

2021 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).

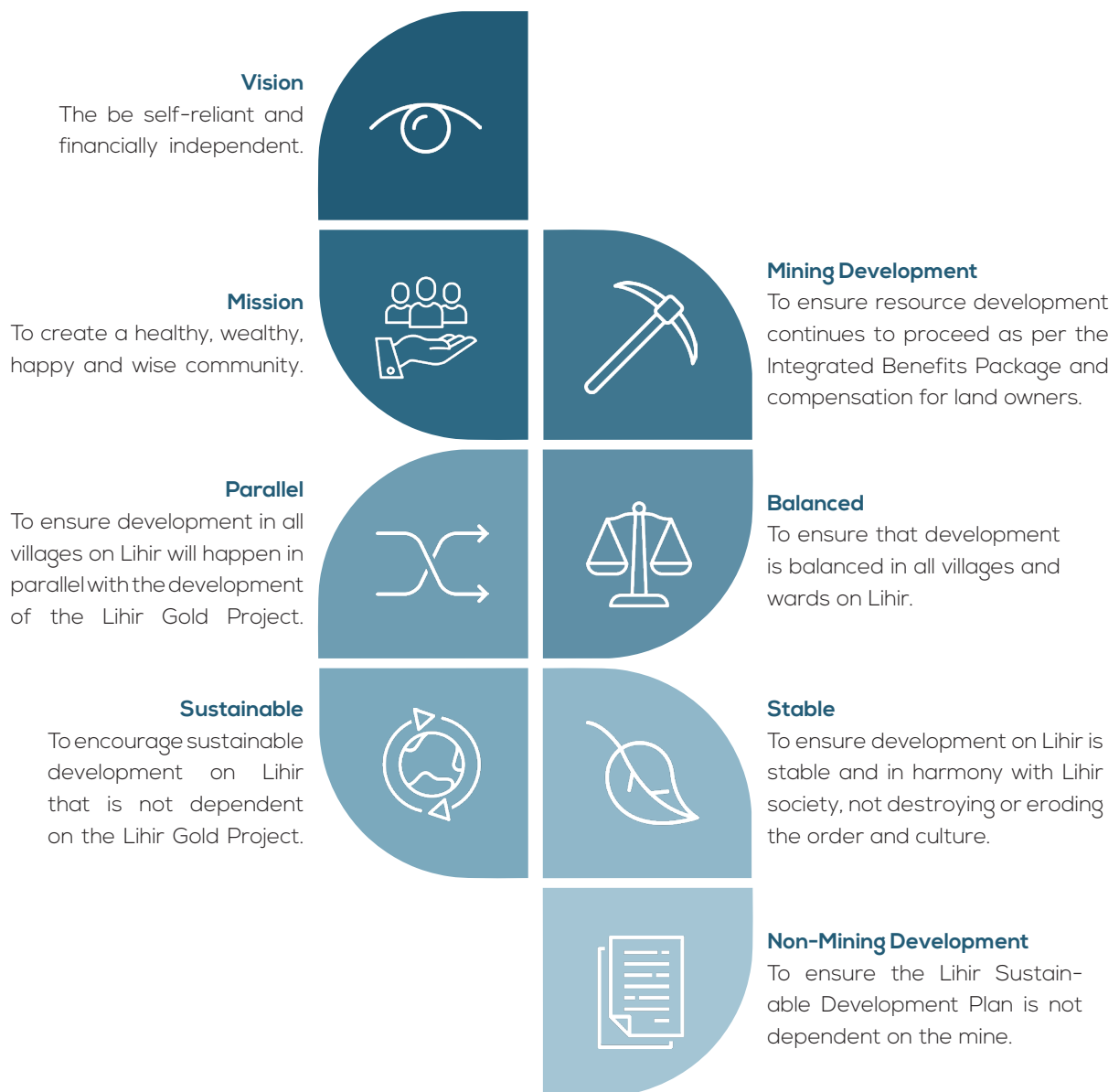
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OUR VISION: LIHIR DESTINY

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

1995



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

1997



MRL acquired K77 million LGL shares (6% of LGL).
MRL appointed as Trustee of the LET.

2005



Commenced sale of K15 million shares on the ASX to settle the outstanding EUR 16 million debt with European Investment Bank.

2007



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

2008



MRL exercised its right to exit the Management Agreement with MRDC.

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

First dividend payment of K18 million income distributed to Beneficiaries.

2009



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

Second dividend payment of K20 million income distributed to Beneficiaries.

2010



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

2011



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

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

2012



MRLP acquired its fourth property at 488 Queen St, Brisbane.
MRL acquired a 20% shareholding in Gazelle International Hotel.

2013



Established the MRL Foundation (Previously CSO 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 Trident Funds Management Pty Ltd (TFM).
Disposal of 99 Racecourse Road, Brisbane.

2020



Disposal of 76 Lake Street, Cairns.
TFM awarded Australian Financial Services License (AFSL: 298979).

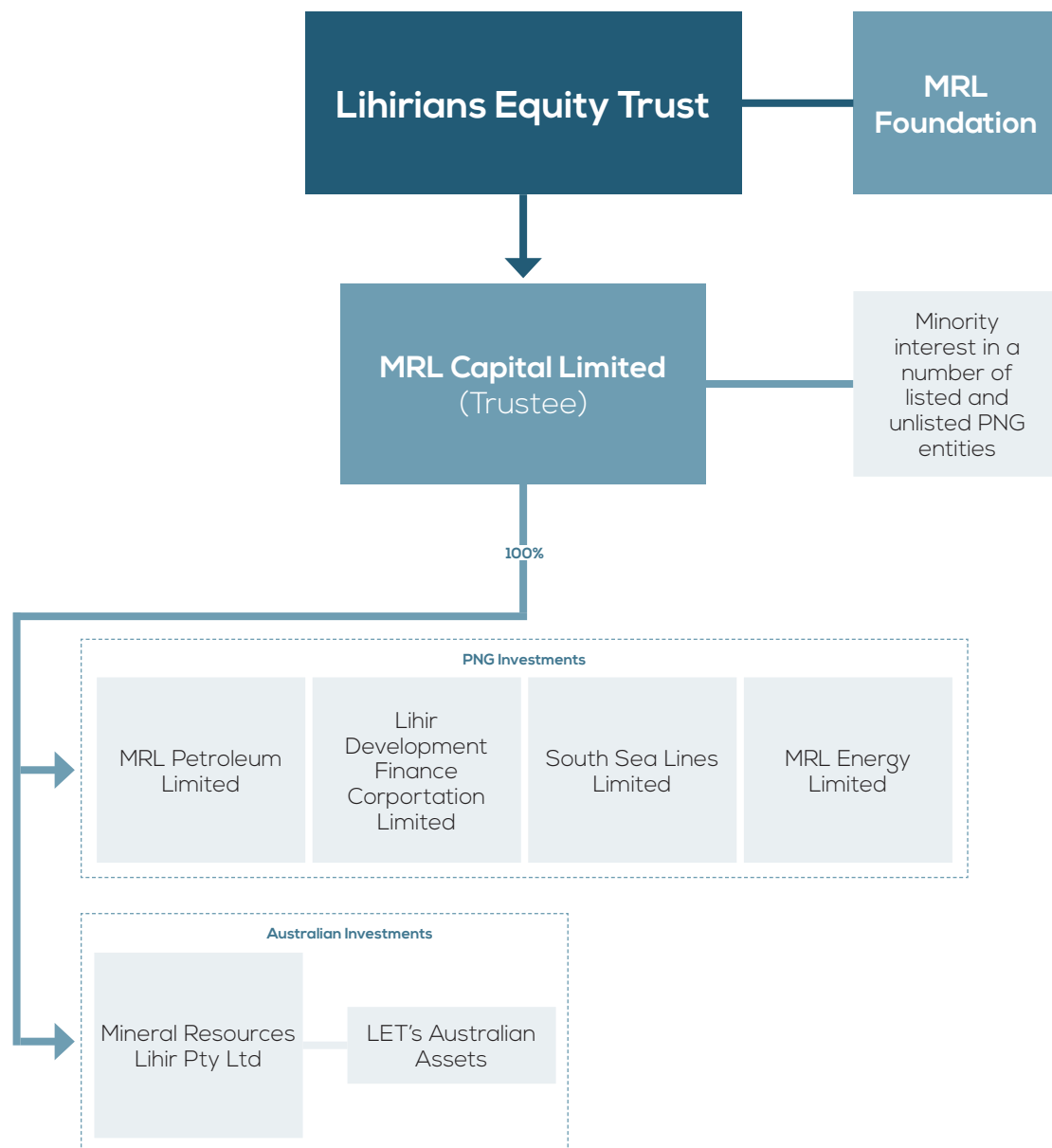
2021



40% acquisition in Trident Property Advisory Pty Ltd.
Acquired 11 Lang Parade, Milton and 689 Nicklin Way, Currimundi (under TFM).

NOW

CORPORATE STRUCTURE



BOARD OF DIRECTORS & MANAGEMENT

Board of Directors



Mark Soipang
Board Chairman
Tinetalgo Clan



Lawrence Rausim
Director
Nikama Clan



Fidelia Yohang
Director
Lamatlik Clan



Joseph Braun
Director
Tengawom Clan



Jerry Morrur
Director
Nissal Clan



John Yaspot
Director
Unawos Clan

Executive Management



Lawrence Rausim
Chief Executive Officer



Bruce Apana
Group Corporate Counsel
& Head of Special Projects



Patrick Vagahu
Chief Financial Officer



CHAIRMAN'S STATEMENT

On behalf of the Board, it gives me great pleasure to report on the Lihirian Equity Trust's (LET) financial operating performance for the period ending 31 December 2021.

Undoubtedly, 2021 has been a memorable year due to its numerous economic and social challenges. Management of the LET have continued to work towards MRL's strategic goals while adapting to the "new normal" as a consequence of the Covid-19 pandemic.

Despite the severe economic environment both domestically and globally, the LET continued to perform well with its key focus on achieving the LET's Five-Year Strategic Plan (2017-2021) goal of reaching a Fund Value of K600 million by 2021.

I am proud to announce the Fund Value milestone was achieved, as confirmed by the 2021 audited financial accounts. The consolidated assets under LET management increased by 12.86% from K588,848,321 to K664,562,540 when compared to 2020. This was a function of our acquisitions of commercial properties in Australia as well as earnings from investments in both listed and unlisted equities.

The LET's diversified portfolio, together with an active but prudent investment strategy, is primarily geared to increasing the value of the Trust's assets. The LET aims to provide a sound platform to ensure the sustainability of the local economy on Lihir Island, post-closure of the gold mine, aligned to the vision of the Lihir Destiny, to be self-reliant and financially independent.

As a result of the strong performance of the Trust, I am pleased to report the Board was able to declare a distribution to the Beneficiaries, based on an operating profit of K4,510,868 during the year. The Trust continued to fund the objectives of the MRL Foundation through the delivery of community orientated projects.

In 2021 the LET launched its Five-Year Strategic Plan (2022-2026), with the aim to grow assets under management to ~K750M by 2026.

MRL is more than just a fund manager, its objective is to Preserve, Protect and Grow the Trust. MRL coordinates and delivers the Lihir Destiny Plan and is uniquely placed to deliver benefits to all Lihirian people. Its mission is to create a healthy, wealthy, happy and wise community.

I am pleased to advise the implementation of the MRL Beneficiary Database (Database) was completed in 2021, and we now have a more accurate record of all registered Beneficiaries.

The Database will continue to be maintained with new registrations of Beneficiaries who are eligible to receive declared Beneficiary distributions from the LET.

Additionally, the boost in innovative banking technology lead to a partnership with MiBank, allowing Beneficiary distributions to be paid directly to each eligible individual's savings account. This ensures Beneficiary payments are made more efficiently.

2021 saw the continued promotion of a non-mining economy through the Farm Project with the engagement of B4D Consultants, who are experts in farm development and operations. The Project aims to educate relevant stakeholders in the agricultural sector, to grow more cash crops and take up poultry and livestock farming, for commercial purposes.

I wish to extend gratitude to my fellow Board members for their dedication and ongoing support in making decisions in the best interests of our Beneficiaries.

On behalf of the Board, I would like to thank Management and staff, both in our Papua New Guinea and Australian offices. The Board appreciates their invaluable commitment and contributions to MRL in continuing to work together with our other stakeholders, to advance sustainability and accelerate growth for the people of Lihir.

God bless the LET and its Beneficiaries.

Mark Soipang
Chairman





LETTER FROM THE CEO

Dear Stakeholders and Beneficiaries,

I am delighted to present the LET's financial and operational performance for the financial year ended 31st December 2021.

It is with great pleasure I can report we have successfully accomplished our primary goal to reach a Fund Value of K600 million, as represented by Total Assets under management, by the end of 2021.

2021 has proven to be a challenging and taxing year for all Papua New Guineans. The COVID-19 pandemic continues to have a large negative impact on families and the business sector. Despite these challenges, MRL Capital Limited (MRLC), as Trustee for the LET, remains committed to proactively responding to the crisis and taking necessary steps to ensure the LET operates effectively.

Due to the ongoing pandemic, international flights remained suspended, and additional safety measures were enforced by the State of Emergency (SOE) Controller throughout the year. Citizens and businesses were advised to observe all safety measures and protocols under the Niupla Pasin while the PNG Government rolled out the COVID-19 vaccine campaign.

These circumstances have resulted in a challenging economic climate for business operations, and increased uncertainty for the future. Despite this, Management remains focused on maximising the LET's performance and achieving the key objectives of our Five-Year Strategic Plan.

The LET's financial position has improved during 2021 with Total Assets increasing by K24.11 million to K556.21 million, representing an increase of 4.53%.

Net Assets Attributable to Beneficiaries have also increased from K520.35 million in the prior year to K542.45 million, largely due to positive fair value movements of the LET's investments in its subsidiaries.

Profit & Loss

The LET reported Profit Before Income Tax of K0.38 million, down from K7.49 million in the previous financial year.

Total Comprehensive Income for the year, including the fair value movements of the LET's investments in Australian Subsidiary, MRLP and shares in SSL, was K30.08 million, down from K41.55 million in 2020.

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, MRLP.

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

Total Operating Income - decreased marginally by K0.09 million to K12.89 million (2020 - K12.98 million).

Total Operating Expense - increased by K7.02 million to K12.51 million (2020 - K5.48 million).

Total Net Operating Profit Before Tax - decreased by K7.11 million to K0.38 million (2020 - K7.49 million).

Total Net Profit After Tax and Other Comprehensive Income - decreased by K11.47 million to K30.08 million (2020 - K41.55 million).

The significant decrease in operating profit in 2021 is attributable to the increase in unrealised foreign exchange loss on loans, changes in the fair value of investments, adjustment to depreciation, further allowances for loan losses and provisions and increase in travel related costs for staff attending to LET obligations during the year.

Whilst operating performance was not as expected in 2021, the Directors of the Trustee declared a distribution to Beneficiaries totaling K4,510,868 on 10 November 2022.

Balance Sheet

Total Assets - K556.21 million

Total Assets increased by K24.11 million or 4.53%.

Total Liabilities - K13.76 million

Total Liabilities increased by K2.02 million or 17.16%.

Total Net Assets - K542.45 million

Total Net Assets increased by K22.09 million or 4.25%.

The LET balance sheet remains strong. Total Assets under management increased by 4.53% to \$556.21 million whilst Net Assets increased by 4.25% to K542.45 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, MRLP.

As at 31 December 2021 the LET had Cash and Cash Equivalents on hand of ~K9.65 million. Cash flows are closely monitored and managed so the LET can meet its financial and Beneficiary obligations.

Five-Year Plan Strategic Target Fund Value to K600 million by 2021

Year	Strategic asset base	Actual asset base
	K	K
2017	500,502,325	500,502,325
2018	525,374,744	477,779,518
2019	550,251,163	500,643,077
2020	575,125,582	588,848,321
2021	600,000,000	664,562,540

LET Growth 2017 - 2021



I would like to sincerely thank our Chairman, Mark Soipang, and the Board of Directors for their continued guidance and support throughout 2021.

I also extend my appreciation to my fellow management team, colleagues and our staff in both the Papua New Guinea and Australia offices for their hard work and dedication.

Thank you all for your unwavering support and commitment in driving growth and working towards the Lihir Destiny for our Beneficiaries.

God bless MRL, the LET and its Beneficiaries.

Lawrence Rausim
Chief Executive Officer

MRL Foundation Projects

MRL continues to provide support to communities on Lihir through the MRL Foundation program (previously Community Service Obligations/CSO).

These initiatives include the payment of annual cash distributions to our Beneficiaries, the scholarship program and development of social infrastructure.

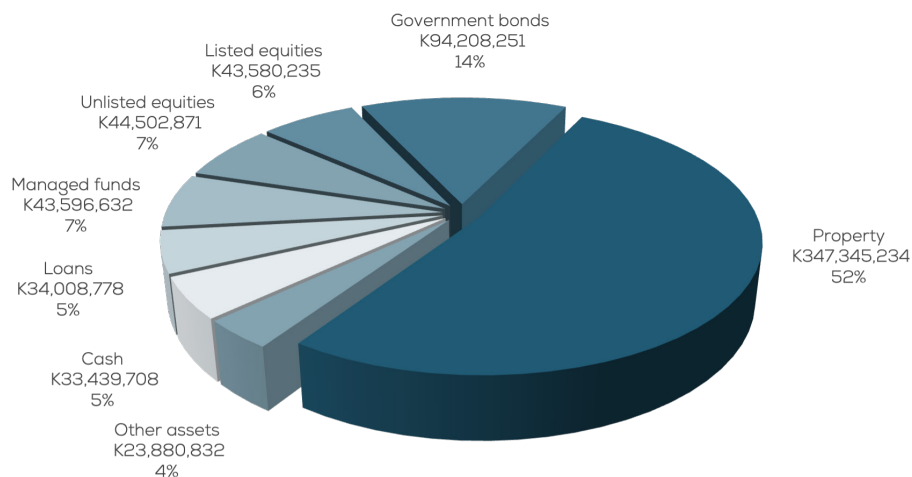
Regarding the annual distribution, the MRL Foundation has streamlined the process by opening Beneficiaries' bank accounts with MiBank for dispersing annual cash distributions.

The new process is now being actively used in conjunction with the Lihir Database and has increased efficiency when processing distribution payments to Beneficiaries.

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 2021 is summarised below.



	PNG Assets	Australian Assets	LET Total Assets
	K	K	K
Property	14,108,857	333,236,377	347,345,234
Government bonds	94,208,251	-	94,208,251
Listed equities	22,039,206	21,541,029	43,580,235
Unlisted equities	44,502,871	-	44,502,871
Managed funds	-	43,596,632	43,596,632
Loans	34,008,778	-	34,008,778
Cash	9,648,448	23,791,260	33,439,708
Other assets	15,462,909	8,417,923	23,880,832
Group total assets	233,979,320	430,583,220	664,562,540
Less: MRLP liabilities			(108,351,555)
MRL total assets			556,210,985
Less: Liabilities			(13,761,478)
Net asset value			542,449,507

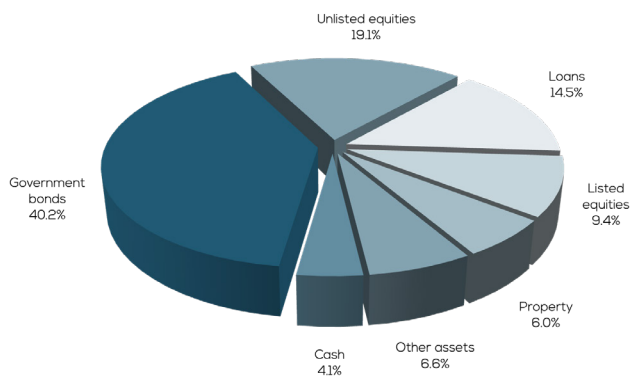
FUND INVESTMENTS

PNG ASSETS AT 31 DECEMBER 2021

Approximately 40.3% 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.

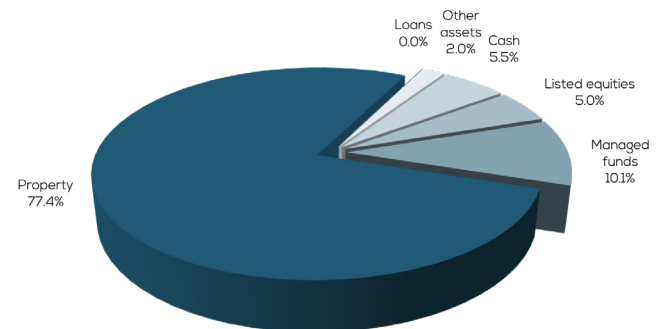
The PNG asset allocation as at 31 December 2021 is summarised below.



AUSTRALIAN ASSETS AT 31 DECEMBER 2021

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 Westpac Private Wealth.

The Australian asset allocation as at 31 December 2021 is summarised below.



The LET's Total Assets under management has increased from K411.4 million in 2008 to K664.5million in 2021.

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 the MRL Foundation program to improve education, health and social welfare standards for members of the Clans, who are Beneficiaries of the LET.

In its capacity as Trustee and Manager of the LET, MRL has created an appropriate Governance and Risk Management Framework for its administration.

A representative from each of the six Lihirian Clans – Unawos, Lamatlik, Tengawom, Tinetalgo, Nisal, and Nikama – make up the Board, which is primarily responsible for the governance and oversight of the LET.

Directors are elected by their respective Clan and serve for a term of three (3) years with eligibility for reappointment.

The Board holds frequent meetings, including quarterly scheduled board meetings, to discuss LET operations and assess potential 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 an 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 function 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 initiatives.

As at 31 December 2021, the Audit, Risk & Remuneration Committee comprised of Mr David McDougall as Chairman, and Mr Mark Soipang, Mr Lawrence Rausim, and Ms Connie Sokes as committee members.

The Investment Committee supports the Board by reviewing and making recommendations to the Board on matters such as 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 2021, 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. KPMG has been the external auditor since 2017. The performance of the external auditors is reviewed annually.

2021 Board & Committee Meeting Attendance

	MRL Board*	Audit, Risk & Remuneration Committee	Investment Committee*
Mark Soipang, Chairman	5/5	4/4	5/5
Lawrence Rausim, CEO	n/a	4/4	5/5
Connie Sokes	5/5	4/4	n/a
Jerry Morrus	5/5	n/a	4/5
Joseph Braun	5/5	n/a	n/a
Ludwig Musmus	5/5	n/a	n/a
Bart Walis	4/5	n/a	n/a
David McDougall	n/a	4/4	5/5

n/a = not applicable

*A special meeting was held for the MRL Board on 21 September 2021 and the Investment Committee on 9th December 2021.

INVESTMENT STRATEGY

Overall Investment Approach

To maximise growth and protect the capital of the LET, MRL has established an investment governance framework consisting of an Investment Policy and Investment Strategy.

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.

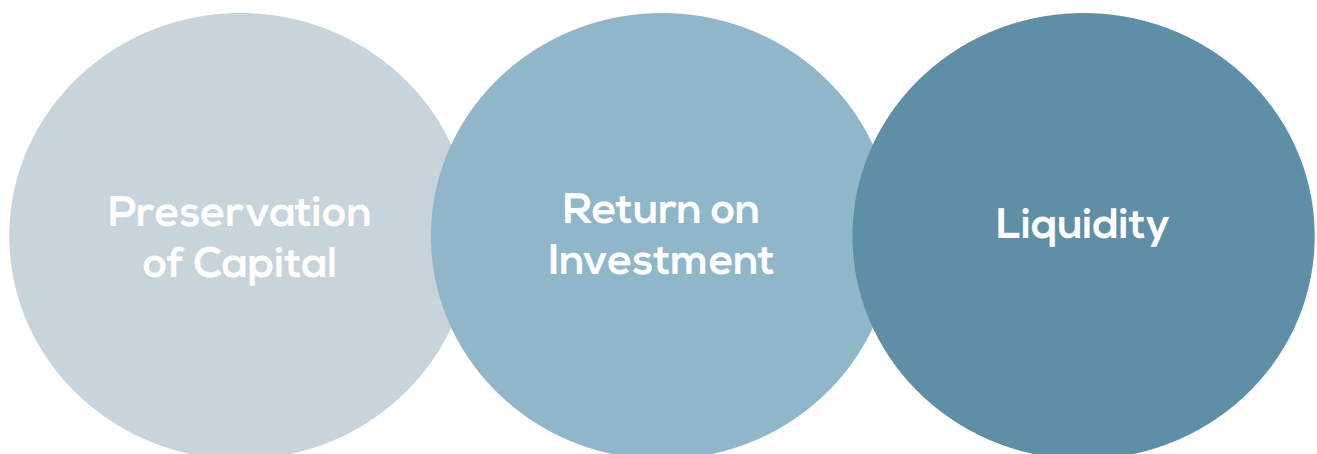
Setting Risk Parameters

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.



5 YEARS IN REVIEW

	2017	2018	2019	2020	2021
	K	K	K	K	K
Profit & loss					
Core operating profit	526,258	2,937,496	3,629,016	5,056,962	2,240,688
Property revaluations	-	(399,367)	-	(266,547)	(632,682)
Net unrealised FX (loss)/gain	3,651,116	-	-	2,705,069	(1,229,989)
Operating profit before tax	4,177,374	2,538,129	3,629,016	7,495,484	378,017
Income tax expense/(benefit)	(4,041,574)	9,986,202	(1,732,049)	4,243,001	(6,613,165)
Operating profit after tax	135,800	12,524,331	1,896,967	11,738,485	(6,235,148)
Equity investments at FVOCI - net change	42,401,164	(9,761,720)	20,965,482	29,812,376	36,315,753
Total comprehensive income for the year	42,536,964	2,762,611	22,862,449	41,550,861	30,080,605
Distributions declared*	1,421,300	4,783,898	5,337,040	5,857,600	4,510,868
Balance sheet					
Cash and cash equivalents	14,560,140	3,692,481	5,114,306	14,694,766	9,648,448
Total assets	479,850,783	477,779,516	500,643,077	532,099,844	556,210,985
Total liabilities	(14,016,838)	(15,633,661)	(21,839,971)	(11,745,877)	(13,761,478)
Net assets	465,833,945	462,145,855	478,803,106	520,353,967	542,449,507

*Distributions declared by relevant year end

KEY HIGHLIGHTS

**~233.9M
PNG assets**

**2017-2021
Strategic Plan
goals achieved**

**~430.6M
Australian
assets**



**Fund of
664.5M**



**CAGR of
4.99%**

**◀ In the last
5 years ▶**

**8 MRL
Foundation
projects initiated**



**44
Scholarship
students
sponsored**



MRL FOUNDATION

The MRL Foundation program is designed to support and assist Lihirians with a strong focus on health, education and social welfare services.

The MRL Foundation projects and activities are undertaken by the MRL Foundation Association 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.

The program was previously named The Community Service Obligation (CSO), however was changed to the MRL Foundation in 2019 with the Certificate of Incorporation of an Association issued on 23 February 2022.

MRL FOUNDATION 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



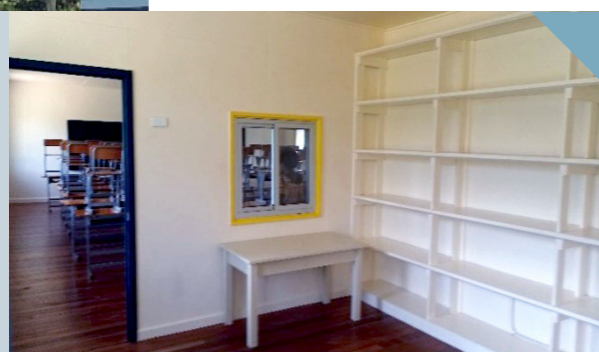
2021 MRL FOUNDATION PROJECT OVERVIEW

The following table provides a list of MRL Foundation projects undertaken and initiated during 2021. All 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		
Mazuz Primary School	Education	Construction of a new 4x1 classroom. Completed in December 2021.
Continuous		
Lihir Malaria Elimination Program	Health	The MRL Foundation is a partner of the Lihir Malaria Elimination Program on Lihir island.
Community Connectivity Project	Infrastructure	Aim is to 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 and cleaning of the house.
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		
Solar Solutions	Infrastructure	Palie solar solution maintenance due to power cut-offs. Lataul and Bulamue solar street light installations and maintenance.
Sekunkun Primary School	Education	Construction of a new 6x1 classroom.



Mazuz Primary School
New 4x1 classroom
Completed December 2021





MRL FOUNDATION CADETSHIP PROGRAM

The MRL Foundation 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 2021 based in Papua New Guinea and Australia have been listed below with expected graduation dates.

Australian Based Students

Student Name	Degree/Area of Study	Graduation
Dietriche Rausim	Bachelor of Engineering	2021
George Philemon	Bachelor of Engineering Science	2021
Joalyene Malele	Bachelor of Law	2025
Julia Lourie	Bachelor of Business & International Business	2022
Marianna-Lisa Maima	Bachelor of Nursing	2024
Tina Morus	Bachelor of Business Management	2022

PNG Based Students

Student Name	Degree/Area of Study	Graduation
Andrea Lamsing	Bachelor in Education (Primary)	2023
Doreen Gireng	Bachelor of Information Systems	2022
Epraim Ziktana	Bachelor in Engineering	2025
Fiona Kembe	Bachelor in Physiotherapy	2025
Gabriel Kasalman	Bachelor in Mathematics & Computing Science	2024
Grace Tsikle	Bachelor in Education	2025
Jane Adar	Bachelor in Nursing	2025
Latisha Labongis	Bachelor of Law	2024
Lawrence Baras	Masters in Public Administration	2022
Lucy Kabariu	Bachelor of Arts	2025
Margareth Dardar	Bachelor in Journalism & Media Studies	2025
Philomena Tsiksaraine	Bachelor in Education	2022
Theckla Zykios	Bachelor in Nursing	2022

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

LIHIRIANS EQUITY TRUST

SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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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 1817 Waterfront 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 (resigned 15 March 2022) Ludwig Musmus (resigned 15 March 2022) Jerry Morrus Joseph Braun Bart Walis (resigned 15 March 2022) Lawrence Rausim (appointed 15 March 2022) John Yaspot (appointed 15 March 2022) Fidelia Amoi Yohang (appointed 15 March 2022)
Secretary of the Trustee	Bruce Apana
Auditors	KPMG, Chartered Accountants PNG Nambawan Plaza Level B2, McGregor Street Port Moresby, 121 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 2021 and of its financial performance for the year ended on that date.

The Financial Report comprises:

- statement of financial position as at 31 December 2021;
- 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.

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 2021 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
Ms Connie Sokes	Director	Resigned 15 March 2022
Mr Ludwig Musmus	Director	Resigned 15 March 2022
Mr Jerry Morrus	Director	Reappointed 21 February 2019
Mr Joseph Braun	Director	Reappointed 21 February 2019
Mr Bart Walis	Director	Appointed 23 February 2021 & Resigned 15 March 2022
Mr Lawrence Rausim	Director	Appointed 15 March 2022
Ms Fidelia Amoi Yohang	Director	Appointed 15 March 2022
Mr John Yaspot	Director	Appointed 15 March 2022

Secretary

Mr Bruce Apana was the Company Secretary for the Trustee during the year (appointed on 15 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 2021, 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 K30,080,605 (2020: K41,550,861).

Distributions to Beneficiaries

On 10 November 2022, the Directors of the Trustee declared a distribution for 2021 of K4,510,868 (2020 distribution of K5,857,600 was declared on 24 February 2022 while 2019 distribution of K5,337,040 was declared on 21 May 2021).

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

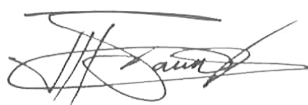
Signed on behalf of the Board of Directors of MRL Capital Limited as Trustee.



Mark Soipang

Chairman

Date: 10 November 2022



Joseph Braun

Director

Date: 10 November 2022

TRUSTEE DECLARATION

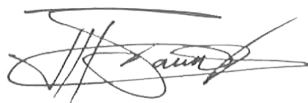
In the opinion of the Directors of MRL Capital Limited, the Trustee to the Lihirians Equity Trust (the "LET"):

- (a) the financial statements of the LET as set out on pages 24 to 56 are drawn up so as to give a true and fair view of the state of the LET's affairs as at 31 December 2021, 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 10th day of November 2022.



Mark Soipang
Chairman



Joseph Braun
Director

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

		2021	2020
	Note	K	K
Operating income			
Interest income	6	9,545,361	10,996,775
Dividend income – PNG listed and unlisted shares	7	2,153,933	1,197,512
Rental income		1,152,578	823,684
Other income – net	8	448,661	444,457
		13,300,533	13,462,428
Property expenses	9	(412,001)	(483,336)
Total operating income		12,888,532	12,979,092
Operating expenses			
Personnel expense	10	(4,854,419)	(4,502,572)
Directors expenses	11	(921,823)	(1,483,256)
Professional expenses	12	(650,502)	(448,205)
General administrative expenses	13	(1,582,369)	(1,063,117)
Depreciation	23	(1,928,059)	(424,980)
Net unrealised foreign exchange (loss)/gain		(1,229,989)	2,705,069
Loss on change in fair value of investment properties	21	(632,682)	(266,547)
Allowance for loan losses and provisions		(710,672)	-
Total operating expense		(12,510,515)	(5,483,608)
Profit before income tax		378,017	7,495,484
Income tax (expense)/benefit	14(a)	(6,613,165)	4,243,001
(Loss)/profit for the year		(6,235,148)	11,738,485
Other comprehensive income, net of tax			
Equity investments at FVOCI – net change	22,20	36,315,753	29,812,376
Total comprehensive income for the year		30,080,605	41,550,861

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 2021

		Settled Sum	Retained earnings	Fair value reserve	Total
	Note	K	K	K	K
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
Balance at 1 January 2021		10	471,259,154	49,094,773	520,353,937
Loss for the year		-	(6,235,148)	-	(6,235,148)
Other comprehensive income		-	-	36,315,753	36,315,753
Total comprehensive income		-	(6,235,148)	36,315,753	30,080,605
Transactions with Beneficiaries of the LET, recognised directly in equity					
Distributions declared		-	(5,337,040)	-	(5,337,040)
Ratification of distribution	16,25	-	(2,647,995)	-	(2,647,995)
Balance at 31 December 2021		10	457,038,971	85,410,526	542,449,507

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 2021

		2021	2020
Assets	Note	K	K
Cash and cash equivalents	15	9,648,448	14,694,766
Trade and other receivables	16	4,029,904	4,134,618
Accrued interest on GIS and deposits	18	1,771,507	1,984,172
Current tax receivable	14(b)	9,084,274	8,942,552
Related party loans and receivables	17	53,119,913	50,358,246
PNG Government fixed income securities	19	92,436,744	93,659,195
PNG listed and unlisted shares	20	28,639,206	23,755,553
Investment properties	21	14,108,857	14,682,682
Shares in Australian subsidiary	22(a)	308,660,808	281,991,549
Shares in PNG subsidiary	22(b)	32,362,593	31,599,752
Property and equipment	23	2,348,731	2,367,005
Deferred tax asset	14(c)	-	3,929,754
Total assets		556,210,985	532,099,844
Liabilities			
Trade and other payables	25	9,028,681	5,559,704
Employee benefits	26	1,764,355	1,560,199
Loans payable	27	-	4,000,000
Lease liabilities	24(b)	1,735,784	625,974
Deferred tax liability	14(c)	1,232,658	-
Total liabilities		13,761,478	11,745,877
Attributable to Beneficiaries		542,449,507	520,353,967
Equity			
Settled sum		10	10
Fair value reserve	29	85,410,526	49,094,773
Retained earnings		457,038,971	471,259,184
Total equity		542,449,507	520,353,967

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 2021

		2021	2020
	Note	K	K
Cash flows from operating activities			
Interest income received		10,981,093	11,993,220
Management fee and rental income received		1,152,578	823,684
Dividends received		2,153,933	1,197,512
Maturity of PNG Government debt securities		-	11,008,732
Operating expenses and taxes paid		(7,526,656)	(9,236,122)
Net cash generated from operating activities		6,760,948	15,787,026
Cash flows from investing activities			
Purchase of property and equipment		(297,120)	(19,706)
Loan payment		-	(3,028,887)
Additional loans availed by related parties		(5,006,798)	(3,761,314)
Net movement in loan (from)/to related parties		(2,761,667)	1,453,213
Net cash used in investing activities		(8,065,585)	(5,356,694)
Cash flows from financing activities			
Distributions paid		(3,170,172)	(380,462)
Payment of lease liabilities		(571,509)	(469,410)
Net cash used in financing activities		(3,741,681)	(849,872)
Net (decrease)/increase in cash and cash equivalents held		(5,046,318)	9,580,460
Cash and cash equivalents at beginning of the year		14,694,766	5,114,306
Cash and cash equivalents at end of the financial year	15	9,648,448	14,694,766

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 10 November 2022.

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 2021 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'.

(iv) Fees and commission

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

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

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

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

(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 a combination of straight line and reducing balance 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	15% to 20%
Furniture and fittings	10%
Motor vehicles	30%
Computer equipment	11% to 20%

(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:

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

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

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

Amounts are considered contingent liabilities when:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non occurrence of one or more uncertain future events not wholly within the control of the LET; or
- a present obligation that arises from past events but is not recognised because:
 - i. it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
 - ii. 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 LET's 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) **Fair value reserve**

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

5 **New standards issued but not effective**

Standards, amendments and interpretations issued but not yet effective for the year ended 31 December 2021 or adopted early:

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

Onerous contract - Cost of fulfilling a contract	Amendment to IAS 37, effective beginning on or after January 2022.
Annual improvements to IFRS Standards 2018-2020	Effective on or after 1 January 2022.
Property, plant and equipment: Proceeds before intended use	Effective on or after 1 January 2022.
Reference to the conceptual framework	Amendments to IFRS 3, effective on or after 1 January 2022.
Classification of liabilities as current or non current	Amendments to IAS 1, effective on or after 1 January 2023.

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

	2021	2020
	K	K
6 Interest income		
PNG government treasury bills and GIS	10,616,500	11,286,199
Premium amortisation on PNG GIS	(1,435,732)	(996,445)
Loans	265,729	625,754
PNG interest bearing deposits	98,806	81,232
Australian interest bearing deposits	58	35
	9,545,361	10,996,775
7 Dividend income		
Bank South Pacific Limited	1,392,472	1,170,062
Gazelle International Hotel	400,000	-
City Pharmacy Limited	309,765	-
Credit Corporation Limited	51,696	27,450
	2,153,933	1,197,512
8 Other income - net		
MRL Foundation management fees (recharge)	201,639	192,036
Medical refunds	3,153	2,499
Bank revaluation (loss)/gain	(11,195)	5,259
LMALA administration fees	-	129,250
Insurance claim	-	115,413
Other income	255,064	-
	448,661	444,457
9 Property expenses		
Rental expenses	412,001	483,336
	412,001	483,336
10 Personnel expenses		
Consulting fees	2,141,293	1,944,361
Salaries and wages	1,654,018	1,582,464
Staff travel expense	587,742	338,275
Staff allowances	392,881	351,411
Contributions to superannuation	50,967	33,302
Other staff expenses	27,518	252,759
	4,854,419	4,502,572
11 Directors expenses		
Directors fees	574,218	541,665
Directors travel expense	133,844	275,303
Retirement clan chairman	122,000	132,000
Directors allowances	50,545	354,939
Directors retirement	41,216	179,349
	921,823	1,483,256

	2021	2020
	K	K
12 Professional expenses		
Audit fees	428,345	179,140
Legal fees	173,327	216,846
Accounting and tax	48,830	52,219
	650,502	448,205
The increase in audit fee for 2021 resulted from an under accrual of K168,455 in the prior year, accounted for in the current year.		
13 General administration expenses		
Utilities, overheads, rent and rates	668,895	602,476
Bank charges	137,805	31,686
Motor vehicle expenses	73,628	45,049
Advertising	65,728	4,242
Office supply	29,742	29,657
Interest expense	21,486	95,163
Repairs and maintenance	4,753	4,499
Insurance	580,332	250,345
	1,582,369	1,063,117
14 Taxes		
(a) Income tax expenses		
Profit for the year	36,693,770	37,307,860
Income tax on the profit	11,008,131	11,192,358
Tax effect of permanent differences	(2,350,517)	(12,334,484)
Over provision in prior years	1,245,275	(1,426,696)
Other adjustments	(3,289,724)	(1,674,179)
Income tax expense/(benefit)	6,613,165	(4,243,001)
Income tax expense comprises:		
Current income tax	205,478	-
Deferred income tax	5,162,412	(2,816,305)
Under/(over) provision in prior years	1,245,275	(1,426,696)
Income tax expense/(benefit)	6,613,165	(4,243,001)
(b) Income tax receivable		
Balance at 1 January	8,942,552	5,811,732
Current income tax	(851,658)	-
(Over)/under provision in prior years	(1,245,275)	1,426,696
Interest withholding tax (IWT)	1,592,475	1,704,124
Dividend rebate	646,180	-
Balance at 31 December	9,084,274	8,942,552
(c) Net deferred tax (liability)/asset		
Deferred income tax asset movement		
Balance at 1 January	5,840,682	3,150,651
Net movement for the year	(4,585,417)	2,690,031
Balance at 31 December	1,255,265	5,840,682

	2021	2020
	K	K
Deferred income tax asset movement		
Balance at 1 January	(1,910,928)	(2,037,202)
Net movement for the year	(576,995)	126,274
Balance at 31 December	(2,487,923)	(1,910,928)

Net deferred tax (liability)/asset	(1,232,658)	3,929,754
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This balance comprises the tax effect of:

Accrued audit fees	77,967	53,742
Provision for long service leave	35,773	22,134
Provision for Directors retirement	407,589	395,224
Provision for loan	213,202	2,412,721
Right of use lease liability	520,734	187,792
Tax loss	-	2,769,069
	1,255,265	5,840,682

Fixed asset temporary difference	(1,000,358)	(315,158)
Interest receivable	(1,433,264)	(1,497,064)
Prepaid insurance	(54,301)	(98,706)
	(2,487,923)	(1,910,928)
Net deferred tax (liability)/asset	(1,232,658)	3,929,754

15 Cash and cash equivalents

Cash at bank	7,391,811	12,479,418
Short term deposits with less than 3 months maturity	2,254,635	2,214,662
Cash on hand	2,002	2,002
Bank overdraft	-	(1,316)
	9,648,448	14,694,766

There were no term deposits with maturities greater than three months in 2021 and 2020.

16 Trade and other receivables

Trade debtors	1,248,276	296,026
GST receivable	2,275,963	1,693,518
Beneficiary distribution prepayments	-	1,275,502
Prepayment	268,430	585,542
Sundry debtors	138,487	185,282
Dividend withholding tax	98,748	98,748
	4,029,904	4,134,618

On 8 February 2018 (date of distribution for 2015/2016), distribution amounting to K6,450,701 was declared during the Board meeting. Subsequent to this meeting, it was determined that the distribution amount was considered inadequate, therefore, the distribution has been increased by K1.25 million. The ratification of the 2015/2016 distribution was resolved on 1 September 2022 and is effective during the 2021 period.

	2021	2020
	K	K
17 Related party loans and receivables		
Receivable from MRL Foundation	9,212,923	8,482,066
Provision on receivable from MRL Foundation	(3,567,852)	(3,567,852)
Receivable from LMALA	255,444	255,444
Loans to MRL Foundation	7,353,628	7,353,628
Provision on loan to MRL Foundation	(7,353,628)	(7,353,628)
Loan to Mineral Resources Lihir Pty Limited	19,111,135	21,724,298
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)	26,499,951	26,754,208
Provision on loans to clan companies	(14,363,428)	(14,363,428)
Advances to staff and directors	1,009,524	1,118,192
Loan to Lihir Development Financial Corporation (LDFC) (refer to iii)	1,421,100	-
Loan to Anitua Limited (refer to ii)	13,541,116	9,955,318
Related party loans and receivables	53,119,913	50,358,246

- (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 K13.5 million (2020: 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, no new loan agreement was prepared to extend the facility limit to K13.5 million. 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.
- (iii) During the year, MRL Capital Limited provided funds to newly incorporated entity and wholly owned subsidiary called "Lihir Development Finance Corporation" as a loan.

18 Accrued interest on GIS and deposits

Accrued interest on GIS and deposits	1,771,507	1,984,787
Accrued interest on term deposit	-	(615)
	1,771,507	1,984,172

19 PNG Government fixed income securities

Par value PNG government inscribed stock	90,300,000	90,300,000
Net premium on government inscribed stock	2,136,744	3,359,195
	92,436,744	93,659,195

20 PNG listed and unlisted shares

PNG listed shares	22,039,206	17,155,553
Gazelle hotel shares	6,600,000	6,600,000
	28,639,206	23,755,553
Balance at 1 January	23,755,553	26,622,167
Adjustment of investment to fair value	4,883,653	(2,866,614)
Balance at 31 December	28,639,206	23,755,553

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

Two new entities were incorporated in 2018 and 2021 respectively. Lihir Development Financial Corporation (LDFC) and MRL Funds Management. LDFC is a subsidiary of the Lihir Equity Trust, established to provide finance to support Lihir owned business or development of new business and industries on Lihir. MRL Funds Management was established to manage income from the third parties including Beneficiary savings. Management is currently in the process of applying for a Capital Markets License with the PNG Securities Commission.

21 Investment properties

The investment properties consist of three apartments and vacant land. Doyle apartment is located at Section 36, Allotment 35, Cnr of Doyle Street and Milford Haven Road, Lae, the 5 mile property is located at Section 82, Allotment 4, Heddu Street, Godons, Port Moresby, while Blue Orchid apartment is located at Section 10, Allotment 5, Boroko Drive, Boroko, Port Moresby and Eagle apartments are located at Section 101, Allotment 7, Cnr of Eagle Street and Cassowary Road, Lae.

In 2020, the direct capitalisation approach 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% and market lease rates.

In 2021, it was noted that rentals for properties have dropped significantly in order to secure existing tenants. The value derived using the direct capitalisation approach does not reflect the properties' true position and value, thus direct comparison approach have been adopted in 2021. The fair value of the properties has been assessed by taking into consideration various sales within Port Moresby and Lae and adjusted according to the type of development, age and condition of improvements, location and the size of the land area. The valuation assessments carried out as at 31 December 2021 by Century 21 Siule Real Estate, an entity not related to the LET.

	2021	2020
	K	K
Dolye Apartment	5,240,068	5,200,000
Blue Orchid Apartment	4,518,789	4,500,000
Eagle Apartment	3,500,000	3,500,000
5 Mile Property	850,000	1,482,682
	14,108,857	14,682,682
Balance at 1 January	14,682,682	14,924,776
Additions during the year	58,857	24,453
Change in fair value	(632,682)	(266,547)
Balance at 31 December	14,108,857	14,682,682

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% (2020: 12%) 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 K1,152,578 (2020: K823,684). Costs of investment property operations recognised under "Fees and property expenses" (Note 9) amounted to K412,001 (2020: K483,336).

	2021	2020
	K	K
22 Shares in Australian subsidiary and PNG subsidiary		
(a) Shares in Australian subsidiary		
Balance at 1 January	281,991,549	249,012,256
Impact of foreign exchange translation	(16,406,128)	32,587,096
Adjustment of investment to fair value	43,075,387	392,197
Balance at 31 December	308,660,808	281,991,549
(b) Shares in PNG subsidiary South Sea Lines		
Opening balance	31,599,752	31,900,055
Adjustment to purchase price paid (Note 27)	(4,000,000)	-
Adjustment of investment to fair value	4,762,841	(300,303)
Closing balance	32,362,593	31,599,752

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

23 Property and equipment

	Furniture, fixtures & fittings	Motor vehicles	Office equipment	Computer equipment	Website	Office fit out	Right-of-use assets	Total
	K	K	K	K	K	K	K	K
Cost								
Balance at 1 January 2020	149,460	824,387	118,480	124,208	23,390	1,756,975	1,507,577	4,504,477
Additions	5,905	-	58,113	15,699	-	-	-	79,717
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
Additions	10,017	220,130	45,987	20,986	-	-	1,612,665	1,909,785
Balance at 31 December 2021	165,382	849,607	222,580	160,893	23,390	1,756,975	3,120,242	6,299,069
Accumulated depreciation								
Balance as at 1 January 2020	(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)	(54,607)	(477,726)	(424,980)
Disposals	-	194,910	-	-	-	-	-	194,910
Balance at 31 December 2020	(57,122)	(586,825)	(99,980)	(114,956)	(16,502)	(192,748)	(954,146)	(2,022,279)
Depreciation expense	(15,537)	(19,333)	(17,161)	(6,122)	(702)	(1,392,784)	(476,420)	(1,928,059)
Balance at 31 December 2021	(72,659)	(606,158)	(117,141)	(121,078)	(17,204)	(1,585,532)	(1,430,566)	(3,950,338)
Carrying value at 31 December 2020	98,243	42,652	76,613	24,951	6,888	1,564,227	553,431	2,367,005
Carrying value at 31 December 2021	92,723	243,449	105,439	39,815	6,186	171,443	1,689,676	2,348,731

24 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. The lease expired in February 2022. The Company reviewed the new lease terms and approved to extend the lease for further 3 years.

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

	2021	2020
	K	K
(a) Right-of-use assets		
Balance at 1 January	553,431	1,031,157
Additions	1,612,665	-
Depreciation charge for the year	(476,420)	(477,726)
Balance at 31 December	1,689,676	553,431
(b) Lease liabilities		
Balance at 1 January	625,974	1,095,384
Additions	1,613,848	-
Interest expense	57,928	53,270
Lease payment	(561,966)	(522,680)
Balance at 31 December	1,735,784	625,974
(c) Amounts recognised in statement of cash flows		
Total cash outflow for leases	571,509	564,573
	571,509	564,573

(d) Lease commitments

At 31 December 2021 and 2020, the future minimum lease payments under non cancellable operating leases were payable as follows.

Maturity analysis Contractual undiscounted cash flow

Less than one year	586,806	554,043
Between one and five years	1,372,416	93,666
Total undiscounted lease liabilities at 31 December	1,959,222	647,709

25 Trade and other payables

Trade payables and accruals	4,213,467	2,472,686
Retained Beneficiary distribution	3,802,590	2,216,531
Distributions payable	600,598	722,811
Payroll tax payable	412,026	147,676
	9,028,681	5,559,704

Beneficiary savings relate to the 20% portion of distributions withheld by the Trust for certain Beneficiaries. This is reinvested by the Trust for the Beneficiaries to earn interest. The ratification of the additional Beneficiary savings liability was resolved on 10 November 2022 and is effective during the 2021 period.

26 Employee benefits

Directors' retirement benefits payable	1,612,629	1,449,413
Long service leave	119,242	73,780
Wages and superannuation payable	32,484	37,006
	1,764,355	1,560,199

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

Included as part of the South Sea Lines settlement in 2015 was an amount of K4 Million which was taken up as a loan payable in the accounting records of the LET. The liability was in dispute but was reflected in the accounts of the LET as a matter of caution. During the 2021 financial year, a meeting was held between Mineral Resources Lihir Capital (MRLC) and Anitua and it was resolved that the K4 million is not owed to Lihir Business Services (LBS) by MRLC hence, both parties agreed to remove the K4 million loan from the MRLC statement of financial position.

	2021	2020
	K	K

28 Related parties

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

(a) Key management personnel compensation

Directors' retirement benefits payable	1,612,629	1,449,413
Directors expenses	921,823	1,483,256
	2,534,452	2,932,669

(b) Related party transactions and balances

Loan to Mineral Resources Lihir Pty Limited	19,111,135	21,724,298
Loans to Anitua Housing Limited	13,541,116	9,955,318
Net receivable from clan companies	12,136,523	12,390,780
Net receivable from MRL Foundation	5,645,071	4,914,212
Loan to Lihir Development Financial Corporation (LDFO)	1,421,100	-
Advances to staff and Directors	1,009,524	1,118,192
Loan to LMALA	255,444	255,444
	53,119,913	50,358,244

29 Reserves

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

Shares in Australian subsidiary	56,107,816	29,438,558
Shares in South Sea Lines	22,390,092	17,627,250
PNG listed shares	6,912,618	2,028,965
	85,410,526	49,094,773

30 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:

	2021	2020
	K	K
Cash and cash equivalents	9,648,448	14,694,766
Trade and other receivables	1,753,941	2,441,100
Accrued interest on GIS and deposits	1,771,507	1,984,787
PNG Government fixed income securities	92,436,744	93,659,195
PNG listed and unlisted shares	28,639,206	23,755,553
	134,249,846	136,535,401

(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 2021	K	K	K
Financial liabilities			
Trade and other payables	8,616,655	8,616,655	-
31 December 2020			
Financial liabilities			
Trade and other payables	5,412,028	5,412,028	-

(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:

	2021	2020
	K	K
PNG Government fixed income securities	92,436,744	93,659,195
Loan to Anitua Limited	13,541,116	9,955,318
Net receivable from clan companies	12,136,523	12,390,780
Loan to Lihir Development Financial Corporation (LDFC)	1,421,100	-
	119,535,483	116,005,293

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 an 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.

	2021		2020	
	Equity	Profit or loss	Equity	Profit or loss
	K	K	K	K
10% movement	2,203,921	2,203,921	1,715,555	1,715,555

(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:

	2021	2020
	AUD	AUD
Cash and term deposits	28,374	13,719
Net loans related parties	7,505,898	8,035,818
Shares in subsidiary	121,201,741	104,308,674

The following significant exchange rates applied during the year:

	2021	2020	2021	2020
	Average rate		Reporting date spot rate	
AUD/PGK	0.3797	0.4202	0.3928	0.3699

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.

	2021	2020
	Profit or loss	Profit or loss
	K	K
10% appreciation	30,863,064	27,610,532
10% depreciation	(30,863,064)	(27,610,532)

(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
2021	K	K	K	K
Cash and cash equivalents	9,648,448	-	-	9,648,448
PNG listed shares	22,039,206	-	-	22,039,206
PNG unlisted shares	-	-	6,600,000	6,600,000
Related party loans	-	-	53,119,913	53,119,913
Shares in Australian subsidiary	-	-	308,660,808	308,660,808
Shares in PNG subsidiary	-	-	32,362,594	32,362,594
Investment properties	-	-	14,108,857	14,108,857
	31,687,654	-	414,852,172	446,539,826

	Level 1	Level 2	Level 3	Total
2020	K	K	K	K
Cash and cash equivalents	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

(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 a 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:

	2021	2020
	K	K
Total liabilities	13,761,478	11,745,877
Cash and cash equivalents	(9,648,448)	(14,694,766)
	4,113,030	(2,948,889)
Equity	542,449,507	520,353,967
Net surplus/debt to equity ratio	0.0076	-0.0057

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

31 Capital commitments and contingencies

At the reporting date the LET had K Nil capital commitments and contingencies (2020: K Nil).

32 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. On 24 February 2022, the Directors of the Trustee declared a distribution for 2020, of K5,857,600.

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This image shows a single sheet of white paper with horizontal blue ruling lines. The lines are evenly spaced and run across the width of the page. There is a small dark grey tab or piece of tape visible at the top left corner. The paper appears to be part of a binder or folder.

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MRL CAPITAL
— LIMITED —

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