis of preparation

The financial statements have been prepared on the historical cost convention basis except for the following material items in the statement of financial position:

- financial assets at fair value through profit or loss are measured at fair value;
- financial assets at fair value through other comprehensive income are measured at fair value; and
- investment properties are measured at fair value.

The financial statements have been presented on a going concern basis.

This is the first set of the LET's financial statements in which IFRS 16 Leases has been applied. The related changes to significant accounting policies are described in Note 24.

Statement of compliance

The special purpose financial statements have been prepared solely to assist the LET to meet the requirements of the Special Purpose Framework and the Trust Deed. Accordingly, the financial statements may not be suitable for another purpose. The financial statements are intended solely for use of the Lihirians Equity Trust, the Trustee and its Directors.

3 Foreign currency transactions

(a) Functional and presentation currency

The financial statements are presented in the Papua New Guinea currency, the Kina (K) which is the LET's functional currency.

(b) Transactions and balances

Transactions in foreign currencies are translated to the respective functional currencies at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are generally recognised in profit or loss. However, foreign currency differences arising from the retranslation of available-for-sale equity investments are recognised in other comprehensive income (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss).

4 Summary of significant accounting policies

(a) Revenue recognition

(i) Interest income and expenses

Interest income and expense are recognised in profit or loss using the effective interest rate method.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the LET estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. The calculation of the effective interest rate includes all transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest income and expense presented in the statement of profit or loss and other comprehensive income composes of interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

Fair value changes on other derivatives held for risk management purposes, and all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in statement of profit or loss and other comprehensive income.

For presentation purposes, interest income is offset against amortisation expense of premium on Papua New Guinea Government inscribed stocks. Amortisation expense is calculated using the straight line method. Discounts on Papua New Guinea treasury bills are recorded as interest income using the straight-line method. The effects of the straight-line method do not materially vary from the effective interest method.

(ii) Dividends income

Dividend income is recognised when the right to receive income is established. Usually this is the ex dividend date for equity securities. Dividends are presented in net trading income. Dividends on equity instruments designated as at fair value through other comprehensive income are presented in other revenue in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment, in which case it is presented in other comprehensive income.

(iii) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities 'held for trading'.

(iv) Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognised as the related services are performed.

When a loan commitment is not expected to result in the draw-down of a loan, the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

(b) Cash and short term deposits

Cash and short term deposits as referred to in the cash flow statement comprises cash on hand and short term deposits.

(c) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognised net within other income in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) Subsequent expenditure

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefit embodied within the part will flow to the LET, and its cost can be measured reliably. The cost of the day to day servicing of property and equipment is recognised in profit or loss as incurred.

(iii) Depreciation

Property and equipment including office equipment, furniture and fittings and motor vehicles are depreciated using the straight line method, at rates which will write off the costs of those assets over their expected useful lives. The method of write off and the rates used are those considered appropriate to each class of asset.

The depreciation rates used for each class of asset for the current and comparative years are as follows:

Office equipment	11%
Furniture and fittings	11%
Motor vehicles	30%

(d) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(e) Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

(f) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date at the future expected cost.

(ii) Defined contribution plans

Defined contribution plans are post employment benefit plans under which the LET pays fixed contributions on behalf of the employees of the Trustee into separate entities such as National Superannuation Fund and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The LET's contribution to defined contribution plans are recognised as employee benefit expense when they are due.

(iii) Director retirement benefits

Director retirement benefits are recognised when they accrue to Directors. A provision is made for the estimated liability as a result of services rendered by Directors up to the balance sheet date at the future expected cost.

(g) Use of estimates and judgement

The preparation of the financial statements in conformity with Special Purpose Frameworks requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 4 (n) determination of fair value.

(i) Judgements

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is:

- Lease term: whether LET is reasonably certain to exercise extension options.

(ii) Assumptions and estimate uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 31 December 2019 are:

- Revenue recognition: estimate of expected return;
- Measurement of ECL allowance for receivables: key assumptions about the likelihood and magnitude of an outflow of resources; and
- Recognition of deferred tax assets: availability of future taxable profit against which carry forward tax losses can be used.

(h) Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

Additional taxes that arise from distribution made by the LET to Beneficiaries are recognised at the same time as the liability to pay the related distribution is recognised.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The LET is currently taxed similar to a resident company under Papua New Guinea's tax legislation.

(i) Leases

LET has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated.

Policy applicable from 1 January 2019

At inception of a contract, LET assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, LET uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

LET recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimated of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to LET by the end of the lease term or the cost of the right of use asset reflects that LET will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, LET's incremental borrowing rate. Generally, LET uses its incremental borrowing rate as the discount rate.

LET determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that LET is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless LET is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in LET's estimate of the amount expected to be payable under a residual value guarantee, if LET changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

LET presents right of use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, LET determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement has conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
    - the purchase had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
    - the purchase had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

In the comparative period, as a lessee LET classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to the asset.

Assets held under other leases were classified as operating leases and were not recognised in LET's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(j) Provision and contingent liabilities

Provisions are recognised when:
(i) LET has a present obligation (legal or constructive) as a result of a past event;
(ii) it is probable that the LET will be required to settle the obligation; and
(iii) a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Amounts are considered contingent liabilities when:
- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the LET; or
- a present obligation that arises from past events but is not recognised because:
  (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  (ii) the amount of the obligation cannot be measured with sufficient reliability.

(k) Financial instruments

(i) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the LET becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and measurement

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost, FVOCI equity investments or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the LET changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:
- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the LET may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment by investment basis.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the LET may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The LET makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the LET's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the LET considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the LET considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the LET's claim to cash flows from specified assets (e.g. non recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract.

Financial assets: Subsequent measurement and gains and loss

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets amortised at cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains losses are recognised in profit or loss. Any gain or loss derecognition is also recognised in profit or loss.

(iii) Derecognition

Financial assets

The LET derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the LET neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The LET enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The LET derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The LET also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Modifications of financial assets

If the terms of a financial asset are modified, the LET evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised (see (iii)) and a new financial asset is recognised at fair value.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the LET currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(l) Impairment

(i) Non-derivative financial assets

Financial instruments

The LET recognises loss allowances for ECLs on financial assets measured at amortised cost.

No impairment loss is recognised on equity investment.

The LET measures loss allowances at an amount equal to lifetime ECL, except for the following, which are measured as 12 months on the ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the LET considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the LET's historical experience and informed credit assessment and including forward looking information.

The LET assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The LET considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the LET in full, without recourse by the LET to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The LET considers another receivable or cash balance to have low credit risk when its credit risk rating is equivalent to the globally understood definition of "investment grade".
Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the LET is exposed to credit risk.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flow due to the entity in accordance with the contract and the cash flows that the LET expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the LET assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit impaired. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Credit impaired financial assets

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the LET on terms that the LET would not consider otherwise;
- it is probable that the borrower will enter LET bankruptcy or other financial reorganisation; and
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Write off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the LET determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the LET's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the LET's non-financial assets, other than inventories and investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash generating unit", or "CGU").

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

(m) Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in presentation in the current year to make the information more useful to the reader of the financial statements.

(n) Determination of fair values

A number of the LET's accounting policies and disclosures require the determination of fair value, for both financial and non financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Receivables

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(ii) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option.

(iii) Investment properties

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the LETs investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

(iv) Investment in equity securities

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets in the investment portfolio are determined by the reference to their quoted closing bid price at the reporting date.

(v) Unquoted investments

The fair value is determined by the use of the most appropriate valuation technique depending on the characteristic of the unquoted equity instrument and the information that is reasonably available to the LET.

(o) Capital

Capital is the settled sum transferred to establish the LET.

(p) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of equity investments measured at fair value through other comprehensive income. When such equity instruments are derecognised the related cumulative amount in the fair value reserve is transferred to retained earnings.

5 Changes in significant accounting policies

In the current year, the LET has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatory effective for an accounting period that begins on or after and 1 January 2019.

(a) IFRS 16 Leases

LET initially applied IFRS 16 Leases from 1 January 2019. A number of other new standards are also effective from 1 January 2019 but they do not have a material effect on LET's financial statements.

	2019
	K
Right-of-use asset	1,507,577
Lease liabilities	(1,507,577)
Operating lease commitment at 31 December 2018	1,663,484
Discounted using the incremental borrowing rate 1 January 2019	1,507,577
Finance lease liabilities recognised as at 31 December 2018	-
Lease liabilities recognised at 1 January 2019	1,507,577

When measuring lease liabilities for leases that were classified as operating leases, the LET discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 6.5%.

6 New standards issued but not effective

The LET has not applied the following applicable new and revised IFRS that have been issued but are not yet effective:

IFRS 17	Insurance Contracts, effective beginning on or after 1 January 2021
Conceptual framework-The new foundation for IFRS	Amendments to references to conceptual framework in IFRS standards on or after 1 January 2020
IFRS 3 amendments- Clarifying what is a business	Definition of a business on or after 1 January 2020
Amendments to IAS 1 and IAS 8	Applying materiality when preparing financial statements on or after 1 January 2020

The Directors do not expect that the adoption of these standards listed above will have a material impact on the financial statements of the LET in future periods.

	2019	2018
	K	K
7 Interest income		
PNG interest bearing deposits	89,990	21,480
Australian Interest bearing deposits	3,287	7,572
Loans to clan companies	583,395	1,262,741
PNG Government treasury bills and GIS	11,936,499	12,183,465
Premium amortisation on PNG Government treasury bills GIS	(1,114,035)	(1,114,035)
	11,499,136	**12,361,223**

	2019	2018
	K	K
8 Dividend income		
PNG listed and unlisted shares	1,789,871	2,588,086
	1,789,871	**2,588,086**
9 Other income		
CSO management fees (recharge)	172,140	-
LMALA administration fees	389,396	-
Refund of 2018 rental outgoings for MRLC office	141,864	-
Promotional fee rebates from Macquarie	590	-
Medical refunds	20,013	-
	724,003	**-**
10 Fees and property expenses		
Bank charges	9,549	10,044
Property expenses	502,054	384,175
	511,603	**394,219**
11 Personnel expenses		
Salaries and wages	1,382,966	1,032,732
Contributions to superannuation	11,354	55,402
Staff travel expenses	505,084	260,870
Staff allowances	521,123	457,820
Other staff expenses	261,143	183,396
	2,681,670	**1,990,220**
12 Director expenses		
Director fees	1,104,470	1,039,506
Director travel expenses	618,024	454,875
Director allowances	338,554	694,759
	2,061,048	**2,189,140**
13 Professional expenses		
Audit fees	196,500	32,804
Legal fees	144,613	75,267
Accounting and tax	48,385	29,810
Consulting	1,773,094	2,573,090
	2,162,592	**2,710,971**

	2019	2018
	K	K

14 General administrative expenses

Utilities, overheads, rent and rates	817,750	1,625,640
Repairs and maintenance	22,286	5,680
Motor vehicle	43,088	33,769
Advertising	21,052	151,783
Insurance	739	604
Office supplies	24,469	15,878
Other expenses	98,833	905,584
	1,028,217	**2,738,938**

15 Cash and cash equivalents

Cash on hand	2,001	2,001
Cash at bank	2,823,015	2,040,800
Bank overdraft	(710)	(320)
Short term deposits with less than 3 months maturity	2,290,000	1,650,000
	5,114,306	**3,692,481**

There were no term deposits with maturities greater than 3 months in 2019 and 2018.

16 Trade and other receivables

Trade debtors	552,307	675,656
Sundry debtors	202,416	62,096
Prepayment	663,882	217,787
Dividend withholding tax	98,748	98,748
GST receivable	1,788,795	1,409,226
	3,306,148	**2,463,513**

17 Related party loans and receivables

Receivable from CSO	11,171,159	7,062,797
Provision on receivable from CSO	(3,567,854)	(3,567,854)
Loan to LMALA	490,640	1,041,292
Loan to CSO	7,353,628	7,353,628
Provision on loan to CSO	(7,353,628)	(7,353,628)
Loan to Mineral Resources Lihir Pty Ltd	23,171,953	25,971,592
Loan to MRL Petroleum Limited	1,294,121	1,294,121
Provision on loan to MRL Petroleum Limited	(1,294,121)	(1,294,121)
Loans to clan companies (refer to i)	26,647,863	26,557,835
Provision on loans to clan companies	(14,363,418)	(12,167,370)
Advances to staff and Directors	733,962	706,253
Loan to Anitua Limited (refer to ii)	7,527,154	3,706,026
Loan to South Sea Lines Limited	-	798,507
	51,811,459	**50,109,078**

- In 2014, the LET's Board of Directors created the "30 million Clan Company Facility". The approved policy enables the clan companies to borrow up to K5 million for the purpose of investing those funds in projects which would be income generating.

  The above includes the financial assistance provided to fund the operational requirements of the Lihir Farm Project, which was fully impaired as of 31 December 2019.

- On 18 April 2018, Anitua Limited and MRL Capital Limited entered into a loan agreement for a Facility amount of K6 million for Anitua Limited to meet expenses associated with the development of a housing and commercial estate in Port Moresby. The Facility amount may not be used for any other purpose. The Facility attracts an interest of 11.2% per annum plus 2% margin and 0.50% facility arrangement fee. As a security for the Facility Amount, deed of charge were granted over the property assets of Anitua Housing Limited and Anitua Properties Limited.

  In 2020, these existing facilities were consolidated and extended to a limit of K10 million.

		2019	2018
		K	**K**
18	**Accrued interest on GIS and deposits**		
	Accrued interest on GIS and deposits	2,620,694	2,620,693
	Accrued interest on term deposit	(615)	(615)
		2,620,079	**2,620,078**
19	**PNG Government fixed income securities**		
	Government treasury bills	-	1,933,667
	Par value GIS	101,300,000	101,300,000
	Net premium on GIS	4,334,372	5,448,408
		105,634,372	**108,682,075**
20	**PNG listed and unlisted shares**		
	Gazelle Hotel shares	6,600,000	6,600,000
	PNG listed shares	20,022,167	16,946,323
		26,622,167	**23,546,323**
	Opening balance	23,546,323	16,504,707
	Additional shares purchased	-	6,000,000
	Adjustment of investment to fair value	3,075,844	1,041,616
	Closing balance	**26,622,167**	**23,546,323**

PNG listed and unlisted shares are classified as other comprehensive income. Any changes in value of the investments are recorded in Other Comprehensive Income and Fair Value Reserve.

	2019	2018
	K	K

21 Investment properties

The fair value of the LET's investment properties as at 31 December 2019 and 2018 has been arrived at by considering valuation assessments carried out by The Professional Valuers of PNG, which are unrelated entities to the LET.

	2019 K	2018 K
Doyle Apartment	4,090,333	4,090,333
Blue Orchid Apartment	6,766,261	6,755,000
Eagle Apartment	2,600,000	2,600,000
5 Mile Property	1,468,182	1,468,182
	14,924,776	**14,913,515**

	2019 K	2018 K
Opening balance	14,913,515	15,312,882
Additions during the year	11,261	-
Change in fair value	-	(399,367)
Closing balance	**14,924,776**	**14,913,515**

The investment properties consist of three apartments and vacant land. Doyle Apartment is located in Lae while Blue Orchid and Eagle Apartments are located in Port Moresby.

Measurement of fair value, fair value model and significant unobservable inputs

Information about how the fair values of the LET's investment properties are determined (in particular, the valuation method(s) and inputs used) is detailed as follows:

Doyle apartment

Direct capitalisation is the fair valuation model, which considers the annual gross income of the property adjusted for vacancies and expenses. The net operating income is divided by a capitalisation rate. The capitalisation rate is derived from comparable markets transactions and adjusted for certain property specific characteristics such as the physical deterioration of the property and its location (prime or secondary). Key unobservable input includes the capitalisation rates of 9% (2018: 9%) and market lease rates.

Blue Orchid and Eagle Apartment

These properties were valued using the direct comparison approach that considers the market trend of sales of similar type of properties sold within the respective town and city.

The LET has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

In the current year and prior year, the Board of Directors assessed that the carrying value of the investment properties are fairly stated.

Operating lease arrangements

Rental income earned from investment properties amounted to K928,971 (2018: K888,488). Costs of property operations recognised under "General and administrative expenses" arising from investment properties amounted to K502,054 (2018: K384,175).

	2019	2018
	K	K

22 Shares in Australian subsidiary and PNG subsidiary

(a) Shares in Australian subsidiary

Opening balance	238,854,004	240,319,455
Impact of foreign exchange translation	1,469,797	(13,766,015)
Adjustment of investment to fair value	8,688,455	12,300,564
Closing balance	**249,012,256**	**238,854,004**

(b) Shares in MRL Petroleum

Opening balance	-	1,327,007
Impairment	-	(1,327,007)
Closing balance	**-**	**-**

The LET owns 100% of MRL Petroleum Limited, a lubricants procuring and on-selling business. During 2019, management impaired the investment since the Company is now under liquidation.

(c) Shares in South Sea Lines

Opening balance	24,168,668	24,534,053
Additional purchase price paid (Note 26)	-	8,972,500
Adjustment of investment to fair value	7,731,387	(9,337,885)
Closing balance	**31,900,055**	**24,168,668**

Shares in Australian subsidiary Mineral Resources Lihir Pty Ltd and shares in South Sea Lines Limited are classified as equity investment at FVOCI. Any changes in the value of the investments are recorded in Other Comprehensive Income and Fair Value Reserve.

23 Property and equipment

(a) Movements in carrying amounts of property and equipment

Movement in the carrying amounts for each class of property and equipment between the beginning and the end of the current financial year:

	Furniture, fixtures & fittings	Motor vehicles	Office equipment	Computer equipment	Website	Office fitout	Right-of-use assets	Total
	K	K	K	K	K	K	K	K
Cost								
Balance as at 31 December 2018	149,460	824,387	131,207	132,807	23,390	1,735,379	-	2,996,630
Transition adjustment (Note 23)	-	-	-	-	-	-	1,507,577	1,507,577
Balance as at 1 January 2019	149,460	824,387	131,207	132,807	23,390	1,735,379	1,507,577	4,504,207
Additions	-	-	-	10,227	-	49,734	-	59,961
Balance as at 31 December 2019	**149,460**	**824,387**	**131,207**	**143,034**	**23,390**	**1,785,113**	**1,507,577**	**4,564,168**
Accumulated depreciation								
Balance as at 31 December 2018	(27,230)	(667,860)	(55,268)	(112,608)	(13,487)	(243,649)	-	(1,120,102)
Depreciation expense	(14,946)	(95,597)	(22,520)	(6,443)	(702)	(55,159)	(476,420)	(671,787)
Balance as at 31 December 2019	**(42,176)**	**(763,457)**	**(77,788)**	**(119,051)**	**(14,189)**	**(298,808)**	**(476,420)**	**(1,791,889)**
Balance at the end of the year	**107,284**	**60,930**	**53,419**	**23,983**	**9,201**	**1,486,305**	**1,031,157**	**2,772,279**
Cost								
Balance as at 31 December 2017	149,460	824,387	12,727	116,827	23,390	1,733,898	-	2,860,689
Additions	-	-	118,480	15,980	-	1,481	-	135,941
Balance as at 31 December 2018	**149,460**	**824,387**	**131,207**	**132,807**	**23,390**	**1,735,379**	**-**	**2,996,630**
Accumulated depreciation								
Balance as at 31 December 2017	(12,284)	(543,096)	(32,803)	(107,518)	(12,785)	(188,250)	-	(896,736)
Depreciation expense	(14,946)	(124,764)	(22,465)	(5,090)	(702)	(55,399)	-	(223,366)
Balance as at 31 December 2018	**(27,230)**	**(667,860)**	**(55,268)**	**(112,608)**	**(13,487)**	**(243,649)**	**-**	**(1,120,102)**
Balance at the end of the year	**122,230**	**(156,527)**	**75,939**	**20,199**	**9,903**	**1,491,730**	**-**	**1,876,528**

24 Leases

Leases as Lessee (IFRS 16)

On 1 April 2017, the LET entered into an agreement to lease Suite 2 Level 3 of PWC Haus for a term of 4 years and 11 months subject to early termination and rent review.

Previously, these leases were classified as operating leases under IAS 17.

Information about leases for which the LET is a lessee is presented below:

	2019
	K
(a) Right-of-use assets	
Balance at 1 January 2019	1,507,577
Depreciation change for the year	(476,420)
Balance at 31 December 2019	**1,031,157**
(b) Lease liabilities	
Balance at 1 January 2019	1,507,577
Interest expense	80,902
Lease payment	(493,095)
Balance at 31 December 2019	**1,095,384**
Amount recognised in profit or loss 2018 – Operating leases under IAS 17	
Lease expense	501,870
(c) Amounts recognised in statement of cash flows	
Total cash outflow for leases	493,095

(d) Lease commitments

At 31 December 2019, the future minimum lease payments under non-cancellable operating leases were payable as follows.

Maturity analysis – Contractual undiscounted cash flow	
Less than one year	493,095
Between one and five years	1,170,389
Total undiscounted lease liabilities at 31 December 2019	**1,663,484**

	2019	2018
	K	K

25 Income tax expense/(benefit)

(a) Income tax expense

Profit for the year	24,594,498	2,538,129
Income tax on the profit	7,378,349	761,439
(Over)/under provision in prior years	(324,114)	(10,746,028)
Dividend rebate	(536,961)	(776,425)
Tax effect of permanent differences	(4,785,225)	774,812
	1,732,049	**(9,986,202)**
Income tax expense comprises:		
Current income tax	1,963,658	1,319,420
Deferred income tax	629,466	216,830
(Over)/under provision in prior years	(861,075)	(11,522,452)
	1,732,049	**(9,986,202)**

(b) Income tax receivable/(payable)

Balance at beginning of the year	5,110,341	(3,760,271)
Current income tax	(1,963,658)	(1,319,420)
Over/(under) provision in prior years	324,114	7,582,108
Rebates	2,340,935	2,607,924
Balance at end of the year	**5,811,732**	**5,110,341**

(c) Deferred income tax asset movement

Balance at beginning of the year	3,629,753	253,215
(Under)/over provision in prior years	(479,102)	212,618
Charge to income tax expense	-	3,163,920
	3,150,651	**3,629,753**

(d) Deferred income tax lability movement

Balance at beginning of the year	(1,886,838)	(1,457,391)
Charge to income tax expense	(150,364)	(429,448)
	(2,037,202)	**(1,886,839)**
Net deferred income tax asset	**1,113,449**	**1,742,915**

	2019	2018
	K	K
This balance comprises the tax effect of:		
Accrued audit fees	58,950	48,188
Provision for annual leave	(990)	990
Provision for long service leave	11,331	17,194
Provision for Director retirement	340,024	182,422
Provision for loan	2,412,721	3,382,941
Right-of-use lease liability	328,615	-
Prepaid insurance	-	3,382,941
	3,150,651	**7,014,676**
Fixed asset temporary difference	(309,829)	148,165
Interest receivable	(1,687,836)	(1,998,349)
Prepaid insurance	(39,537)	(36,653)
	(2,037,202)	**(1,886,837)**
Net deferred income tax asset	**1,113,449**	**1,742,915**

26 Trade and other payables

Trade payables and accruals	3,517,333	2,837,607
Distributions payable	5,472,380	-
Payroll tax payable	1,460,413	1,299,990
Beneficiary savings	2,014,675	3,281,182
	12,464,801	**7,418,779**

27 Employee benefits

Director retirement benefits payable	1,133,415	608,072
Long service leave	34,468	54,011
Wages and superannuation payable	29,016	22,823
	1,196,899	**684,906**

28 Related parties

Other than disclosed elsewhere in the financial statements, the following transactions took place between the LET and related parties during the financial year:

(a) Key management personnel compensation

Director expenses	2,061,048	2,189,140
Director retirement benefits payable	1,133,415	608,072

(b) Related party transactions and balances

Advances to staff and Directors	733,962	706,253
Net receivable from CSO	7,603,305	3,494,943
Net receivable from clan companies	12,284,445	14,390,465
Loan to LMALA	490,640	1,041,292
Loan to Anitua Housing Limited	7,527,154	3,706,026
Loan to South Sea Lines Limited	-	798,507
Loan to Mineral Resources Lihir Pty Ltd	23,171,953	25,971,592

Loan and receivables

No Director benefits have been paid during the year. The LET incurred an allowance for provision on loans issued to clan companies of approximately PGK 8.87 million. Approximately PGK 5.496 million was advanced in the form of a loan to the Farm Project. Full provisions have been made against this loan.

Loans made to MRL Petroleum have been fully provided for. Refer to note 21(b) for information regarding the performance of the equity investment in MRL Petroleum Limited.

29 Loans payable

In 2016, Nationwide Scaffolding Services Limited (NSSL) agreed to make a loan to Bacasa Limited (Bacasa) to finance Bacasa's acquisition of all of the shares in South Sea Lines Limited (SSL) not already owned by Bacasa. Following a change in Bacasa's strategy in January 2018, it was resolved that MRL Capital Limited would acquire all the shares held by Bacasa in SSL for K4,972,500 in addition to the original acquisition cost of K5,000,000. The loan is payable over 3 years and attracts an interest rate of 5% per annum. Monthly repayments amount to K149,030.

As at 31 December 2019, the NSSL loan balance payable was K3,082,887. Subsequent to year end, it was resolved that the outstanding balance will be invested by Mineral Resources Lihir Pty Ltd on behalf of NSSL.

In 2015, Lihir Business Services Limited granted a K4,000,000 loan to Bacasa to buy out Lae Builder's shares on South Sea Lines. In January 2018, the loan was absorbed by MRL Capital Limited in relation to its acquisition of South Sea Lines Limited from Bacasa. The loan is payable over 3 years and does not attract any interest.

As a result, a subsequent adjustment to the purchase price of SSL was made in 2018 amounting to K8,972,500. The investment was then reduced to the 31 December 2018 net asset value of SSL as a fair value adjustment.

30 Reserves

Fair value reserve consists of subsequent changes in the fair value of investments that are not held for trading.

	2019	2018
	K	K
Shares in Australian subsidiary	(3,540,725)	(13,698,987)
Shares in South Sea Lines Limited	17,927,553	10,196,168
PNG listed shares	4,895,579	1,819,734
	19,282,397	**(1,683,085)**

31 Capital commitments and contingencies

At balance date the LET had K nil (2018: K nil) capital commitments and contingencies.

32 Events after the reporting period

On the 11 March 2020, the World Health Organisation declared the Coronavirus (COVID 19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the LET's 31 December 2019 financial statements, the Coronavirus outbreak and the related impacts are considered non adjusting events. Consequently, there is no impact on the recognition and measurement of assets and liabilities. Due to the uncertainty of the outcome of the current events, the LET cannot reasonably estimate the impact these events will have on the LET's financial position, results of operations or cash flows in the future.

33 Financial risk management

Overview

The LET has exposure to the following risks:

- Credit risk;
- Liquidity risk;
- Market risk; and
- Capital management.

This note presents information about the LET's exposure to each of the above risks, the LET's objectives, policies and processes for measuring and managing risk, and the LET's management of capital. Further quantitative disclosures are included throughout these financial statements.

Risk management framework

The Board of Directors of the Trustee of the LET have overall responsibility for the establishment and oversight of the LET's risk management framework. The LET's risk management policies are established to identify and analyse the risks faced by the LET, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the LET's activities. The LET, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

(a) Credit risk

Credit risk is the risk of financial loss to the LET if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the LET's loans and receivables.

The LET has established a policy under which each new investment is analysed for credit worthiness before the investment is made.

The maximum exposure to credit risk at reporting date is as follows:

	2019	2018
	K	**K**
Cash and cash equivalents	5,114,306	3,692,481
Trade and other receivables	754,723	695,891
Accrued interest on GIS and deposits	2,620,079	2,620,078
PNG Government fixed income securities	105,634,372	108,682,075
PNG listed and unlisted shares	26,622,167	23,546,323
	140,745,647	**139,236,848**

(b) Liquidity risk

Liquidity risk is the risk that the LET will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The LET's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the LET's reputation.

The following are the contractual maturities of financial liabilities:

	Carrying amount	Less than 1 year	Greater than 1 year
	Contractual cash flows		
	K	K	K
31 December 2019			
Financial liabilities			
Trade and other payables	11,004,387	11,004,387	-

31 December 2018			
Financial liabilities			
Trade and other payables	6,118,789	6,118,789	-

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the LET's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Interest rate risk

The LET adopts a policy of ensuring that its exposure to changes in interest rates on investments is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. At the end of the reporting period the interest rate profile of the LET's interest-bearing financial instruments was:

	2019	2018
	K	K
PNG Government fixed income securities	105,634,372	108,682,075
Net receivable from clan companies	12,284,445	14,390,465
Loan to South Sea Lines Limited	-	798,507
	117,918,817	**123,871,047**

Fair value sensitivity for fixed rate instruments

The LET does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rate at the reporting period would not affect profit or loss.

(ii) Price risk

The LET is exposed to equity securities price risk. This arises from investments held by the LET and are classified on the statement of financial position as financial assets at fair value through other comprehensive income ("FVOCI").

To manage its price risk arising from FVOCI, the LET diversifies its portfolio. Diversification of portfolio is done in accordance with allocations set by the LET.

Financial assets classified as FVOCI include publicly traded PNG shares.

A 10 percent change in market prices of listed shares would have and increase/ (decrease) on equity and profit and loss by the amount shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2019		2018	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
	K	**K**	**K**	**K**
10% movement	2,002,217	2,002,217	2,354,632	2,354,632

(iii) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The LET's exposure to foreign currency risk was as follows based on notional amounts:

	2019	2018
	AUD	**AUD**
Cash and term deposits	34,102	323,437
Net loans to related parties	9,789,472	10,962,945
Shares in subsidiary	104,144,645	100,510,862

The following significant exchange rates applied during the year:

	2019	2018	2019	2018
	Average rate		**Reporting date spot rate**	
AUD/PGK	0.4247	0.4064	0.4188	0.4208

A 10 percent strengthening of the PNG Kina against the Australian Dollar would have increased or (decreased) equity and profit and loss by the amount shown below. This analysis assumes that all other variables remain constant.

	2019	2018
	Profit or loss K	**Profit or loss K**
10% appreciation	22,637,478	24,152,533
10% depreciation	(22,637,478)	(24,152,533)

(d) Fair value versus carrying values

The LET's financial assets and liabilities are included in the statement of financial position at amounts that approximate their net fair value.

(e) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by the level of valuation hierarchy. The different levels have been defined as follows:

Level 1: Quoted prices in active markets for identical assets.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets, either directly (i.e. prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the assets that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
2019	**K**	**K**	**K**	**K**
Cash and cash equivalents deposits	5,114,306	-	-	5,114,306
PNG listed shares	20,022,167	-	-	20,022,167
PNG unlisted shares	-	-	6,600,000	6,600,000
Related party loans	-	-	51,881,459	51,881,459
Shares in Australian subsidiary	-	-	249,012,256	249,012,256
Shares in PNG subsidiary	-	-	31,900,053	31,900,053
Investment properties	-	-	14,924,776	14,924,776
	25,136,473	**-**	**354,318,544**	**379,385,017**

	Level 1	Level 2	Level 3	Total
2018	**K**	**K**	**K**	**K**
Cash and cash equivalents deposits	3,692,481	-	-	3,692,481
PNG listed shares	16,946,323	-	-	16,946,323
PNG unlisted shares	-	-	6,600,000	6,600,000
Related party loans	-	-	50,109,078	50,109,078
Shares in Australian subsidiary	-	-	238,854,004	238,854,004
Shares in PNG subsidiary	-	-	24,168,668	24,168,668
Investment properties	-	-	14,913,515	14,913,515
	20,638,804	**-**	**334,645,265**	**355,284,069**

(f) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the LET defines as result from operating activities divided by total equity of the LET. The Board also seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The LET is not subject to any externally imposed capital requirements. The LET's policies with respect to capital management are reviewed regularly by the Directors.

The LET's net debt to adjusted equity ratio at the reporting date was as follows:

	2019	2018
	K	**K**
Total liabilities	21,839,969	15,633,663
Cash and cash equivalents	(5,114,306)	(3,692,481)
	16,725,663	11,941,182
Total equity	**478,803,106**	**462,145,855**
Net (surplus)/debt to equity ratio	0.035	0.026

There have been no changes in the LET's management of capital during the year.

NOTES

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