

2020

ANNUAL REPORT



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).

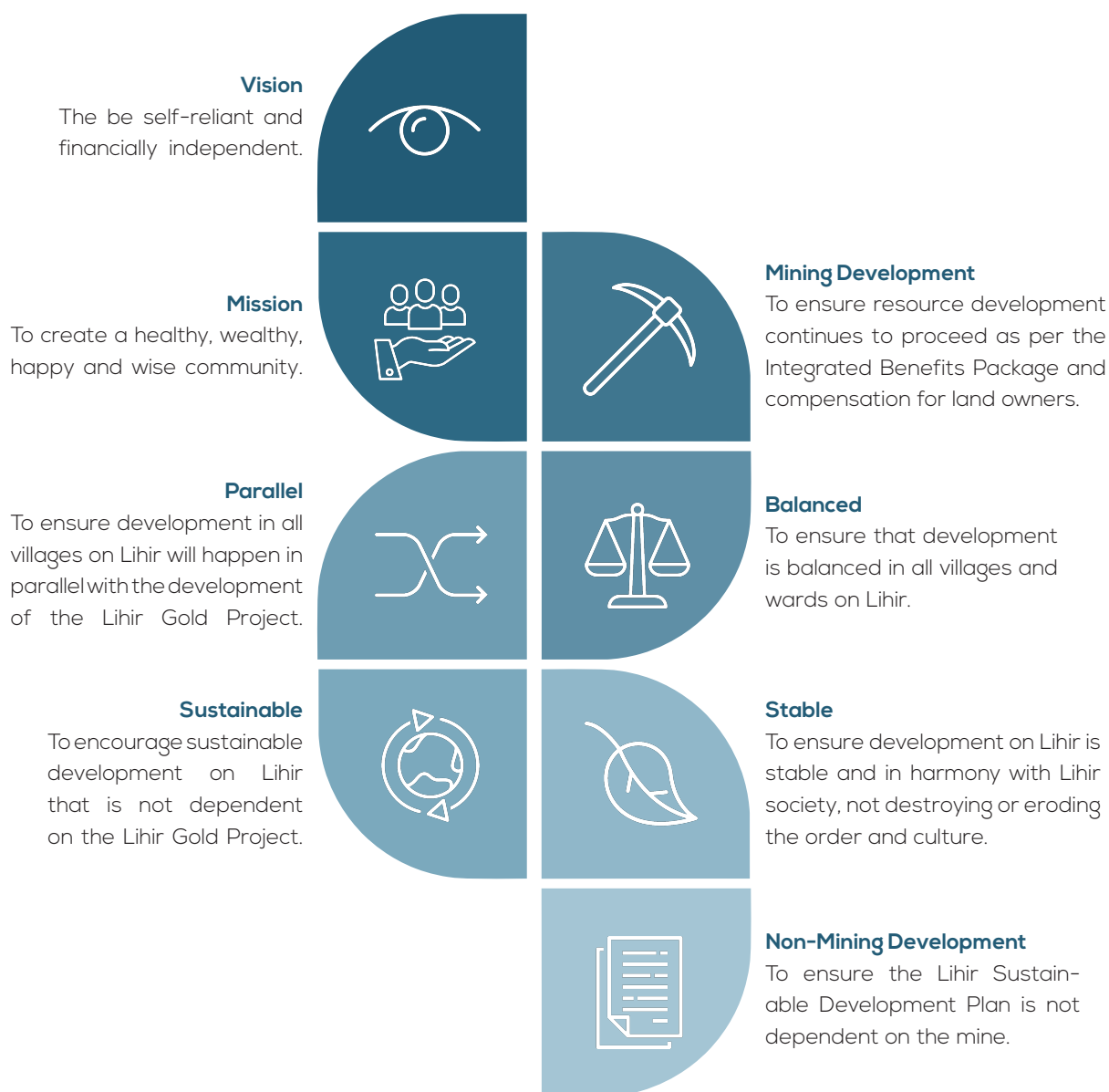
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OUR VISION: LIHIR DESTINY

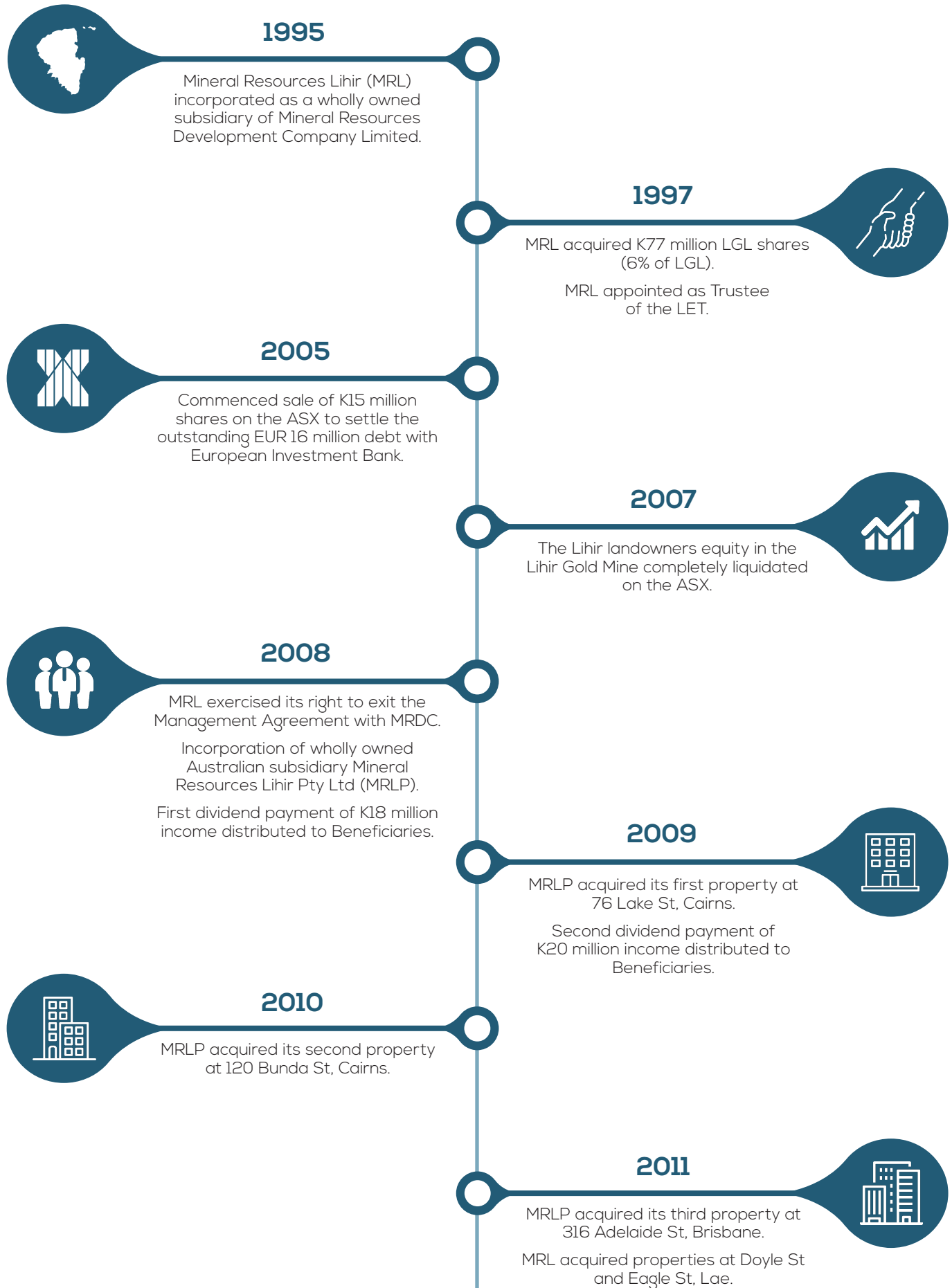
The Lihir Destiny sets out the following key principles:



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





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

MRL 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 Ltd.

Disposal of 99 Racecourse Road, Brisbane.



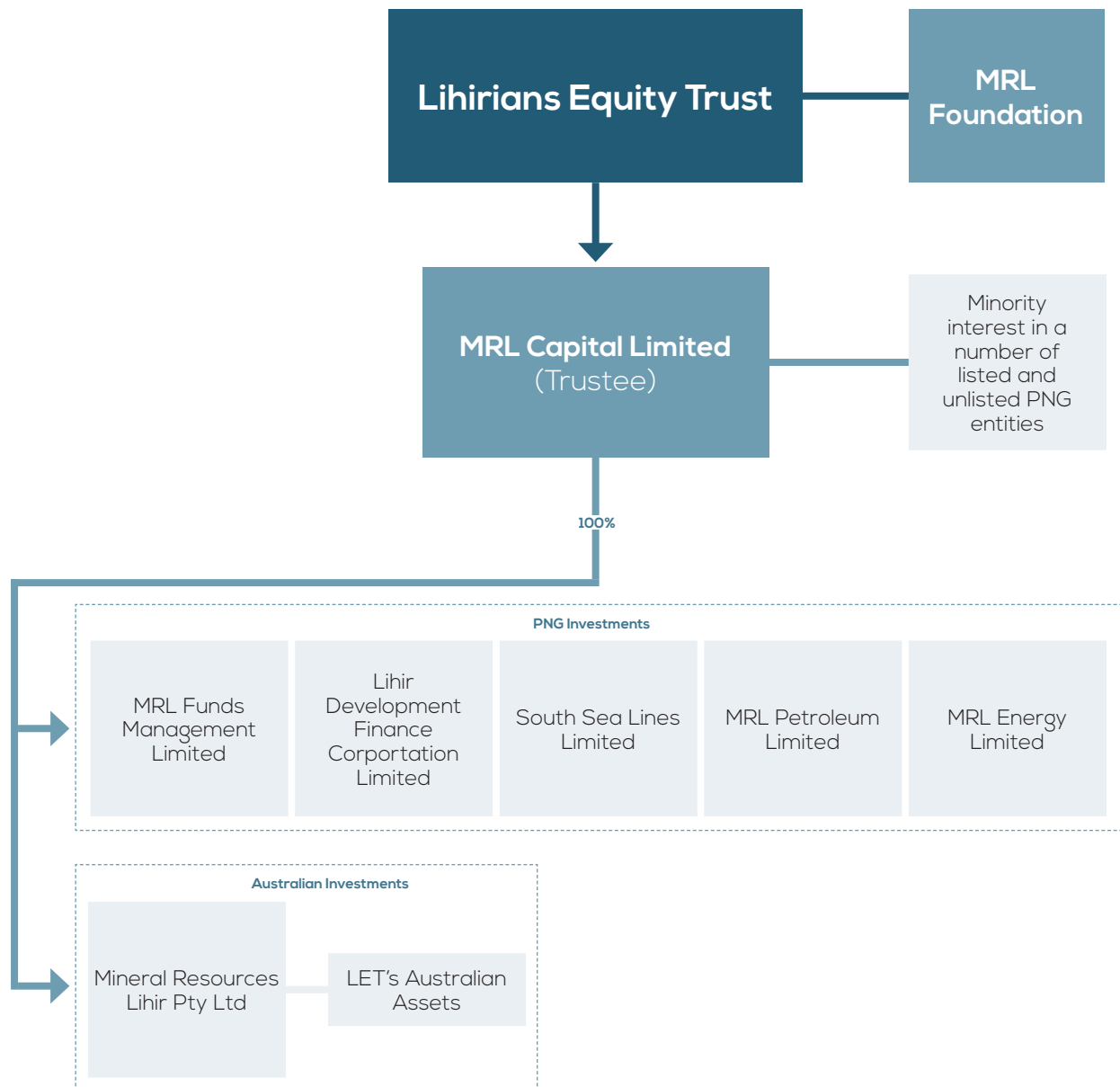
2020

Disposal of 76 Lake Street, Cairns.

Investment Management Co. Pty Ltd awarded Australian Financial Services license.

NOW

CORPORATE STRUCTURE



BOARD OF DIRECTORS & MANAGEMENT

Board of Directors



Mark Soipang
Board Chairman



Bart Walis
Director



Cornelia Sokes
Director



Joseph Braun
Director



Jerry Morris
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



IN MEMORY OF THE LATE DIRECTOR JOHN KAPSA

24 June 1954 - 15 July 2020

The late Director John Kapsa passed away peacefully on 15 July 2020 at his home on Lihir at the age of 66. He is survived by his wife, six children, grandchildren and adopted grandchildren.

His passing was a time of great sadness for MRL and the people of Lihir, especially those who have worked with him and benefited from his guidance and mentorship.

As a founding Trustee clan representative of MRL Capital Limited, late Director Kapsa along with current Board Chairman, Mark Soipang, had the vision and foresight for the Lihir Destiny and were both an instrumental part of forming the Lihirians Equity Trust which was established to hold equity on behalf of the landowners in the Lihir Gold Mine.

The late Director Kapsa was a serving Director on the Board of MRL Capital Limited representing the Unawos Clan from 2013 until his passing in 2020, whilst maintaining his role as the Trustee representative of his Clan. He was a valued member of MRL's Audit, Risk & Remuneration Committee and also served on the board of the Anitua Group of Companies, Unawos Investments Limited, Mine Tech Limited and more.

The period of mourning, culminating in his funeral held on 24 July 2020 was conducted and observed according to Lihirian custom and befitting a leader of his stature in the community.

Many Lihirians, including various stakeholders and other entities operating on Lihir paid their final respects. Villages around the islands of Lihir who came to mourn, as is custom, brought fresh garden produce, betelnut and pigs, which is significant to the Lihirian custom when paying respects. The food was for the funeral feast that followed the burial. MRL also contributed to the funeral feast, as a token of gratitude for his dedicated service to the company.

Whilst we mourn his passing, we also celebrate the achievements and legacy of a kind and considerate man that impacted the lives of many, both Lihirians and non-Lihirians alike.

In honour of the late Director John Kapsa and to commemorate his life and contributions, the 'John Kapsa Award' will be implemented in 2022 to eligible CSO scholarship graduates. The award will be a performance-based incentive for students who graduate with a GPA of or higher than 5.0 (a credit average or higher).

We can all pay tribute to Late Director Kapsa by continuing to work diligently and collectively to achieve the vision that he and other Lihirian leaders, past and present had for the development and future of Lihir.

Late Director Kapsa will be remembered by many Lihirians for his generosity, wisdom and leadership which he contributed, both directly and indirectly to the vision of the Lihir Destiny.





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 period ending 31 December 2020.

This year, MRL and its staff have demonstrated the ability to adapt and continue to grow the assets of the LET despite the challenges presented by the Covid-19 pandemic.

This is a testament to the strength of the business we have built since MRL exercised its right to exit the Management Agreement with MRDC and to operate as a separate legal entity in 2008.

The 2020 Financial Statements for the LET were independently audited by global accounting firm, KPMG, who have provided an Unqualified Audit Opinion. The value of the LET's Total Assets increased in 2020 by 6.28% from K500.64 million to K532.09 million.

This increase was attributed in part to positive performance of the investments in PNG, both Listed and Unlisted equities, and in Australia through Mineral Resources Lihir Pty Ltd (MRLP). At an operational level, the LET recorded a profit of K11.73 million for our Beneficiaries, an increase of K9.84 million when compared to the 2019 results.

During 2020, MRL continued to deliver on our Five-Year Strategic Plan priorities with the primary focus on growing the fund to K600 million by 2021. I am pleased to report the LET is on track to achieve this goal set in 2017.

These positive results enable MRL to grow the LET and ensure we meet our ongoing obligations under the Trust Deed.

During 2020 we also saw the commencement of a thorough vetting process resulting in an accurate and updated Beneficiaries Database. This database ensures our distribution exercises are accurately carried out and ensures only eligible Beneficiaries receive annual distributions.

The LET continues to fund the operations and activities of the MRL Foundation Association Inc. This funding facilitates important projects in education, health and infrastructure to be undertaken on Lihir.

I am also pleased to advise the Lihir Development Finance Corporation (LDFC), a subsidiary of MRL, is now fully functional and has commenced providing financial assistance to Lihirian entities that meet eligibility requirements.

Despite challenges presented in 2020, we have again achieved a profit and will retain these earnings for

growth, to fund CSO projects, and pay distributions to eligible Beneficiaries.

I would like to thank the Directors of MRL for their contributions, diligence, and commitment to good governance during a testing year.

On behalf of the Board, I would also like to acknowledge the hardworking Management Team, MRL staff in PNG and Australia and our external partners who have all risen to meet the challenges posed by the pandemic, showing profound dedication, professionalism and resilience to achieve MRL's success.

Yours truly,

Mark Soipang
Chairman





LETTER FROM THE CEO

Dear Stakeholders and Beneficiaries,

I am pleased to present the financial and operational performance of the LET for the financial year ended 2020.

2020 has been a testing year across the board for Papua New Guinea. Families and the business sector struggled with the significant impact of the COVID-19 pandemic.

Papua New Guinean's had to deal with personal loss and employment redundancy, whilst the business sector suffered an extensive decline in confidence and economic activity as lockdowns depressed income generation opportunities.

International flights were grounded, and safety measures were imposed by the SOE Controller during the year. The COVID-19 vaccine campaign was rolled out by the PNG Government and citizens were advised to observe all safety measures and protocol under the *Niupla Pasin*.

This has resulted in a challenging economic climate within which to operate and increased uncertainty about the future.

MRL Capital Limited (MRL Capital), as Trustee for the LET, has responded to this crisis and taken the necessary steps to ensure that the LET continued to effectively operate during this difficult period.

Profit & Loss

Despite the challenges faced due to the Covid-19 pandemic, the LET continues to strive to maximize its performance and remain focussed on achieving the key objectives of our Five-Year Strategic Plan during this uncertainty.

The main strategic objective being to have a Fund Value (represented by Total Assets) of K600 million by the end of 2021, and we are on target to reach this objective despite the current economic environment.

The LET's financial position has improved during 2020 with Total Assets increasing by K31.5 million to K532.09 million an increase of 6.28%.

Net Assets Attributable to Beneficiaries increased from K478.80 million in the prior year to K520.35 million, largely driven by the positive fair value movements of the LET's investments in its subsidiaries.

The LET reported Profit Before Income Tax of K7.49 million up from K3.62 million on the previous financial year.

Total Comprehensive Income for the year, which includes the fair value movements of the LET's investment in Australian subsidiary Mineral Resources Lihir Pty Ltd and shares in SSL, was K41.55 million up from K22.86 million in 2019.

Despite the challenging economic condition, the LET continued to generate positive returns.

- Total Operating Income - increased by K1.25 million to K15.68 million (2019 - K14.43 million)
- Total Operating Expense - decreased by K2.62 million to K8.18 million (2019 - K10.81 million)
- Total Net Operating Profit Before Tax - increased by K3.86 to K7.49 million (2019 - K3.62 million)
- Total Net Profit After Tax and Other Comprehensive Income - increased by K18.68 million to K41.55 million (2019 - K22.86 million).

The improvement in the operating performance of the LET for 2020 is due to the positive gains associated with the movements in the PGK/AUD exchange rate and reduced Operating Expenses.

Operating Expenses have reduced by over K2.0 million as a consequence of the cost containment measures put in place by management to focus on managing costs which has resulted in an improvement in 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 SSL and the Australian subsidiary, Mineral Resources Lihir Pty Ltd.

Balance Sheet

Total Assets - K532.09 million

Total Assets increased by K31.45 million or 6.28%.

Total Liabilities - K11.74 million

Total Liabilities decreased by K10.09 million or 46.21%.

Total Net Assets - K520.35 million

Total Net Assets increased by K41.55 million or 8.67%.

The LET balance sheet remains strong. Total Assets under management increased by 6.28% to \$532.09 million whilst Net Assets increased by 8.67% to K520.35 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, Mineral Resources Lihir Pty Ltd.

As at 31 December 2020 the LET had Cash and Cash Equivalents on hand of circa K14.69 million. Cash flows are closely monitored and managed so LET can meet its financial and Beneficiary obligations.

Community Service Obligation (CSO) Projects

MRL continues to provide support in the communities on Lihir through the CSO projects and programs. This includes the payment of annual cash distributions to our Beneficiaries and building of social infrastructure.

In terms of our annual distribution, we have been working with MiBank to improve our processes so the annual cash distribution to our beneficiaries can be done more efficiently.

We anticipate to commence using MiBank to pay our annual cash distribution starting with our 2019 cash distribution payments and going into the future.

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 2020, and also acknowledge the efforts of my fellow management team, colleagues and all staff in both our Papua New Guinea and Australia Offices.

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,

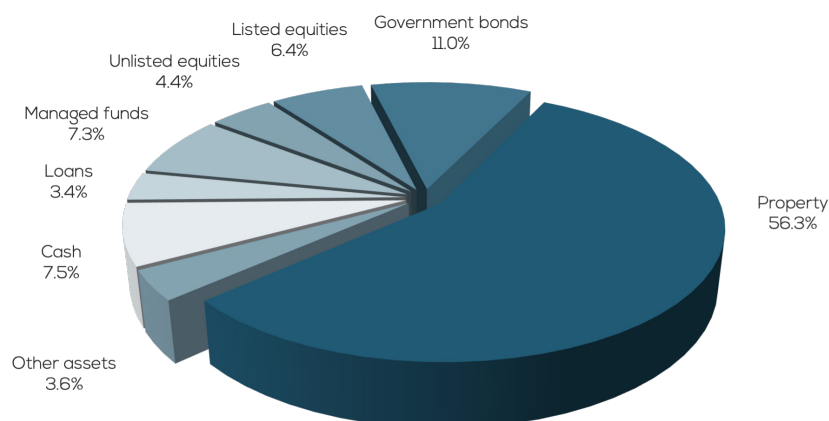


Lawrence Rausim
Chief Executive Officer

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 as at 31 December 2020 is summarised below.



| | PNG Assets | Australian Assets | LET Total Assets |
|---------------------------|--------------------|--------------------|--------------------|
| | K | K | K |
| Property | 14,682,682 | 259,904,861 | 274,587,543 |
| Government bonds | 95,643,367 | - | 95,643,367 |
| Listed equities | 17,155,553 | 18,502,810 | 35,658,363 |
| Unlisted equities | 38,199,752 | - | 38,199,752 |
| Managed funds | - | 37,576,041 | 37,576,041 |
| Loans | 28,633,948 | 260,816 | 28,894,764 |
| Cash | 14,694,766 | 36,734,595 | 51,429,361 |
| Other assets | 19,373,929 | 7,485,200 | 26,859,129 |
| Group Total Assets | 228,383,997 | 360,464,324 | 588,848,321 |
| Less: MRLP Liabilities | | | (56,748,477) |
| MRLC Total Assets | | | 532,099,844 |
| Less: Liabilities | | | (11,745,877) |
| Net asset value | | | 520,353,967 |

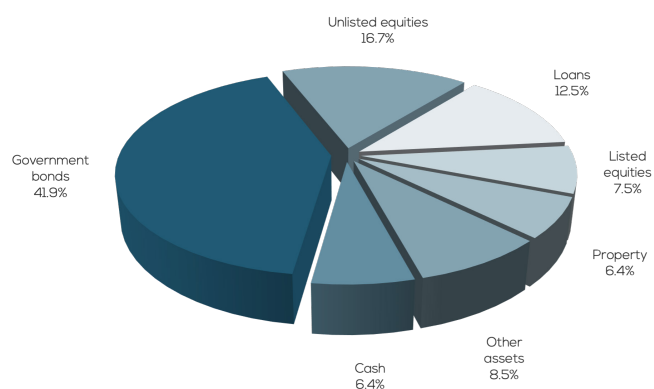
FUND INVESTMENTS

PNG ASSETS AT 31 DECEMBER 2020

Approximately 42% 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.

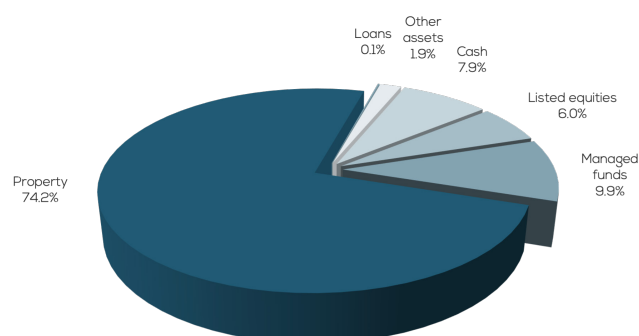
The PNG asset allocation as at 31 December 2020 is summarised below.



AUSTRALIAN ASSETS AT 31 DECEMBER 2020

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 2020 is summarised below.



The LET's Total Assets under management has increased from K411.4 million in 2008 to K588.8 million in 2020.

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 (CSO) 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; Unawos, Lamatlik, Tengawom, Tinetalgo, Nisal and Nikama. 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 & Remuneration Committee assists the Board by providing independent and objective review, advice and assistance in developing Board policies and monitoring corporate activities 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 & 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, remuneration and retention activities.

As at 31 December 2020, the Audit, Risk & Remuneration Committee comprised of Mr David McDougall as Chairman, and Mr Mark Soipang, Mr Lawrence Rausim, 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 2020, the Investment Committee comprised of Mr Mark Soipang as Chairman, and Mr David McDougall, Mr Lawrence Rausim and Mr Jerry Morrus 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.

2020 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* | 0/4 | 0/4 | n/a |
| Cornelia Sokes | 4/4 | 4/4 | n/a |
| Jerry Morrus | 3/4 | n/a | 4/4 |
| Joseph Braun | 4/4 | n/a | n/a |
| Ludwig Musmus | 4/4 | n/a | n/a |
| David McDougall | n/a | 4/4 | 4/4 |
| Bart Walis** | n/a | n/a | n/a |

n/a = not applicable

*John Kapsa was unwell during 2020 and passed away on 15 July 2020

**Bart Walis was appointed on 23 February 2021

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 costs 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.

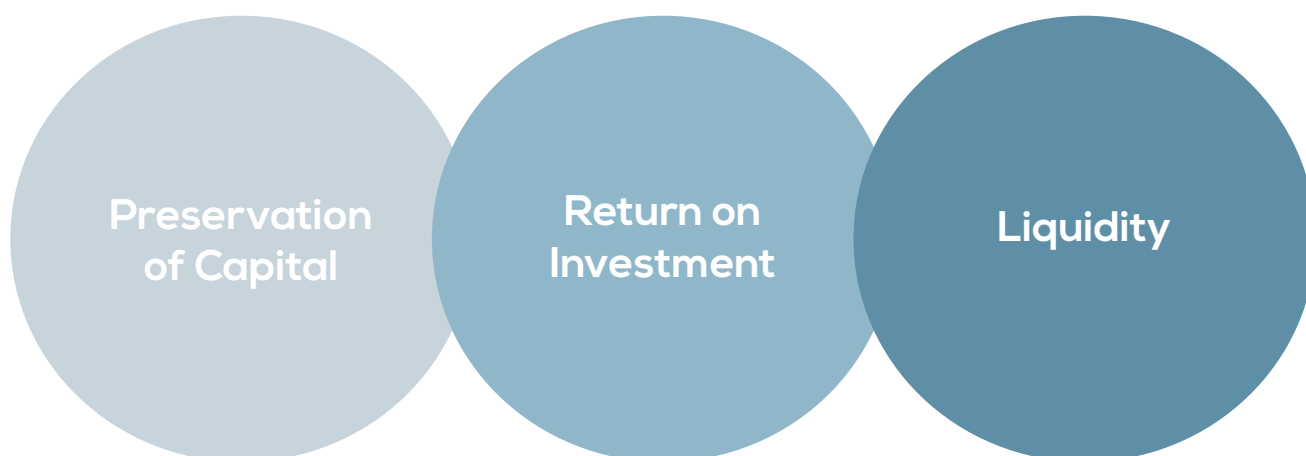
Setting Risk Parameters

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.



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.

CSO OBJECTIVES



The advancement
of education of the
Lihirian People



The advancement
of the health and
general wellbeing of
the Lihirian People

The relief of poverty
of the Lihirian
People



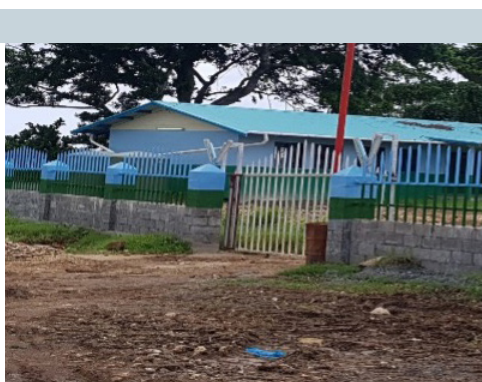
Any other purposes
beneficial to the
Lihirian People



2020 CSO PROJECT OVERVIEW

The following table provides a list of CSO projects undertaken and initiated during 2020. 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 |
|-----------------------------------|----------------|--|
| Completed | | |
| Bulamue Sub Health Centre | Health | Installation of solar panels. |
| Latual Aid Post | Health | Installation of solar panels. |
| Covid-19 Response | Health | Assistance with awareness and preparations for Covid-19 including ration donations. |
| Kinami Primary School | Education | Construction of a new 4x1 classroom. |
| Putput 1 Elementary School | 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. |
| Community Connectivity Project | Infrastructure | Provide internet connectivity to education and health facilities on the island to improve communication and access to education materials. |
| Palie House Maintenance | Infrastructure | Ongoing maintenance of the house currently reserved to accommodate health workers. Not occupied during the year. |
| Lihir Database | Management | The implementation and ongoing management of a Beneficiary Database. |
| Cadetship Program | Education | Sponsorship of Lihirian students across PNG & Australia in various fields of study. |
| In Progress | | |
| Mazuz Primary School | Education | Construction of a new 4x1 classroom. |
| Solar Solutions | Infrastructure | Palie solar solution maintenance due to power cut-offs. |





SCHOLARSHIP AWARDEE GRADUATION

Wesley Decklam graduated on 23 September 2020 from QUT with a Masters in Business Process Management. Wesley also received a Dean's Award for excellent academic performance with a grade point average of 7 in Semester 1 2020.

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 2020 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 |
|------------------|--|------------|
| Belinda Hobo | Bachelor of Anthropology & International Relations | 2022 |
| Benjamin Misren | Masters in Engineering Management | 2021 |
| Dietriche Rausim | Bachelor of Engineering | 2021 |
| George Philemon | Bachelor of Engineering Science | 2021 |
| Jessica Weir | Masters in Human Resource Management | 2020 |
| Jessie Moab | Associate Degree of Engineering | 2021 |
| Joalyene Malele | Bachelor of Business | 2022 |
| Julia Lourie | Bachelor of Business & International Business | 2021 |
| Tina Morus | Bachelor of Business Management | 2022 |
| Wesley Decklam | Masters in Business Process Management | 2020 |

PNG Based Students

| Student Name | Degree/Area of Study | Graduation |
|-----------------------|---|------------|
| Doreen Gireng | Bachelor of Information Systems | 2022 |
| Gabriel Kasalman | Bachelor in Mathematics & Computing Science | 2024 |
| Latisha Labongis | Bachelor of Law | 2024 |
| Natasha Labongis | Bachelor in Business | 2024 |
| Philomena Tsiksaraine | Bachelor in Education | 2022 |
| Theckla Zykios | Bachelor in Nursing | 2023 |
| Theresia Butman | Bachelor in Education | 2021 |

*Graduation dates are estimates only based on students' current program length. Covid-19 also impacted studies during 2020 with several students deferring.

LIHIRIANS EQUITY TRUST

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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2020

TRUST AND TRUSTEE INFORMATION

| | |
|----------------------------------|---|
| Trust | Lihirians Equity Trust |
| Trustee | MRL Capital Limited |
| Registered office address | Suite 2, Level 3, PWC Haus Section 44, Allotment 34 Granville, Konedobu Port Moresby National Capital District Papua New Guinea |
| Postal Address | PO Box 8618 Boroko National Capital District 121 Papua New Guinea |
| Address for service | Suite 2, Level 3, PWC Haus Section 44, Allotment 34 Granville, Konedobu Port Moresby National Capital District Papua New Guinea |
| Directors of the Trustee | Mark Soipang Connie Sokes Ludwig Musmus Jerry Morrus John Kapsa (deceased 15 July 2020) Joseph Braun Bart Wallis (appointed 23 February 2021) |
| Secretary of the Trustee | Bruce Apana |
| Auditors | KPMG, Chartered Accountants PNG Level 3, Credit House Cuthbertson Street Port Moresby, NCD Papua New Guinea |
| Bankers | Bank of South Pacific Limited Australia & New Zealand Banking Group (PNG) Limited Westpac Bank PNG Limited Kina Bank Limited |



Independent Auditor's Report

To the members of Lihirians Equity Trust

Report on the audit of the Financial Report

Opinion

We have audited the Financial Report of Lihirians Equity Trust (the "Trust").

In our opinion, the accompanying Financial Report of the Trust is 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 2020 and of its financial performance for the year ended on that date.

The Financial Report comprises:

- statement of financial position as at 31 December 2020;
- statement of profit or 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 Report* section of our report.

We are independent of the Trust in accordance with the ethical requirements of the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the Financial Report in Papua New Guinea. We have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that we have remained independent as required by the Code throughout the period of our audit and to the date of this Auditor's Report.

Other Information

Other Information is financial and non-financial information in Lihirians Equity Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report 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 Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with the accounting policies as described in Note 2 and the Trust Deed;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Trust's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 Report

Our objective is:

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *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 the Financial Report.

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

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



Auditor's responsibilities for the audit of the Financial Report (continued)

- 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 Those Charged with Governance (TCWG)'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 report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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 report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates 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 the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note 2 to the Financial Report, which describes the basis of accounting. The Financial Report have been prepared by the management to assist Lihirians Equity Trust to meet the requirements of the Trust Deed. As a result, the Financial Report may not be suitable for another purpose. Our report is intended solely for the members of the Lihirians Equity Trust and should not be distributed to or used by parties other than Lihirians Equity Trust, the Trustee and its Directors. We disclaim any assumption of responsibility for any reliance on this report, or on the Financial Report to which it relates, to any person other than the members of Lihirians Equity Trust or for any other purpose than for which it was prepared.



Suzaan Theron
Partner

Registered under the Accountants Act 1996

Port Moresby
15 October 2021

REPORT OF THE TRUSTEE

The Directors of the Trustee present their report together with the financial statements of Lihirians Equity Trust (the "LET") for the year ended 31 December 2020 and the auditor's report thereon. MRL Capital Limited is the Trustee (the "Trustee") of the LET.

Directors of the Trustee

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 | Deceased 15 July 2020 |
| Ms Cornelia Sokes | Director | Reappointed 21 February 2019 |
| Mr Jerry Morrus | Director | Reappointed 21 February 2019 |
| Mr Ludwig Musmus | Director | Appointed 21 February 2019 |
| Mr Bart Walis | Director | Appointed 23 February 2021 |

Secretary

Mr Bruce Apana was the Company Secretary for the Trustee during the year (appointed on 5 May 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 2020, 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 (listed and unlisted) and commercial real estate in trust, on behalf of the beneficiaries of the LET.

Results

The total comprehensive income for the year was K41,550,861 (2019: K22,862,449).

Distributions to Beneficiaries

On 27 May 2021, the Directors of the Trustee declared a distribution for 2019 of K5,337,040.

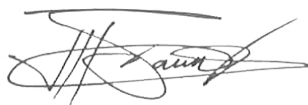
Matters or circumstances arising after the end of the year

No matter or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the LET, the results of those operations or the state of affairs of the LET in future financial years.

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



Mark Soipang
Chairman
Date: 5 October 2021



Joseph Braun
Director
Date: 5 October 2021

TRUSTEE DECLARATION

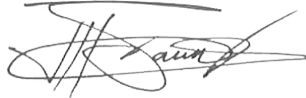
In the opinion of the Directors of MRL Capital Limited, the Trustee to the Lihirians Equity Trust (the "LET"):

- (a) the financial statements of the LET as set out on pages 25 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 2020, 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 5th day of October 2021.



Mark Soipang
Chairman



Joseph Braun
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

| | | 2020 | 2019 |
|---|-------|--------------------|---------------------|
| | Note | K | K |
| Operating income | | | |
| Interest income | 5 | 10,996,775 | 11,499,136 |
| Dividend income – PNG listed and unlisted shares | 6 | 1,197,512 | 1,789,871 |
| Rental income | | 823,684 | 928,971 |
| Other income | 7 | 3,149,526 | 724,003 |
| | | 16,167,497 | 14,941,981 |
| Property expenses | 8 | (483,336) | (502,054) |
| Total operating income | | 15,684,161 | 14,439,927 |
| Operating expenses | | | |
| Personnel expense | 9 | (2,558,211) | (2,681,670) |
| Directors expenses | 10 | (3,427,617) | (3,834,142) |
| Depreciation | 22 | (424,980) | (671,787) |
| Professional expenses | 11 | (448,205) | (389,498) |
| General administrative expenses | 12 | (1,063,117) | (1,037,766) |
| Loss on change in fair value of investment properties | 20 | (266,547) | - |
| Allowance for loan losses and provisions | 16 | - | (2,196,048) |
| Total operating expense | | (8,188,677) | (10,810,911) |
| Profit before income tax | | 7,495,484 | 3,629,016 |
| Income tax benefit/(expense) | 13(a) | 4,243,001 | (1,732,049) |
| Profit for the year | | 11,738,485 | 1,896,967 |
| Other comprehensive income | | | |
| Equity investments at FVOCI – net change | 19,21 | 29,812,376 | 20,965,482 |
| Other comprehensive income, net of tax | | 29,812,376 | 20,965,482 |
| Total comprehensive income for the year | | 41,550,861 | 22,862,449 |

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 2020

| | Settled Sum | Retained earnings | Fair value reserve | Total |
|--|-------------|--------------------|--------------------|--------------------|
| Note | K | K | K | K |
| 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 | - | 1,896,967 | 20,965,482 | 22,862,449 |
| Transactions with Beneficiaries 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 |
| Balance at 1 January 2020 | 10 | 459,520,699 | 19,282,397 | 478,803,106 |
| Profit for the year | - | 11,738,485 | - | 11,738,485 |
| Other comprehensive income | - | - | 29,812,376 | 29,812,376 |
| Balance at 31 December 2020 | 10 | 471,259,184 | 49,094,773 | 520,353,967 |

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 2020

| | | 2020 | 2019 |
|---|-------------|--------------------|--------------------|
| Assets | Note | K | K |
| Cash and cash equivalents | 14 | 14,694,766 | 5,114,306 |
| Trade and other receivables | 15 | 4,134,618 | 3,306,148 |
| Accrued interest on GIS and deposits | 17 | 1,984,172 | 2,620,079 |
| Current tax receivable | 13(b) | 8,942,552 | 5,811,731 |
| Related party loans and receivables | 16 | 50,358,246 | 51,811,459 |
| PNG Government fixed income securities | 18 | 93,659,195 | 105,634,372 |
| PNG listed and unlisted shares | 19 | 23,755,553 | 26,622,167 |
| Investment properties | 20 | 14,682,682 | 14,924,776 |
| Shares in Australian subsidiary | 21(a) | 281,991,549 | 249,012,256 |
| Shares in PNG subsidiary | 21(b) | 31,599,752 | 31,900,055 |
| Property and equipment | 22 | 2,367,005 | 2,772,279 |
| Deferred tax assets | 13(c) | 3,929,754 | 1,113,449 |
| Total assets | | 532,099,844 | 500,643,077 |
| | | | |
| Liabilities | | | |
| Trade and other payables | 24 | 5,559,704 | 12,464,801 |
| Employee benefits | 25 | 1,560,199 | 1,196,899 |
| Loans payable | 26 | 4,000,000 | 7,082,887 |
| Lease liabilities | 23(b) | 625,974 | 1,095,384 |
| Total liabilities | | 11,745,877 | 21,839,971 |
| | | | |
| Net assets attributable to Beneficiaries | | 520,353,967 | 478,803,106 |
| | | | |
| Equity | | | |
| Settled sum | | 10 | 10 |
| Fair value reserve | 28 | 49,094,773 | 19,282,397 |
| Retained earnings | | 471,259,184 | 459,520,699 |
| Total equity | | 520,353,967 | 478,803,106 |

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 2020

| | | 2020 | 2019 |
|--|------|--------------------|--------------------|
| | Note | K | K |
| Cash flows from operating activities | | | |
| Interest income received | | 11,993,220 | 12,613,173 |
| Management fee and rental income received | | 823,684 | 928,971 |
| Dividends received | | 1,197,512 | 1,789,871 |
| Maturity of PNG Government debt securities | | 11,008,732 | 1,933,667 |
| Operating expenses and taxes paid | | (9,236,122) | (8,903,180) |
| Net cash generated from operating activities | | 15,787,026 | 8,362,502 |
| Cash flows from investing activities | | | |
| Purchase of property and equipment | | (19,706) | - |
| Loan payment | | (3,028,887) | (545,839) |
| Additional loans availed by related parties | | (3,761,314) | (3,898,429) |
| Receipt from loans to related parties | | 1,453,213 | - |
| Net cash used in investing activities | | (5,356,694) | (4,444,268) |
| Cash flows from financing activities | | | |
| Distributions paid | | (380,462) | (1,999,326) |
| Payment of lease liabilities | | (469,410) | (493,095) |
| Net cash used in financing activities | | (849,872) | (2,492,421) |
| Net cash and cash equivalents held | | 9,580,460 | 1,425,813 |
| Cash and cash equivalents at beginning of year | | 5,114,306 | 3,692,481 |
| Effect of exchange rate change on foreign currency balance | | - | (3,988) |
| Cash and cash equivalents at end of financial year | 14 | 14,694,766 | 5,114,306 |

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1 General

The Lihirians Equity Trust (the "LET") is a Trust domiciled in Papua New Guinea. The administrative address of the Trust and MRL Capital Limited, the Trustee of the Trust (the "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 (listed and unlisted) and commercial real estate in trust, on behalf of the beneficiaries of the LET.

The financial statements have been authorised for issue by the Trustee's Board of Directors on 5 October 2021.

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.

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) Use of estimates and judgements

The preparation of the financial statements in conformity with Special Purpose Frameworks requires management to make judgements, 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 judgement 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 estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the year ending 31 December 2020 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.

(b) 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.

(c) 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) Dividend 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'.

(i) 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.

(d) 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.

(e) 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% |

(f) 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.

(g) 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.

(h) 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 reporting 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) Directors retirement benefits

Directors' 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 reporting date at the future expected cost.

(i) 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.

There are no differences between the tax treatments of a LET under Papua New Guinea's tax legislation.

(j) Leases

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.

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 and equipment' and lease liabilities in 'lease liabilities' in the statement of financial position.

Short term leases and leases of low value assets

The LET has elected not to recognise right of use assets and lease liabilities for leases of low value assets and short term leases. The LET recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

(k) Provision and contingent liabilities

Provisions are recognised when:

- LET has a present obligation (legal or constructive) as a result of a past event;
- it is probable that the LET will be required to settle the obligation; and
- 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:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - the amount of the obligation cannot be measured with sufficient reliability.

(l) Financial instruments

(i) Recognition and measurements

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 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.

(m) 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.

(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 property

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) Settled sum

Settled sum transferred to establish the Trust.

(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.

| | 2020 | 2019 |
|---------------------------------------|-------------------|-------------------|
| | K | K |
| 5 Interest income | | |
| PNG government treasury bills and GIS | 11,286,199 | 11,936,499 |
| Premium amortisation on PNG GIS | (996,445) | (1,114,035) |
| Loans - Clan loans | 625,754 | 583,395 |
| PNG interest bearing deposits | 81,232 | 89,990 |
| Australian interest bearing deposits | 35 | 3,287 |
| | 10,996,775 | 11,499,136 |
| 6 Dividend income | | |
| PNG listed and unlisted shares | 1,197,512 | 1,789,871 |
| | 1,197,512 | 1,789,871 |

| | 2020 | 2019 |
|---|------------------|------------------|
| | K | K |
| 7 Other income | | |
| Unrealised foreign gains - MRL Pty Limited loan | 2,705,069 | - |
| CSO management fees (recharge) | 192,036 | 172,140 |
| LMALA administration fees | 129,250 | 389,396 |
| Refund of 2018 rental outgoings for MRL office | - | 141,864 |
| Insurance claim | 115,413 | - |
| Bank revaluation | 5,259 | - |
| Medical refunds | 2,499 | 20,013 |
| Promotional fee rebates from Macquarie | - | 590 |
| | 3,149,526 | 724,003 |
| 8 Property expenses | | |
| Property expenses | 483,336 | 502,054 |
| | 483,336 | 502,054 |
| 9 Personnel expenses | | |
| Consulting | 1,944,361 | 1,773,094 |
| Salaries and wages | 1,582,464 | 1,382,966 |
| Staff allowances | 351,411 | 521,123 |
| Staff travel expense | 338,275 | 505,084 |
| Contributions to superannuation | 33,302 | 11,354 |
| Other staff expenses | 252,759 | 261,143 |
| | 4,502,572 | 4,454,764 |
| 10 Directors expenses | | |
| Directors fees | 541,665 | 749,128 |
| Directors retirement | 179,349 | 355,342 |
| Retirement clan chairman | 132,000 | - |
| Directors allowances | 354,939 | 338,554 |
| Directors travel expense | 275,303 | 618,024 |
| | 1,483,256 | 2,061,048 |
| 11 Professional expenses | | |
| Legal support fees | 178,069 | 144,613 |
| Legal fees | 38,777 | - |
| Audit fees | 179,140 | 196,500 |
| Accounting and tax | 52,219 | 48,385 |
| | 448,205 | 389,498 |

| | 2020 | 2019 |
|---|--------------------|------------------|
| | K | K |
| 12 General administration expenses | | |
| Utilities, overheads, rent and rates | 602,476 | 523,985 |
| Insurance | 250,345 | 294,504 |
| Interest expense | 95,163 | - |
| Motor vehicle expenses | 45,049 | 43,088 |
| Bank charges | 31,686 | 9,549 |
| Office supplies | 29,657 | 24,469 |
| Repairs and maintenance | 4,499 | 22,286 |
| Advertising | 4,242 | 21,052 |
| Other expenses | - | 98,833 |
| | 1,063,117 | 1,037,766 |
| 13 Income taxes (benefit)/expense | | |
| (a) Income tax (benefit)/expense | | |
| Profit for the year | 37,307,860 | 24,594,498 |
| Income tax on the profit | 11,192,358 | 7,378,349 |
| Tax effect of permanent differences | (12,334,484) | (4,785,225) |
| Over provision in prior years | (1,426,696) | (324,114) |
| Dividend rebate | (1,674,179) | (536,961) |
| | (4,243,001) | 1,732,049 |
| Income tax expense comprises: | | |
| Current income tax | - | 1,963,658 |
| Deferred income tax | (2,816,305) | 629,466 |
| Over provision in prior years | (1,426,696) | (861,075) |
| | (4,243,001) | 1,732,049 |
| (b) Income tax receivable | | |
| Balance at the beginning of the year | 5,811,732 | 5,110,341 |
| Current income tax | - | (1,963,658) |
| Over provision in prior years | 1,426,696 | 324,114 |
| Dividend rebate and IWT | 1,704,124 | 2,340,935 |
| Balance at end of the year | 8,942,552 | 5,811,732 |
| (c) Deferred income tax asset movement | | |
| Balance at beginning of the year | 3,150,651 | 3,629,753 |
| Under / (over) provision in prior years | (1,412,923) | (479,102) |
| Charge in income tax expense | 4,102,954 | - |
| | 5,840,682 | 3,150,651 |
| Deferred income tax liability movement | | |
| Balance at beginning of the year | (2,037,202) | (1,886,838) |
| Charge to income tax expense | 126,274 | (150,364) |
| | (1,910,928) | (2,037,202) |
| | 3,929,754 | 1,113,449 |

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | K | K |
| This balance comprises the tax effect of: | | |
| Accrued audit fees | 53,742 | 58,950 |
| Provision for annual leave | - | (990) |
| Provision for long service leave | 22,134 | 11,331 |
| Provision for Directors retirement | 395,224 | 340,024 |
| Provision for loan | 2,412,721 | 2,412,721 |
| Right-of-use lease liability | 187,792 | 328,615 |
| Tax loss | 2,769,069 | - |
| | 5,840,682 | 3,150,651 |
| Fixed asset temporary difference | (315,158) | (309,829) |
| Interest receivable | (1,497,064) | (1,687,836) |
| Prepaid insurance | (98,706) | (39,537) |
| | (1,910,928) | (2,037,202) |
| | 3,929,754 | 1,113,449 |

14 Cash and cash equivalents

| | | |
|--|-------------------|------------------|
| Cash at bank | 12,479,418 | 2,823,015 |
| Short term deposits with less than 3 months maturity | 2,214,662 | 2,290,000 |
| Cash on hand | 2,002 | 2,001 |
| Bank overdraft | (1,316) | (710) |
| | 14,694,766 | 5,114,306 |

There were no term deposits with maturities greater than three months in 2020 and 2019.

15 Trade and other receivables

| | | |
|--------------------------------------|------------------|------------------|
| Trade debtors | 296,026 | 552,307 |
| GST receivable | 1,693,518 | 1,788,795 |
| Beneficiary distribution prepayments | 1,275,502 | - |
| Prepayment | 585,542 | 663,882 |
| Sundry debtors | 185,282 | 202,416 |
| Dividend withholding tax | 98,748 | 98,748 |
| | 4,134,618 | 3,306,148 |

16 Related party loans and receivables

| | | |
|---|-------------------|-------------------|
| Receivable from CSO Foundation | 8,482,066 | 11,171,159 |
| Provision on receivable from CSO Foundation | (3,567,852) | (3,567,854) |
| CSO Foundation loan to LMALA | 255,444 | 490,640 |
| Loans to CSO Foundation | 7,353,628 | 7,353,628 |
| Provision on loan to CSO Foundation | (7,353,628) | (7,353,628) |
| Loan to Mineral Resources Lihir Pty Ltd | 21,724,298 | 23,171,953 |
| 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) | 26,754,208 | 26,647,863 |
| Provision on loans to clan companies | (14,363,428) | (14,363,418) |
| Advances to staff and directors | 1,118,192 | 733,962 |
| Loan to Anitua Limited (refer to ii) | 9,955,318 | 7,527,154 |
| | 50,358,246 | 51,811,459 |

- (i) In 2014, 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.
- (ii) On 1 November 2020, Anitua Limited and MRL Capital Limited entered into a loan agreement to extend the existing loan facility amount of K6 million to K10 million for Anitua Limited to assist in funding costs relating to the ongoing operations of the Lihir Farm Project and other Anitua operations and projects as agreed between the borrower and the lender. The facility amount may not be used for any other purpose. The facility attracts an interest of 9% per annum fixed for 2 years with review at that time. As a security for the facility amount, deed of charge were granted over the property assets of Anitua Properties Limited.

| | 2020 | 2019 |
|--|-------------------|--------------------|
| | K | K |
| 17 Accrued interest on GIS and deposits | | |
| Accrued interest on GIS and deposits | 1,984,787 | 2,620,694 |
| Accrued interest on term deposit | (615) | (615) |
| | 1,984,172 | 2,620,079 |
| 18 PNG government securities | | |
| Par value PNG government inscribed stock | 90,300,000 | 101,300,000 |
| Net premium on government inscribed stock | 3,359,195 | 4,334,372 |
| | 93,659,195 | 105,634,372 |
| 19 PNG listed and unlisted shares | | |
| PNG listed shares | 17,155,553 | 20,022,167 |
| Gazelle hotel shares | 6,600,000 | 6,600,000 |
| | 23,755,553 | 26,622,167 |
| Opening balance | 26,622,167 | 23,546,323 |
| Adjustment of investment to fair value | (2,866,614) | 3,075,844 |
| Closing balance | 23,755,553 | 26,622,167 |

PNG listed and unlisted shares are classified as other comprehensive income. Any changes in the value of the investments are recorded in other comprehensive income and fair value reserve.

20 Investment properties

The fair value of the LET's investment properties as at 31 December 2020 and 2019 has been arrived at by considering valuation assessments carried out by The Professional Valuers of PNG as at 31 December 2020, which is an unrelated entity to the LET.

| | | |
|---------------------------|-------------------|-------------------|
| Doyle Apartment | 5,200,000 | 4,090,333 |
| Blue Orchid Apartment | 4,500,000 | 6,766,261 |
| Eagle Apartment | 3,500,000 | 2,600,000 |
| 5 Mile Property | 1,482,682 | 1,468,182 |
| | 14,682,682 | 14,924,776 |
| Opening balance | 14,924,776 | 14,913,515 |
| Additions during the year | 24,453 | 11,261 |
| Change in fair value | (266,547) | - |
| Closing balance | 14,682,682 | 14,924,776 |

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:

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 12% (2019: 9%) and market lease rates.

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 K823,684 (2019: K928,971). Costs of property operations recognised under "Fees and property expenses" (Note 8) arising from investment properties amounted to K483,336 (2019: K502,054).

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | K | K |
| 21 Shares in Australian subsidiary and PNG subsidiary | | |
| (a) Shares in Australian subsidiary | | |
| Opening balance | 249,012,256 | 238,854,004 |
| Impact of foreign exchange translation | 32,587,096 | 1,469,797 |
| Adjustment of investment to fair value | 392,197 | 8,688,455 |
| Closing balance | 281,991,549 | 249,012,256 |
| (b) Shares in South Sea Lines Limited | | |
| Opening balance | 31,900,055 | 24,168,668 |
| Adjustment of investment to fair value | (300,303) | 7,731,387 |
| Closing balance | 31,599,752 | 31,900,055 |

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.

22 Property and equipment

| | Furniture, fixtures & fittings | Motor vehicles | Office equipment | Computer equipment | Website | Office fitout | Right-of-use assets | Total |
|---|--------------------------------|------------------|------------------|--------------------|-----------------|------------------|---------------------|--------------------|
| Cost | K | K | K | K | K | K | K | K |
| Balance at 1 January 2019 | 149,460 | 824,387 | 118,480 | 124,208 | 23,390 | 1,756,975 | - | 2,996,900 |
| Transition adjustment (Note 23) | - | - | - | - | - | - | 1,507,577 | 1,507,577 |
| Balance at 1 January 2019 | 149,460 | 824,387 | 118,480 | 124,208 | 23,390 | 1,756,975 | 1,507,577 | 4,504,477 |
| Additions | - | - | 54,732 | 5,279 | - | - | - | 60,011 |
| Balance at 31 December 2019 | 149,460 | 824,387 | 173,212 | 129,487 | 23,390 | 1,756,975 | 1,507,577 | 4,564,488 |
| Additions | 5,905 | - | 3,381 | 10,420 | - | - | - | 19,706 |
| Disposals | - | (194,910) | - | - | - | - | - | (194,910) |
| Balance at 31 December 2020 | 155,365 | 629,477 | 176,593 | 139,907 | 23,390 | 1,756,975 | 1,507,577 | 4,389,284 |
| Accumulated depreciation | | | | | | | | |
| Balance as at 1 January 2019 | (27,230) | (764,717) | (55,268) | (175,127) | (15,098) | (82,982) | - | (1,120,422) |
| Depreciation expense | (14,946) | (95,597) | (22,520) | (6,443) | (702) | (55,159) | (476,420) | (671,787) |
| Balance at 31 December 2019 | (42,176) | (860,314) | (77,788) | (181,570) | (15,800) | (138,141) | (476,420) | (1,792,209) |
| Depreciation expense | (14,946) | 78,579 | (22,192) | 66,614 | (702) | (54,606) | (477,726) | (424,979) |
| Disposals | - | 194,909 | - | - | - | - | - | 194,909 |
| Balance at 31 December 2020 | (57,122) | (586,826) | (99,980) | (114,956) | (16,502) | (192,747) | (954,146) | (2,022,279) |
| Carrying value at 31 December 2019 | 107,284 | (35,927) | 95,424 | (52,083) | 7,590 | 1,618,834 | 1,031,157 | 2,772,279 |
| Carrying value at 31 December 2020 | 98,243 | 42,651 | 76,613 | 24,951 | 6,888 | 1,564,228 | 553,431 | 2,367,005 |

23 Leases

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

| | 2020 | 2019 |
|--|----------------|------------------|
| | K | K |
| (a) Right-of-use assets | | |
| Opening balance | 1,031,157 | 1,507,577 |
| Depreciation charge for the year | (477,726) | (476,420) |
| Closing balance | 553,431 | 1,031,157 |
| (b) Lease liabilities | | |
| Opening balance | 1,095,384 | 1,507,577 |
| Interest expense | 53,270 | 80,902 |
| Lease payment | (522,680) | (493,095) |
| Closing balance | 625,974 | 1,095,384 |
| (c) Amounts recognised in statement of cash flows | | |
| Total cash outflow for leases | 564,573 | 493,095 |
| | 564,573 | 493,095 |

(d) Lease commitments

At 31 December 2020 and 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 | 554,043 | 493,095 |
| Between one and five years | 93,666 | 1,170,389 |
| Total undiscounted lease liabilities at 31 December | 647,709 | 1,663,484 |

24 Trade and other payables

| | | |
|-----------------------------------|------------------|-------------------|
| Trade payables and accruals | 2,472,686 | 3,517,333 |
| Distributions payable | 722,811 | 5,472,380 |
| Payroll tax payable | 147,676 | 1,460,413 |
| Retained beneficiary distribution | 2,216,531 | 2,014,675 |
| | 5,559,704 | 12,464,801 |

25 Employee benefits

| | | |
|--|------------------|------------------|
| Directors' retirement benefits payable | 1,449,413 | 1,133,415 |
| Long service leave | 73,780 | 34,468 |
| Wages and superannuation payable | 37,006 | 29,016 |
| | 1,560,199 | 1,196,899 |

26 Loans payable

In 2016, Nationwide Scaffolding Services Limited (NSSL) agreed to make a loan to Bacasa to finance Bacasa's acquisition of all of the shares in South Sea Lines Limited 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. The NSSL balance payable has subsequently been paid during the 2020 financial year.

Included as part of the South Sea Lines Limited settlement in 2015 was an amount of K4 Million which has been taken up as a loan payable in the accounting records of the LET. The liability is in dispute but has been reflected in the accounts of the LET as a matter of caution and a process is in place to resolve the dispute.

| | 2020 | 2019 |
|--|------|------|
| | K | K |

27 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

| | | |
|---------------------------------------|-----------|-----------|
| Directors expenses | 3,427,617 | 3,834,142 |
| Directors retirement benefits payable | 1,449,413 | 1,133,415 |

(b) Related party transactions and balances

| | | |
|---|------------|------------|
| Advances to staff and Directors | 1,118,192 | 733,962 |
| Net Receivable from CSO Foundation | 4,914,212 | 7,603,305 |
| Net receivable from clan companies | 12,390,780 | 12,284,445 |
| Loan to LMALA | 255,444 | 490,640 |
| Loans to Anitua Housing Limited | 9,955,318 | 7,527,154 |
| Loan to Mineral Resources Lihir Pty Ltd | 21,724,298 | 23,171,953 |

28 Reserves

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

| | | |
|-----------------------------------|-------------------|-------------------|
| Shares in Australian subsidiary | 29,438,558 | (3,540,735) |
| Shares in South Sea Lines Limited | 17,627,250 | 17,927,553 |
| PNG listed shares | 2,028,965 | 4,895,579 |
| | 49,094,773 | 19,282,397 |

29 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:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | K | K |
| Cash and cash equivalents | 14,694,766 | 5,114,306 |
| Trade and other receivables | 1,718,289 | 1,517,353 |
| Accrued interest on GIS and deposits | 1,984,172 | 2,620,079 |
| PNG Government fixed income securities | 93,659,195 | 105,634,372 |
| PNG listed and unlisted shares | 23,755,553 | 26,622,167 |
| | 135,811,975 | 141,508,277 |

(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:

| | Contractual cash flows | | |
|------------------------------|------------------------|------------------|---------------------|
| | Carrying amount | Less than 1 year | Greater than 1 year |
| 31 December 2020 | K | K | K |
| Financial liabilities | | | |
| Trade and other payables | 5,559,708 | 5,559,708 | - |
| 31 December 2019 | | | |
| Financial liabilities | | | |
| Trade and other payables | 12,464,801 | 12,464,801 | - |

(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:

| | 2020 | 2019 |
|--|--------------------|--------------------|
| | K | K |
| PNG Government fixed income securities | 93,659,195 | 105,634,372 |
| Net receivable from clan companies | 13,042,882 | 12,284,445 |
| | 106,702,077 | 117,918,817 |

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 risks. These arise 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.

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.

| | 2020 | | 2019 | |
|--------------|-----------|----------------|-----------|----------------|
| | Equity | Profit or loss | Equity | Profit or loss |
| | K | K | K | K |
| 10% movement | 1,715,555 | 1,715,555 | 2,002,217 | 2,002,217 |

(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:

| | 2020 | 2019 |
|---------------------------|-------------|-------------|
| | AUD | AUD |
| Cash and term deposits | 13,719 | 34,102 |
| Net loans related parties | 8,035,818 | 9,789,472 |
| Shares in subsidiary | 104,308,674 | 104,144,645 |

The following significant exchange rates applied during the year:

| | 2020 | 2019 | 2020 | 2019 |
|---------|--------------|--------|--------------------------|--------|
| | Average rate | | Reporting date spot rate | |
| AUD/PGK | 0.4202 | 0.4247 | 0.3699 | 0.4188 |

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.

| | 2020 | 2019 |
|------------------|----------------|----------------|
| | Profit or loss | Profit or loss |
| | K | K |
| 10% appreciation | 27,610,532 | 22,637,478 |
| 10% depreciation | (27,610,532) | (22,637,478) |

(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 |
|------------------------------------|-------------------|----------|--------------------|--------------------|
| 2020 | K | K | K | K |
| Cash and cash equivalents deposits | 14,694,766 | - | - | 14,694,766 |
| PNG listed shares | 17,155,553 | - | - | 17,155,553 |
| PNG unlisted shares | - | - | 6,600,000 | 6,600,000 |
| Related party loans | - | - | 50,358,246 | 50,358,246 |
| Shares in Australian subsidiary | - | - | 281,991,549 | 281,991,549 |
| Shares in PNG subsidiary | - | - | 31,599,752 | 31,599,752 |
| Investment properties | - | - | 14,682,682 | 14,682,682 |
| | 31,850,319 | - | 385,232,229 | 417,082,548 |

| | 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 | 51,811,459 |
| 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 |

(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:

| | 2020 | 2019 |
|------------------------------------|--------------|-------------|
| | K | K |
| Total liabilities | 11,745,877 | 21,839,970 |
| Cash and cash equivalents | (14,694,766) | (5,114,306) |
| | (2,948,889) | 16,725,664 |
| Equity | 520,353,967 | 478,803,106 |
| Net surplus / debt to equity ratio | -0.0070 | 0.035 |

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

30 Capital commitments and contingencies

At the reporting date the LET had K nil capital commitments and contingencies (2019: K nil).

31 Events after the reporting period

No matter or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the LET, the results of those operations or the state of affairs of the LET in future financial years.



MRL CAPITAL
— LIMITED —

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