Good Mining (International) Limited

Consolidated financial statements

31 December 2021

International GAAP®

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Abbreviations and key

The following styles of abbreviation are used in this set of International GAAP Illustrative Financial Statements:

IAS 33.41	International Accounting Standard No. 33, paragraph 41
IAS 1.BC13	International Accounting Standard No. 1, Basis for Conclusions, paragraph 13
IFRS 2.44	International Financial Reporting Standard No. 2, paragraph 44
SIC 29.6	Standing Interpretations Committee Interpretation No. 29, paragraph 6
IFRIC 12.6	IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee) Interpretation No. 12, paragraph 6
IFRS 9.IG.G.2	International Financial Reporting Standard No. 9 — Implementation guidance for IFRS 9 Section G: Other, paragraph G.2
IAS 32.AG3	International Accounting Standard No. 32 — Appendix A — Application Guidance, paragraph AG3
Commentary	The commentary explains how the requirements of IFRS have been implemented in arriving at the illustrative disclosure
Covid-19 Commentary	This edition of Good Group provides commentary on issues that an entity may need to consider due to the impact of the Covid-19 pandemic.
GAAP	Generally Accepted Accounting Principles/Practice
IASB	International Accounting Standards Board
Interpretations Committee	IFRS Interpretations Committee (formerly the International Financial Reporting Interpretations Committee (IFRIC))
SIC	Standing Interpretations Committee
ISA 700	International Standard on Auditing No. 700

Introduction

This publication contains an illustrative set of consolidated financial statements for Good Mining (International) Limited (Good Mining) and its subsidiaries (the Group) that is prepared in accordance with International Financial Reporting Standards (IFRS). The Group is a fictitious, large publicly listed mining company. The Group is a gold and copper exploration, development and production entity whose activities include the exploration for, and development of, gold and copper mineral deposits and the production and sale of gold bullion and gold and copper metal concentrate. All of its operations are located in Metalville (a fictitious country). The presentation currency of the Group is the US dollar.

Objective

This set of illustrative financial statements is one of many prepared by EY to assist you in preparing your own financial statements.

This set of illustrative financial statements is intended to reflect transactions, events and circumstances that we consider to be most common to entities in the mining sector. They are intended to illustrate IFRS disclosures specific to companies in the mining sector. Therefore, some common transactions and their disclosures have been deliberately omitted or simplified because they are illustrated in other EY illustrative financial statement publications, such as *Good Group (International) Limited 2021*. We refer readers to the other EY publications[1] for a greater understanding of other presentation and disclosure requirements that are not specific to the mining sector.

Accounting for extractive activities is complex, with a variety of accounting policy choices available for transactions in the exploration and evaluation phase. Moreover, the lack of specific guidance for certain transactions and arrangements presents the sector with a challenge to produce useful financial statements through effective presentation and disclosure. However, differences in accounting policies and their application reduce comparability and increase complexity.

IFRS prescribes minimum standards of disclosure; it is important to provide additional disclosures to explain any unusual circumstances faced by the mining entity. In addition, accounting policy choices made by the entity need to be disclosed in detail to aid the reader in comparing entities in the mining sector.

This publication illustrates what we consider to be relevant disclosures and focuses on those areas of IFRS reporting that rely on the professional judgement of management.

For illustrative purposes only, some disclosures have been provided even though they may not be relevant or material for the Group. For instance, disclosures are provided for accounting policies that may not be relevant and/or certain disclosures are provided for items that are not material to the financial statements of the Group. We strongly encourage entity-specific presentation and disclosures. These illustrative financial statements are therefore only intended to serve as a useful reference.

How to use these illustrative financial statements to prepare entity-specific disclosures

Users of this publication are encouraged to prepare entity-specific disclosures. Transactions and arrangements other than those addressed by the Group may require additional disclosures. It should be noted that the illustrative financial statements of the Group are not designed to satisfy any stock market or country-specific regulatory requirements in any given jurisdiction, nor is this publication intended to reflect disclosure requirements that apply mainly to regulated or specialised industries. It is essential to refer to the relevant accounting standards and/or specific jurisdictional requirements and, when necessary, to seek appropriate professional advice where there may be doubt as to the requirements.

Notations shown on the right-hand margin of each page are references to IFRS paragraphs that describe the specific disclosure requirements. Commentaries are provided to explain the basis for the disclosure or to address alternative disclosures not included in the illustrative financial statements. For a more comprehensive list of disclosure requirements, refer to EY's International GAAP® Disclosure Checklist. If questions should arise as to the IFRS requirements, it is essential to refer to the relevant source material and, where necessary, to seek appropriate professional advice.

[1] https://www.ey.com/gl/en/issues/ifrs/issues_gl_ifrs_nav_core-tools-library

Introduction *continued*

Improving disclosure effectiveness

Terms such as 'disclosure overload' and 'cutting the clutter', and more precisely 'disclosure effectiveness', describe a problem in financial reporting that has become a priority issue for the International Accounting Standards Board (IASB or Board), local standard setters and regulatory bodies. The growth and complexity of financial statement disclosures is also drawing significant attention from financial statement preparers, and more importantly, the users of financial statements.

Considering the purpose, activities and operations of Good Mining for the year ended 31 December 2021, the notes have been organised according to their nature and perceived importance. The ordering of the notes is based on nine different notes sections and is summarised in the table below:

Sections	**Comprising the following notes:**
1. Corporate and Group information	▸ Corporate and Group information (Note 1)
2. Basis of preparation and other significant accounting policies	▸ Basis of preparation (Note 2A.1) ▸ Basis of consolidation (Note 2A.2) ▸ Significant accounting judgements, estimates and assumptions (Note 2B) ▸ Changes in accounting policies and disclosures (Note 2C) ▸ Summary of significant accounting policies (unless included with the associated quantitative and qualitative note below) (Note 2D)
3. Group structure	▸ Interests in joint arrangements (Note 3A) ▸ Group information and related party disclosures (Note 3B)
4. Significant transactions and events	▸ Business combinations – acquisitions (Note 4A)
5. Results for the year	▸ Segment information (Note 5A) ▸ Operating profit/(loss) (Note 5B) ▸ Revenue from contracts with customers (Note 5C) ▸ Income tax (Note 5D) ▸ Earnings per share (Note 5E)
6. Invested capital	▸ Exploration and evaluation assets (Note 6A) ▸ Mine properties (Note 6B) ▸ Property, plant and equipment (Note 6C) ▸ Intangible assets (Note 6D) ▸ Impairment losses (Note 6E) ▸ Commitments (Note 6F)
7. Capital and debt structure	▸ Capital management (Note 7A) ▸ Issued capital (Note 7B) ▸ Financial instruments – including interest-bearing loans and borrowings, derivative financial instruments and financial instruments risk management objectives and policies (Note 7C) ▸ Changes in liabilities arising from financing activities (Note 7D) ▸ Dividends paid and proposed (Note 7E) ▸ Leases (Note 7F)
8. Working capital	▸ Inventories (Note 8A) ▸ Trade and other receivables (Note 8B) ▸ Cash and short-term deposits (Note 8C) ▸ Accounts payable, contract liabilities and accrued liabilities (Note 8D)
9. Other	▸ Provisions (Note 9A) ▸ Contingencies (Note 9B) ▸ Events after the reporting date (Note 9C) ▸ Standards issued but not yet effective (Note 9D)

Introduction *continued*

The above order and grouping of notes reflects how those charged with governance of the Group viewed and managed the business during the current period and how key stakeholders assessed the performance of the Group.

By structuring the notes according to their nature and perceived importance, users may find it easier to extract the relevant information. Moreover, the significant accounting policies, judgements, key estimates and assumptions could alternatively be placed within the same note as the related qualitative and quantitative disclosures to provide a more holistic discussion for users of the financial statements. In addition, consistent with common market trends, the Group has combined the various accounting policies that were previously located in Note 2D with the related qualitative and quantitative notes. For example, the accounting policy note relating to joint arrangements now resides with the qualitative and quantitative information on joint arrangements in Note 3A.

Entities may find that other structures or presentation formats and layouts are better at enhancing disclosure effectiveness. The approach summarised above and throughout these illustrative financial statements is only intended to illustrate that IFRS allows for alternative notes structures, it is not intended to represent the only approach. Entities may also consider re-writing their accounting policies in plain English in order to improve readability of the financial report or increasing the use of diagrams, infographics and graphs to present information. Entities should carefully assess their entity-specific circumstances and understand the preferences of the primary users before deciding on the structure and layout of the financial statements. They may also find that as their businesses evolve over time, the way their businesses are viewed and managed may also change. Therefore, the structure, formats and/or layouts of the financial statements will need to change to reflect this.

Applying the materiality concept requires judgement, in particular, in relation to matters of presentation and disclosure, an inappropriate application of the concept may be another cause of the perceived disclosure problem. IFRS provides a set of minimum disclosure requirements which, in practice, too often is applied without consideration of the information's relevance for the specific entity. That is, if the transaction or item is immaterial to the entity, then it is not relevant to users of financial statements, in which case, IFRS does not require that the item be disclosed (IAS 1.31). If immaterial information is included in the financial statements, the amount of information can potentially reduce the transparency and usefulness of the financial statements as the material, and thus relevant information, loses prominence.

IFRS Practice Statement 2 *Making Material Judgements* provides practical guidance and examples that companies may find helpful in deciding whether information is material. Entities are encouraged to consider it when making materiality judgements.

In February 2021, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* which provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The IASB also issued amendments to IFRS Practice Statement 2 to support the amendments in IAS 1 by explaining and demonstrating the application of the 'four-step materiality process' to accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted as long as that fact is disclosed. Since the amendments to the IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, the IASB concluded that transition requirements and an effective date for the amendments were not necessary.

The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and
- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The replacement of 'significant' with 'material' accounting policy information in IAS 1 and the corresponding new guidance in IAS 1 and IFRS Practice Statement 2 may impact the accounting policy disclosures of entities. Determining whether accounting policies are material or not requires greater use of judgement. Therefore, entities are encouraged to revisit their accounting policy information disclosures to ensure consistency with the amended standard.

Please also refer to Note 2B.**As explained above, the primary purpose of these financial statements is to illustrate how the most commonly applicable disclosure requirements can be met. Therefore, they include disclosures that may, in practice, be deemed not material to Good Mining. It is essential that entities consider their specific circumstances when determining which disclosures to include. These financial statements are not intended to act as guidance for making the materiality assessments; they must always be tailored to ensure that an entity's financial statements reflect and portray its specific circumstances and its own materiality considerations. Only then will the financial statements provide decision-useful financial information.**

Introduction *continued*

For more guidance on how to improve disclosure effectiveness, please refer to our publication Applying *IFRS: Enhancing communication effectiveness* (February 2017).

Alternative performance measures

The use of alternative performance measures (APMs or "non-GAAP measures") is gaining popularity in communicating financial information to investors. APMs are financial measures that are not defined in the applicable financial reporting framework. The number of APMs in use is large and varied depending on the message the entities are trying to convey.

Entities that are considering presenting APMs in their financial statements should refer to our publications, *Applying IFRS: Alternative Performance Measures* (October 2018) and *Applying IFRS: Impact of coronavirus on alternative performance measures and disclosures* (May 2020).

Other illustrative financial statements

We provide a number of other industry-specific illustrative financial statements and illustrative financial statements addressing specific circumstances that you may consider. The entire series of illustrative financial statements comprises:

- Good Group (International) Limited
- Good Group (International) Limited – Alternative Format
- Good First-time Adopter (International) Limited
- Good Group (International) Limited — Illustrative interim condensed consolidated financial statements
- Good Investment Fund Limited (Equity)
- Good Investment Fund Limited (Liability)
- Good Real Estate Group (International) Limited
- Good Petroleum (International) Limited
- Good Insurance (International) Limited
- Good Life Insurance (International) Limited - *Selected Illustrative Disclosures from IFRS 17, IFRS 9 and IFRS 7*
- Good General Insurance (International) Limited - *Selected Illustrative Disclosures from IFRS 17, IFRS 9 and IFRS 7*
- Good Bank (International) Limited

In Appendix E we have included a summary table of the IFRSs that are applied in our various illustrative financial statements.

International Financial Reporting Standards (IFRS)

The abbreviation IFRS is defined in paragraph 5 of the *Preface to International Financial Reporting Standards* to include "standards and interpretations approved by the IASB, and International Accounting Standards (IASs) and Standing Interpretations Committee interpretations issued under previous Constitutions." This is also noted in paragraph 7 of IAS 1 and paragraph 5 of IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. Thus, when financial statements are described as complying with IFRS, it means that they comply with the entire body of pronouncements sanctioned by the IASB. This includes the IAS, IFRS and Interpretations originated by the IFRS Interpretations Committee (formerly the SIC).

International Accounting Standards Board (IASB)

The IASB is the independent standard-setting body of the IFRS Foundation (an independent not-for-profit private sector organisation working in the public interest). The IASB members are responsible for the development and publication of IFRSs, including *International Financial Reporting Standard for Small and Medium-sized Entities* (IFRS for SMEs), and for approving Interpretations of IFRS as developed by the IFRS Interpretations Committee.

In fulfilling its standard-setting duties, the IASB follows a due process, of which the publication of consultative documents, such as discussion papers and exposure drafts, for public comment is an important component.

Introduction *continued*

The IFRS Interpretations Committee (Interpretations Committee)

The Interpretations Committee is a committee appointed by the IFRS Foundation Trustees that assists the IASB in establishing and improving standards of financial accounting and reporting for the benefit of users, preparers and auditors of financial statements.

The Interpretations Committee addresses issues of reasonably widespread importance, rather than issues of concern to only a small set of entities. These include any newly identified financial reporting issues not addressed in IFRS. The Interpretations Committee also advises the IASB on issues to be considered in the annual improvements to IFRS project.

IFRS as at 30 September 2021

As a general approach, these illustrative financial statements do not early adopt standards, amendments or interpretations before their effective dates.

The standards and interpretations applied in these illustrative financial statements are those that were in issue as at 30 September 2021 and effective for annual periods beginning on or after 1 January 2021. Standards issued, but not yet effective, as at 1 January 2021, have not been early adopted.

For details of other standards and interpretations issued, but not yet effective, that may apply to your particular entity, refer to either the commentary sections contained herein, or to *Good Group (International) Limited 2021 illustrative financial statements*, for further details and the appropriate illustrative disclosures. It is important to note that these illustrative financial statements will require continual updating as standards are issued and/or revised.

Users of this publication are cautioned to check that there has been no change in the requirements of IFRS between 30 September 2021 and the date on which their financial statements are authorised for issue. In accordance with paragraph 30 of IAS 8, specific disclosure requirements apply for standards and interpretations issued but not yet effective (see Note 9D of these illustrative financial statements). Furthermore, if the financial year of an entity is other than the calendar year, new and revised standards applied in these illustrative financial statements may not be applicable.

For instance, the Group has adopted *Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16* in its 2021 illustrative financial statements. An entity with a financial year that commences from, for example, 1 July and ends on 30 June would have to adopt the standard in its annual financial statements beginning on 1 July 2021. Therefore, the standard would not have been applicable in the financial statements of an entity with a year-end of 30 June 2021,unless it voluntarily chose to early adopt the standard.

For an overview of the upcoming changes in standards and interpretations, please refer to our quarterly *IFRS Update* publication.

Accounting policy choices

Accounting policies are broadly defined in IAS 8 and include not just the explicit elections provided for in some standards, but also other conventions and practices that are adopted in applying principle-based standards.

In some cases, IFRS permits more than one accounting treatment for a transaction or event. Preparers of financial statements should select the accounting policies that are most relevant to their business and circumstances.

IAS 8 requires an entity to select and apply its accounting policies consistently for similar transactions, events and/or conditions, unless an IFRS specifically requires or permits categorisation of items for which different policies may be appropriate. Where an IFRS requires or permits such categorisation, an appropriate accounting policy is selected and applied consistently to each category. Therefore, once a choice of one of the alternative treatments has been made, it becomes an accounting policy and must be applied consistently. Changes in accounting policies should be made only if required by a standard or interpretation, or if the change results in the financial statements providing reliable and more relevant information.

In this publication, when a choice is permitted by IFRS, the Group has adopted one of the treatments as appropriate to the circumstances of the Group. In these cases, the commentary provides details of which policy has been selected, and the reasons for this policy selection.

Introduction *continued*

Financial review by management

Many entities present a financial review by management that is outside the financial statements. IFRS does not require the presentation of such information, although paragraph 13 of IAS 1 gives a brief outline of what may be included in such a report. IFRS Practice Statement 1, *Management Commentary*, provides a non-binding framework for the presentation of a management commentary that relates to financial statements prepared in accordance with IFRS. If an entity decides to follow the guidance in the Practice Statement, management is encouraged to explain the extent to which the Practice Statement has been followed. A statement of compliance with the Practice Statement is only permitted if it is followed in its entirety. The content of a financial review by management is often determined by local market requirements or issues specific to a particular jurisdiction.

No financial review by management has been included for the Group.

Changes in the 2021 edition of Good Mining (International) Limited annual financial statements

The standards and interpretations listed below have become effective since 30 September 2020 for annual periods beginning 1 January 2021. While the list of new standards is provided below, not all of these new standards will have an impact on these illustrative financial statements. To the extent these illustrative financial statements have changed since the 2020 edition, due to changes in standards and interpretations, we have disclosed the impact of those changes in Note 2C.

Other changes from the 2020 edition have been made in order to reflect practice developments and to improve the overall quality of the illustrative financial statements.

Changes to IFRS

The following new standards and amendments became effective as at 1 January 2021:

- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- Covid-19-Related Rent Concessions beyond 30 June 2021 Amendment to IFRS 16

Not all of these standards and amendments impact the Group's consolidated financial statements. If a standard or amendment affects the Group, it is described, together with the impact, in Note 2C of these consolidated financial statements.

Covid-19

The Covid-19 outbreak (the pandemic) was first reported near the end of 2019 in Wuhan, China. Since then, the virus has spread worldwide. On 11 March 2020, the WHO declared the Covid-19 outbreak to be a pandemic.

Covid-19 significantly impacted the world economy in 2020 and throughout 2021 and may continue to do so in the years to come. Many countries imposed travel bans and lockdowns on millions of people in response to the pandemic and, additionally, people in many locations have been/still are subject to quarantine measures. Businesses are dealing with disruption to their businesses, lost revenue, disrupted supply chains and millions of workers have lost their jobs. The pandemic has also continued to result in significant volatility in the financial and commodities markets worldwide. Numerous governments have implemented measures to provide both financial and non-financial assistance to the affected entities.

These developments have presented entities with challenges in preparing their IFRS financial statements. Since the impact largely depends on the nature of an entity's business and the extent to which it has been affected, the potential impact has not been illustrated in the numbers reported. The accounting and disclosure requirements that an entity may need to consider are listed below and further commentary is provided in Appendix C. For further information, please refer to the following publications: *Applying IFRS - Accounting considerations of the coronavirus pandemic* (April 2021), *Applying IFRS – Disclosure of Covid-19 impact* (October 2020) and *Applying IFRS – Impact of coronavirus on alternative performance measures and disclosures* (May 2020).

Introduction *continued*

Changes in the 2021 edition of Good Mining (International) Limited annual financial statements *continued*

Covid-19 *continued*

Potential accounting and disclosure requirements include:

- IAS 1 *Presentation of Financial Statements*
- IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instrument: Disclosures*
- IAS 36 *Impairment of Assets* - assessment of non-financial assets
- IAS 20 *Government Grants*
- IAS 12 *Income Taxes*
- IFRS 16 *Leases*
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Insurance recoveries)
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Onerous contract provisions)
- IFRS 13 *Fair Value Measurement*
- IFRS 15 *Revenue from Contracts with Customers*
- IAS 2 *Inventories*
- IAS 10 *Events after the Reporting Period*
- IFRS 2 *Share-based payment*
- Other financial statements disclosure requirements
- Alternate performance measures (APMs)
- Other accounting estimates

The pandemic affects the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. Therefore, entities should carefully consider whether additional disclosures are necessary in order to help users of financial statements understand the judgements applied in the financial statements.

Entities should consider the latest guidance released in their jurisdiction along with those presented in Good Group (International) Limited and other publications available on ey.com/ifrs, for instance the *Applying IFRS* publications mentioned above.

Climate-related matters and financial reporting

Stakeholders are increasingly interested in the impact of climate change on entities' business models, cash flows, financial positions and financial performance. While IFRS does not explicitly refer to accounting for, and/or presentation and disclosure of, climate-related matters, entities must consider them in applying IFRS when the effect of those matters is material.

On 20 November 2020, the International Accounting Standards Board (the IASB or the Board) released a document, prepared for educational purposes, highlighting the requirements within IFRS that are relevant for entities' financial statements on climate-related matters. The examples of IFRS identified are considered to be non-exhaustive as there could be other instances where climate-related matters are relevant to entities' financial statements. Examples of accounting and disclosure requirements an entity may need to consider are included below and further commentary is provided in Appendix D. Entities that are considering climate change in their financial statements should also refer to our publication, *IFRS Developments: Effects of climate-related matters on financial statements* (https://www.ey.com/en_gl/ifrs-technical-resources/iasb-releases-educational-material-on-ifrs-standards-and-climate-risks) (November 2020).

Introduction *continued*

Climate-related matters and financial reporting *continued*

Potential Accounting Standards impacted include:

- IAS 1 *Presentation of Financial Statements*
- IAS 2 *Inventories*
- IAS 12 *Income Taxes*
- IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*
- IAS 36 *Impairment of Assets*
- IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 21 *Levies*
- IFRS 7 *Financial Instruments: Disclosures*
- IFRS 9 *Financial Instruments*
- IFRS 13 *Fair Value Measurement*

Climate-related matters affect the assumptions and estimation uncertainty associated with the measurement of assets and liabilities. Therefore, entities should carefully consider whether additional disclosures are necessary in order to help users of financial statements understand the judgements applied in the financial statements.

Entities should consider the latest guidance released in their jurisdiction along with those presented in Good Group (International) Limited and other publications available on ey.com/ifrs, for instance the *Applying IFRS* publications mentioned above.

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Good Mining (International) Limited

Consolidated financial statements

31 December 2021

Good Mining (International) Limited is a limited company incorporated and domiciled in Metalville and whose shares are publicly traded. Financial statements of that category of entities are usually subject to mandatory audits either under International Standards on Auditing (ISA) or local audit standards and auditor's reports should be disclosed together with the annual financial statements. However, this publication is not intended to provide guidance on the application of ISA 700 (Revised) *Forming an Opinion and Reporting of Financial Statements* or the specific requirements of individual jurisdictions. Hence, an illustrative auditor's report on the consolidated financial statements of Good Mining (International) Limited has not been included.

General information

Directors

T Warington (Chairman)

C Patterson (Chief Executive Officer)

B Dogger

E Browning

S Rabbit

M Herbert

P Mitchelton

T Whelands

L Higglay

F MacGillson

Company Secretary

M Elliottson

Registered Office

Gold Towers
Productivity Square, Metalcity
Metalville

Solicitor

Solicitors & Co.
7 Scott Street, Metalcity
Metalville

Banker

Bank Plc
10 George Street, Metalcity
Metalville

Auditor

Chartered Accountants & Co.
17 Metalville High Street, Metalcity
Metalville

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Consolidated statement of profit or loss and other comprehensive income

for the year ended 31 December 2021

IAS 1.51(b)
IAS 1.10(b)

Year ended	Notes	2021 US$ million	2020 US$ million	
				IAS 1.51(c) *IAS 1.51(d)(e)* *IAS 1.81A*
Revenue from contracts with customers	5C	3,830	2,915	*IAS 1.82(a), IFRS 15.113(a)*
Cost of sales		(1,634)	(1,232)	*IAS 1.103*
Gross profit		**2,196**	**1,683**	*IAS 1.85, IAS 1.103*
Other operating income		54	85	*IAS 1.103*
Share of profit of joint venture	3A.2	16	25	*IAS 1.82(c)*
Selling and distribution expenses	5B	(133)	(94)	*IAS 1.99, IAS 1.103*
Other operating expenses	5B	(118)	(100)	*IAS 1.99, IAS 1.103*
General and administrative expenses	5B	(162)	(192)	*IAS 1.99, IAS 1.103*
Operating profit		**1,853**	**1,407**	*IAS 1.85, IAS 1.BC55-56*
Finance income		24	25	*IAS 1.82(a)*
Finance costs		(98)	(46)	*IAS 1.82(b), IFRS 7.20*
Profit before income tax		**1,779**	**1,386**	*IAS 1.85*
Income tax expense	5D	(766)	(510)	*IAS 1.82(d), IAS 12.77*
Profit for the year		**1,013**	**876**	*IAS 1.81A(a)*
Other comprehensive income		–	–	*IAS 1.81A(b)*
Total comprehensive income		**1,013**	**876**	*IAS 1.81A(c)*
Basic and diluted earnings per ordinary share (US$ per share)	5E	0.65	0.92	*IAS 33.66*

Consolidated statement of profit or loss and other comprehensive income *continued*

Commentary

The above disclosure illustrates a single statement of profit or loss and other comprehensive income. It is also acceptable to present a separate statement of profit or loss and a statement of comprehensive income. The Group does not have any items of other comprehensive income. The nil line item for other comprehensive income is included for illustrative purposes only but these could have been omitted as there were none or not material. Please refer to *Good Group (International) Limited 2021 illustrative financial statements* for additional details and examples of items to be included in other comprehensive income.

IAS 1.10 suggests titles for the primary financial statements, such as 'statement of profit or loss and other comprehensive income' or 'statement of financial position'. Entities are, however, permitted to use other titles, such as 'income statement' or 'balance sheet'. The Group applies the titles suggested in IAS 1.

An entity may also present a line item for total revenue on the face of the statement of profit or loss and other comprehensive income as required by IAS 1.82(a).

IFRS 15 *Revenue from Contracts with Customers* only applies to a subset of total revenue (i.e., revenue from contracts with customers). IFRS 15 defines revenue as 'income arising in the course of an entity's ordinary activities', but it excludes some revenue contracts from its scope (e.g., leases or the impacts of some provisionally priced sales). IFRS 15 does not explicitly require an entity to use the term 'revenue from contracts with customers'. Therefore, entities may use different terminology in their financial statements to describe revenue arising from transactions that are within the scope of IFRS 15. However, entities should ensure the terms used are not misleading and allow users to distinguish revenue from contracts with customers from other sources of revenue.

Given the above, total revenue on the face of the statement of profit or loss and other comprehensive income, may contain items that are not within the scope of IFRS 15, but may be considered part of total revenue as it arises in the course of its ordinary activities.

IFRS 15.113(a) requires revenue recognised from contracts with customers to be disclosed separately from other sources of revenue, unless presented separately in the statement of profit or loss and other comprehensive income. The Group's only revenue is revenue from contracts with customers in the scope of IFRS 15 and has decided to present revenue from contracts with customers as a separate line item in the statement of profit or loss and other comprehensive income.

There may be some entities that have provisionally priced commodity contracts which present subsequent provisional pricing movements as part of revenue. Neither IFRS 15 nor IFRS 9 address the presentation in profit or loss of subsequent provisional pricing movements, except that, as discussed above, IFRS 15 requires separate disclosure of revenue from contracts with customers. Entities can present the impacts of provisional pricing as part of revenue on the face of the statement of profit or loss and other comprehensive income. However, if they do so, they would need to show the impacts of provisional pricing or other items described as revenue that are not in the scope of IFRS 15, separately in the notes to the financial statements (see Note 5C for more information on provisional pricing and Appendix B for relevant disclosures).

Provisional pricing impacts are recognised by the Group as 'Fair value gains/losses on provisionally priced trade receivables'.

Cost of sales includes costs of inventories recognised as expense. IAS 2.34 requires that when inventories are sold, the carrying amount of those inventories must be recognised as an expense in the period in which the related revenue is recognised.

IAS 1.99 requires expenses to be analysed either by their nature or by their function in the statement of profit or loss and other comprehensive income, whichever provides information that is reliable and more relevant. If expenses are analysed by function, information about the nature of expenses must be disclosed in the notes. The Group has presented these by function.

The Group has presented operating profit in the statement of profit or loss and other comprehensive income; although not required by IAS 1. The terms 'operating profit' or 'operating income' are not defined in IFRS. IAS 1.BC56 states that the IASB recognises that an entity may elect to disclose the results of operating activities, or a similar line item, even though this term is not defined. The entity should ensure the amount disclosed is representative of activities that would normally be considered to be 'operating'. For instance, "it would be inappropriate to exclude items clearly related to operations (such as inventory write-downs and restructuring and relocation expenses) because they occur irregularly or infrequently or are unusual in amount. Similarly, it would be inappropriate to exclude items on the grounds that they do not involve cash flows, such as depreciation and amortisation expenses" (IAS 1.BC56). In practice, other titles, such as Earnings Before Interest and Tax (EBIT), are sometimes used to refer to an operating result. Such subtotals are subject to the guidance included in IAS 1.85A.

Consolidated statement of profit or loss and other comprehensive income *continued*

Commentary *continued*

The Group has presented its share of profit of a joint venture using the equity method under IAS 28 *Investments in Associates and Joint Ventures* before the line-item 'operating profit'. IAS 1.82(c) requires 'share of the profit or loss of associates and joint ventures accounted for using the equity method' to be presented in a separate line item on the face of the statement profit or loss and other comprehensive income. Regulators or standard setters in certain jurisdictions recommend or accept share of the profit/loss of equity method investees being presented with reference to whether the operations of the investees are closely related to that of the reporting entity. This may result in this share of profit/loss of some being included in the operating profit, while share of profit/loss of others is excluded from operating profit. In other jurisdictions, regulators or standard setters believe that IAS 1.82(c) requires that share of profit/loss of equity method investees to be presented as one line item (or, alternatively, as two or more adjacent line items, with a separate line for the sub-total). This may cause diversity in practice.

IAS 33 *Earnings per Share* paragraph 68 requires presentation of basic and diluted earnings per share (EPS) for discontinued operations either on the face of the statement of profit or loss and other comprehensive income or in the notes to the financial statements. The Group does not have any discontinued operations, so these disclosures are not relevant. The EPS information for continuing operations is disclosed on the face of the statement of profit or loss and other comprehensive income.

IAS 1.82(ba) requires that the statement of profit or loss include line items that present the impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with IFRS 9 *Financial Instruments*. The Group did not present its impairment losses determined in accordance with IFRS 9 separately in the statement of profit or loss and other comprehensive income as the amounts were not considered material.

IFRS 16.49 requires a lessee to present in the statement of profit or loss, the interest expense on lease liabilities separately from the depreciation charge for the right-of-use asset. The interest expense on the lease liabilities is a component of finance costs, which IAS 1.82(b) requires to be presented separately in the statement of profit or loss. Consistent with this requirement, the Group presented interest expense on lease liabilities under 'finance costs' and the depreciation charge on the right-of-use asset under 'Other operating expenses'.

There is no specific requirement to identify adjustments made retrospectively on the face of the financial statements, except for the effect of a retrospective application or restatement on each component of equity (IAS 1.106(b)). IAS 8 requires details to be given only in the notes. The Group has not made any adjustments retrospectively. Refer *Good Group (International) Limited 2021 illustrative financial statements* for an illustration of a retrospective adjustment on the face of the financial statements. By labelling the comparatives 'Restated', *Good Group (International) Limited 2021* illustrates how an entity may supplement the requirements of IAS 8 so that it is clear to the user that adjustments to the amounts in prior financial statements have been reflected in the comparative periods as presented in the current period financial statements.

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Consolidated statement of financial position

as at 31 December 2021

	Notes	2021 US$ million	2020 US$ million	IAS 1.10(a) IAS 1.51(b)(c) IAS 1.51(d)(e)
Assets				
Non-current assets				IAS 1.60
Exploration and evaluation assets	6A	759	501	IFRS 6.15 IFRS 6.23
Mine properties	6B	4,664	3,493	IAS 1.54(a)
Property, plant and equipment	6C	238	227	IAS 1.54(a)
Intangible assets	6D	53	27	IAS 1.54(c)
Right-of-use assets	7F	69	112	IFRS 16.47
Inventories	8A	3	3	IAS 1.54(g)
Investment in joint venture	3A	114	98	IAS 1.54(e), IAS 28.38
Restricted cash	8C	50	50	IAS 7.48-49
Deferred tax assets	5D	107	94	IAS 1.54(o), IAS 12.56
Total non-current assets		**6,057**	**4,605**	
Current assets				IAS 1.60
Inventories	8A	123	112	IAS 1.54(g)
Trade and other receivables	8B	628	604	IAS 1.54(h), IFRS 15.105
Cash and short-term deposits	8C	365	439	IAS 1.54(i)
Derivative financial assets	7C.2	12	15	IAS 1.54(d) IFRS 7.8(a)
Total current assets		**1,128**	**1,170**	
Total assets		**7,185**	**5,775**	
Equity and liabilities				
Equity				
Issued capital	7B	1,564	1,564	IAS 1.54(r) IAS 1.78(e)
Retained earnings		2,946	2,283	IAS 1.54(r) IAS 1.78(e)
Total shareholders' equity		**4,510**	**3,847**	
Non-current liabilities				IAS 1.60
Interest-bearing loans and borrowings	7C.1	577	386	IAS 1.54(m) IFRS 7.8(g), IFRS 16.47(b)
Deferred tax liabilities	5D	415	364	IAS 1.54(o), IAS 1.56
Provisions	9A	610	373	IAS 1.54(l)
Total non-current liabilities		**1,602**	**1,123**	
Current liabilities				IAS 1.60, IAS 1.69
Accounts payable, contract liabilities and accrued liabilities	8D	599	548	IAS 1.54(k)
Taxes payable		337	151	IAS 1.54(n)
Interest-bearing loans and borrowings	7C.1	108	90	IAS 1.54(m), IFRS 7.8(g), IFRS 16.47(b)
Provisions	9A	29	16	IAS 1.54(l)
Total current liabilities		**1,073**	**805**	
Total liabilities		**2,675**	**1,928**	
Total shareholders' equity and liabilities		**7,185**	**5,775**	

Consolidated statement of financial position *continued*

Commentary

IAS 1 requires an entity to present a statement of financial position at the beginning of the earliest comparative period when: it applies an accounting policy retrospectively; it makes a retrospective restatement of items in its financial statements; or reclassifies items in its financial statements (IAS 1.10(f)), and the change has a material effect on the statement of financial position. In these situations, IAS 1.40A states that an entity must present, at a minimum, three statements of financial position, two of each of the other primary statements and the related notes.

The three statements of financial position include the statement of financial position as at the current annual period year-end, the statement of financial position as at the previous annual period year-end, and the statement of financial position as at the beginning of the previous annual period ('the opening balance sheet', often referred to as the 'third balance sheet').

The Group has not applied any new accounting standards retrospectively and, therefore, has not included a third balance sheet as at 1 January 2020. Refer *Good Group (International) Limited 2021 illustrative financial statements* for an illustration of the third balance sheet. An additional balance sheet is only required if the adjustment to opening balances is considered to be material (IAS 1.40A(b)). If the impact of applying new standards does have a material impact on the opening balance sheet as at 1 January 2020, a third balance sheet would need to be presented. However, the notes related to the third balance sheet are not required, nor are additional statements of profit or loss and other comprehensive income, or changes in equity or cash flows (IAS 1.40C).

In accordance with IAS 1.60, the Group has presented current and non-current assets, and current and non-current liabilities, as separate classifications in the statement of financial position. IAS 1 does not require a specific order of the two classifications. The Group has elected to present non-current assets and liabilities before current assets and liabilities. IAS 1 requires entities to present assets and liabilities in order of liquidity when this presentation is reliable and more relevant.

IFRS 16.47 requires a lessee to either present in the statement of financial position, or disclose in the notes, the right-of-use assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present right-of-use assets separately in the statement of financial position, the lessee is required to include right-of-use assets within the same line item that the corresponding underlying assets would be presented if they were owned (e.g., under property, plant and equipment) and it is required to disclose which line items in the statement of financial position include those right-of-use assets. Similarly, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee is required to disclose the line items in the statement of financial position which include those liabilities. The Group presented its 'Right-of-use assets' separately in the statement of financial position. The related lease liabilities were presented in the line item 'Interest-bearing loans and borrowings' split between current and non-current.

Under IFRS 16.48, right-of-use assets that meet the definition of investment property must be presented in the statement of financial position as investment property. The Group does not have any right-of-use assets that meet the definition of investment property.

Consolidated statement of changes in equity

for the year ended 31 December 2021

	Notes	Issued capital US$ million	Retained earnings US$ million	Total equity US$ million	
					IAS 1.10(c) *IAS 1.51(b)(c)* *IAS 1.51(d)(e)*
As at 1 January 2020		836	1,547	2,383	*IAS 1.106(d)(ii)*
Profit for the year		–	876	876	*IAS 1.106(d)(i)*
Other comprehensive income		–	–	–	*IAS 1.106(d)(ii)*
Total comprehensive income		–	876	876	*IAS 1.106(a)*
Issue of share capital	7B	728	–	728	*IAS 1.106(d)(iii)*
Dividends paid	7E	–	(140)	(140)	*IAS 1.107*
As at 1 January 2021		**1,564**	**2,283**	**3,847**	
Profit for the year		–	1,013	1,013	*IAS 1.106(d)(i)*
Other comprehensive income		–	–	–	*IAS 1.106(d)(ii)*
Total comprehensive income		–	1,013	1,013	*IAS 1.106(a)*
Dividends paid	7E	–	(350)	(350)	*IAS 1.107*
As at 31 December 2021		**1,564**	**2,946**	**4,510**	

Commentary

The Group does not have any items of other comprehensive income. The nil line item for other comprehensive income is included for illustrative purposes only. In practice, the Group may have instead decided to omit the line item as this is nil and, hence, not material.

Please refer to *Good Group (International) Limited 2021 illustrative financial statements* for additional details and examples of items to be included in other comprehensive income and/or examples of how to disclose opening balance sheet impacts arising from the adoption of new standards and the correction of prior period errors.

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Consolidated statement of cash flows

for the year ended 31 December 2021

	Notes	2021 US$ million	2020 US$ million	IAS 1.51(b)(c) IAS 1.10(d) IAS 1.51(d)(e)
Cash flows from operating activities				IAS 7.10, 18(b)
Profit before income tax from continuing operations		1,779	1,386	
Adjustments to reconcile profit before tax to net cash flows:				IAS 7.20(b)
Depreciation, depletion and amortisation	5B	799	434	
Depreciation of right-of-use assets	7F	43	43	
Impairment of mine properties	6E	33	9	
Impairment of exploration and evaluation assets	6E	5	6	
Impairment of goodwill	6E	15	–	
Reversal of previously impaired exploration and evaluation assets	5B	(16)	–	
Unsuccessful exploration and evaluation expenditures	6A	90	75	
(Gain) on sale of mine properties	5B	(39)	(58)	
(Gain)/loss on sale of property, plant and equipment	5B	(11)	11	
(Gain) on sale of exploration and evaluation assets	5B	(1)	–	
Unrealised loss/(gain) on derivative financial instruments		3	(5)	
Unwinding of discount on rehabilitation	9A	27	28	
Share of joint venture profit		(16)	(25)	
Other non-cash income and expenses		4	2	
Add: finance expense (disclosed in financing activities)		71	12	IAS 7.20(c)
Deduct: finance income (disclosed in investing activities)		(24)	(25)	IAS 7.20(c)
Working capital changes:				IAS 7.20(a)
Change in trade and other receivables		15	(403)	
Change in inventories		3	(21)	
Change in trade payables, contract liabilities and other payables relating to operating activities		(73)	37	
Income tax paid		(584)	(372)	IAS 7.35
Net cash flows from operating activities		**2,123**	**1,134**	
Cash flows from investing activities				IAS 7.10 IAS 7.21
Investment in exploration and evaluation assets	6A	(358)	(293)	IAS 7.16(a)
Expenditures on mine development		(1,246)	(1,539)	IAS 7.16(a)
Expenditures on other intangible assets	6D	(5)	(4)	IAS 7.16(a)
Expenditures on property, plant and equipment	6C	(1)	(32)	IAS 7.16(a)
Acquisition of a subsidiary, net of cash acquired	4A	(439)	–	IAS 7.39
Proceeds on disposal of exploration and evaluation assets		23	–	IAS 7.16(b)
Proceeds on disposal of mine properties		65	110	IAS 7.16(b)
Proceeds on disposal of property, plant and equipment assets		23	12	IAS 7.16(b)
Finance income from investing activities		24	25	IAS 7.31
Net cash used in investing activities		**(1,914)**	**(1,721)**	
Cash flow from financing activities				IAS 7.10, IAS 7.21
Proceeds from issuance of shares	7B	–	728	IAS 7.17(a)
Proceeds from loans and borrowings	7D	331	–	IAS 7.17(c)
Payments of loans and borrowings	7D	(114)	(32)	IAS 7.17(d)
Payment of principal portion of lease liabilities	7D	(39)	(44)	IAS 7.17(e)
Interest paid		(68)	(18)	IAS 7.31
Dividends paid	7E	(350)	(140)	IAS 7.31
Net cash (used in)/from financing activities		**(240)**	**494**	
Net increase/(decrease) in cash		(31)	(93)	
Cash and cash equivalents, beginning of period		388	481	
Cash and cash equivalents, end of period	8C	**357**	**388**	IAS 7.45

Consolidated statement of cash flows *continued*

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct method or the indirect method. The Group presents its cash flows using the indirect method. A statement of cash flows prepared using the direct method for operating activities is presented in Appendix A for illustrative purposes.

The Group has reconciled profit before tax to net cash flows from operating activities. However, reconciliation from profit after tax is also acceptable under IAS 7.

IAS 7.33 permits interest paid to be shown as operating, financing or investing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received as cash flows from investing activities and interest paid (including interest on lease liabilities and interest arising from revenue contracts, if there is any) as cash flows from financing activities.

IAS 7.16 states that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities. Therefore, if an entity adopted a policy of expensing exploration and/or evaluation costs, the related cash flows could not be classified as part of investing activities. Instead, they would need to be classified as part of operating activities. The Group capitalises exploration and evaluation assets in certain situations. Therefore, the related cash flows have been classified as investing cash flows.

IFRS 16.50 requires that in the statement of cash flows, a lessee classifies: cash payments for the principal portion of the lease liability within financing activities; cash payments for the interest portion of the lease liability applying the requirements in IAS 7 for interest paid (i.e., IAS 7.31-33); and short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Non-cash activity (e.g., the initial recognition of the lease at commencement) is required to be disclosed as a supplemental non-cash item in accordance with IAS 7.43 (see Note 7F).

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Notes to the consolidated financial statements

Section 1. Corporate and group information

The consolidated financial statements of Good Mining (International) Limited (Good Mining, the parent) and its subsidiaries (collectively, the Group) for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 27 January 2022. Good Mining is a limited company incorporated and domiciled in Metalville whose shares are publicly traded. The registered office is located at Gold Tower, Productivity Square, Metalcity, Metalville.

IAS 1.10(e)
IAS 1.51(a),(b),(c)
IAS 1.138 (a)
IAS 10.17

The Group is principally engaged in the exploration for, development and production of, gold bullion and gold/copper concentrate. Information on the Group's parent and other related party relationships is presented in Note 3B.

IAS 1.138(b)
IAS 1.138(c)

Section 2. Basis of preparation and other significant accounting policies

Commentary

The identification of an entity's significant accounting policies is an important aspect of the financial statements. IAS 1.117 requires the significant accounting policies disclosures to summarise the measurement basis (or bases) used in preparing the financial statements, and the other accounting policies used that are relevant to an understanding of the financial statements. The significant accounting policies disclosed in this note illustrate some of the more common accounting policy disclosures used in the sector. Accounting policies are also disclosed in the relevant notes, where applicable. However, it is essential that entities consider their specific circumstances when determining which accounting policies are significant and relevant and therefore need to be disclosed.

Covid-19

As noted in the introduction section above, although the 2021 financial year is the second annual reporting period impacted by the Covid-19 pandemic, the economic and financial impacts still exist and in some cases, are still evolving, and further changes to estimates, judgements and/or assumptions may need to be made in the measurement of entities' assets and liabilities.

Entities should consider whether to disclose the measures they have taken, in line with the recommendations of the WHO and national health ministries, to preserve the health of their employees and support the prevention of contagion in their administrative and operational areas, such as working from home, reduced work shifts in operational areas to minimise the number of workers commuting, rigorous cleaning of workplaces, distribution of personal protective equipment, testing of suspected cases and measuring body temperature. Where applicable, the impact of climate change should be included in the relevant notes below. Further information on the potential areas of impact of the pandemic are set out in Appendix C.

Climate-related matters

As noted in the introduction section above, stakeholders are increasingly interested in the impact of climate change on entities' business models, cash flows, financial positions and financial performance. While IFRS does not explicitly refer to the accounting for, and/or presentation or disclosures for climate-related matters, entities must consider them in applying IFRS when the effect of those matters is material. Where applicable, the impact of climate change should be included in the relevant notes below. Further information on the potential areas of impact of climate change are set out in Appendix D.

2A. Basis of preparation

2A.1 Overview

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

IAS 1.112(a)
IAS 1.16

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments and greenhouse gas emissions rights that have been measured at fair value. The consolidated financial statements are presented in US dollars and all values are rounded to the nearest million (US$ million), except where otherwise indicated.

IAS 1.117(a)
IAS 1.51(d), (e)

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern.

Commentary

Entities in certain jurisdictions may be required to comply with IFRS approved by local laws and regulations. For example, listed companies in the European Union (EU) are required to comply with either IFRS as endorsed by the EU or IFRS as issued by the IASB. These financial statements only illustrate compliance with IFRS as issued by the IASB.

A statement that the financial statements are prepared on a going-concern basis is not a requirement of IFRS. However, it is required by regulators in certain jurisdictions and may be considered a "best practice" disclosure. Therefore, the Group decided to disclose the basis of preparation. Entities should consider not only the specific disclosure requirements relating to going concern in IAS 1.25, but also the overarching disclosure requirements in IAS 1. These requirements include those in IAS 1.122 relating to judgements that have the most significant effect on the amounts recognised in the financial statements.

2A.2 Basis of consolidation

The consolidated financial statements comprise the financial statements of Good Mining and its subsidiaries as at 31 December 2021. Subsidiaries are entities controlled by the Group. Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has all of the following:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

IFRS 10.7

Generally, there is a presumption that a majority of voting rights results in control. When the Group has less than a majority of the voting, or similar, rights of an investee, it considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

IFRS 10.B38

The relevant activities are those which significantly affect the subsidiary's returns. The ability to approve the operating and capital budget of a subsidiary and the ability to appoint key management personnel are decisions that demonstrate that the Group has the existing rights to direct the relevant activities of a subsidiary.

IFRS 10.B80
IFRS 10.B86(a)
IFRS 10.B99

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Where the Group's interest is less than 100 per cent, the interest attributable to outside shareholders is reflected in non-controlling interests (NCIs).

IFRS 10.B94

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the NCIs, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

IFRS 10.B87
IFRS 10.B86(c)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

IFRS 10.B96

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

IFRS 10.B98
IFRS 10.B99

2A. Basis of preparation *continued*

2A.3 Foreign currencies

The Group's consolidated financial statements are presented in US dollars, which is also the parent entity's functional currency and the Group's presentation currency. The Group does not have any foreign operations.

IAS 1.51(d)

Transactions in foreign currencies are initially recorded by each entity in the Group at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

IAS 21.21

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. All differences are taken to the statement of profit or loss and other comprehensive income.

IAS 21.23(a)
IAS 21.28

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

IAS 21.23(b)
IAS 21.23(c)

Significant judgement

The functional currency for the parent entity and each of its subsidiaries and joint ventures, is the currency of the primary economic environment in which the entity operates. The functional currency of each entity in the Group is the US dollar. Determination of functional currency may involve certain judgements to identify the primary economic environment and the parent entity reconsiders the functional currency of its entities if there is a change in events and conditions which determined the primary economic environment.

Commentary

Determining functional currency

Many mining businesses have found that determining the functional currency of their operations is complicated. Determining the functional currency correctly is important because it will, for example: (1) affect volatility of revenue and operating profit resulting from exchange rate movements; (2) determine whether transactions can be hedged or not; (3) influence the identification of embedded currency derivatives; and (4) may give rise to temporary differences that affect profit or loss.

While under IAS 21 *The Effects of Changes in Foreign Exchange Rates*, an entity may select any presentation currency, it does not have a free choice in determining its functional currency. Instead, IAS 21 requires an entity to consider the following factors in determining its functional currency:

IAS 21.9

a) The currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled)

b) The currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services

c) The currency that mainly influences labour, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled)

2A. Basis of preparation *continued*

2A.3 Foreign currencies *continued*

Commentary *continued*

Determining functional currency *continued*

While the currency referred to in (a) above will often be the currency in which sales prices for its goods and services are denominated and settled, this is not always the case. In the mining sector, the US dollar is often used as the contract or settlement currency in transactions (e.g., iron ore), but the pricing of transactions is often driven by factors unrelated to the US dollar (e.g., demand from China). When this is the case, management may conclude that the US dollar is not the currency that mainly influences the sales price.

In the mining sector, which is international in nature, it is often difficult to determine the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. Therefore, (b) above will often prove to be inconclusive when a particular mineral is mined in many different countries.

It will generally be fairly straightforward to identify the currency that mainly influences an entity's key inputs (e.g., (c) above). In developing countries, an entity will often need to import a significant proportion of its key inputs (e.g., fuel, equipment and expatriate workers) and even local inputs in an economy with a high inflation rate will often be linked to the US dollar. In such a case, the local currency is less likely to be the main currency that influences an entity's key inputs. In most developed countries, however, the inputs tend to be denominated in the local currency, although some inputs (e.g., mining equipment) may be denominated in another currency. As the mining sector is capital intensive, the cost of equipment often far exceeds the operating expenses incurred. Given that equipment is often purchased in US dollars, even in developed countries, there is a general bias towards the US dollar as the functional currency.

IAS 21.12

When the factors (a) to (c) above are mixed, as they often are in practice, and the functional currency is not obvious, management should use "its judgement to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions". If the above factors are inconclusive, then an entity should also consider the following secondary factors:

- Currency in which funds from financing activities (i.e., issuing debt and equity instruments) are generated
- Currency in which receipts from operating activities are usually retained
- Functional currency of the reporting entity that has the foreign operation as its subsidiary, branch, associate or joint venture

IAS 21.10

IAS 21.11

Even after considering both the primary and secondary factors, the functional currency of a mining entity may still not be obvious because, for example, its revenue is denominated in US dollars while virtually all expenses are denominated in its local currency. Nevertheless, even in that situation, management may conclude that revenue, while denominated in US dollars, is in fact, influenced by a basket of currencies. It is therefore possible that mining companies operating in a similar environment can reach different conclusions about their functional currency.

IAS 21.37

IAS 21 requires the functional currency to be determined by reference to factors that exist during the reporting period. Therefore, an entity should ignore future developments in its business, no matter how likely those developments are.

For example, even if an entity is convinced that in three years' time it will have revenues that will be denominated in US dollars, this is not a factor to be considered in determining its functional currency today.

IAS 21.35-37

IAS 21 requires an entity to determine separately the functional currency of each entity in a consolidated group. There is no such concept as the functional currency of the group, only a presentation currency. Therefore, the functional currency of an operating subsidiary may differ from the group's parent and/or foreign sales company to which it sells its production.

Change in functional currency

Once the functional currency is determined, IAS 21 allows it to be changed only if there is a change in those underlying transactions, events and conditions. Consequently, an entity may conclude that during the development phase of a project the local currency is its functional currency but that once production and sales commence the US dollar is then its functional currency.

IAS 21.36

2B. Significant accounting judgements, estimates and assumptions

IAS 1.122, IAS 1.125

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities at the date of the consolidated financial statements. Estimates and assumptions are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In particular, the Group has identified a number of areas where significant judgements, estimates and assumptions are required. Further information on each of these areas and how they impact the various accounting policies are described and highlighted separately with the associated accounting policy note within the related qualitative and quantitative note, as described below.

These include:

Judgements:

- Joint arrangements (Note 3A.3)
- Exploration and evaluation expenditure (Note 6A.2)
- Stripping costs (Note 6B.2(c))
- Production start date (Note 2B.1(a))
- Recovery of deferred tax assets (Note 5D.4)
- Uncertain tax positions (Note 5D.4)
- Functional currency (Note 2A.3)
- Recognition of revenue (Note 5C.2)
- Leases (Note 7F.2)

Estimates and assumptions:

- Ore reserve and mineral resource estimates (Note 2B.2(a))
- Exploration and evaluation expenditure (Note 6A.2)
- Unit-of-production (UOP) depreciation (Note 6B.2)
- Mine rehabilitation (Note 9A.4(b))
- Recoverability of assets (Note 6E.5)
- Inventories (Note 8A.2)
- Fair value measurement (Note 7C.3(c))
- Impairment of trade receivables (Note 8B)
- Leases (Note 7.F2)

Commentary

IAS 1.125 requires an entity to disclose the significant judgements applied in preparing the financial statements and significant estimates that involve a high degree of estimation uncertainty. The disclosure requirements go beyond those that already exist in some other IFRS such as IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*.

These disclosures represent an important source of information in the financial statements because they highlight the areas in the financial statements that are most prone to change in the foreseeable future. Therefore, any information given should be sufficiently detailed to help the readers of the financial statements understand the impact of possible significant changes.

The Group has, for illustrative purposes, included disclosures about some significant judgements and estimates beyond what is normally required. That is, it is only those judgements that have the most significant effect on the amounts recognised in the financial statements and those estimates that have a significant risk of resulting in material adjustments in respect of assets and liabilities that should be addressed in this section. It is important that entities carefully assess which judgements and estimates are the most significant ones in this context, and make disclosures accordingly, to allow the users of the financial statements to appreciate the impact of the judgements and uncertainties.

As part of the process of making the financial statements easier to read, the significant judgements, estimates and assumptions have been disclosed with the relevant accounting policy note (where relevant).

2B. Significant accounting judgements, estimates and assumptions *continued*

IAS 1.122, IAS 1.125

2B.1 Judgements

Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Producing mines' and/or 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- Level of capital expenditure incurred compared with the original construction cost estimate
- Majority of the assets making up the mining project are substantially complete and ready for use
- Completion of a reasonable period of testing of the mine plant and equipment
- A specified percentage of design capacity for the mine and/or mill, e.g., 50% to 70% has been achieved over a continuous period, e.g., three months
- The percentage grade (metal content) of ore being minded is sufficiently economic and consistent with the overall mine plan
- Ability to produce metal in saleable form (within specifications)
- Ability to sustain ongoing production of metal

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Commentary

Determining when a mine moves into the production phase is highly judgemental. Generally, no single factor is considered more important than another. Entities must be cautious in how they apply these factors as they can sometimes be open to abuse. Each factor must be considered in context with the facts and circumstances of the specific project. It requires an assessment as to when the mine is substantially complete and ready for its intended use, or as specifically required by IAS 16 *Property, Plant and Equipment* (IAS 16), determination of when the asset, i.e., the mine, is in the location and condition necessary for it to be capable of operating in the manner intended by management. There is little guidance in IFRS as to how to make this judgement. While IFRIC 20 *Stripping costs in the Production Phase of a Surface Mine* specifically relates to stripping costs incurred during the production phase, IFRIC 20 does not provide any guidance on how this should be assessed. See Note 6B.2(c) below for further information on accounting for stripping (waste removal) costs.

2B.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below or in the related accounting policy note (see list above for references). The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Ore reserve and mineral resource estimates

Ore reserves and mineral resource estimates are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties. Such reserves and mineral resource estimates and changes to these may impact the Group's reported financial position and results, in the following way:

- The carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, and goodwill may be affected due to changes in estimated future cash flows
- Depreciation and amortisation charges in the statement of profit or loss and other comprehensive income may change where such charges are determined using the UOP method, or where the useful life of the related assets change
- Capitalised stripping costs recognised in the statement of financial position, as either part of mine properties or inventory or charged to profit or loss, may change due to changes in stripping ratios

2B. Significant accounting judgements, estimates and assumptions *continued*

2B.2 Estimates and assumptions *continued*

(a) Ore reserve and mineral resource estimates *continued*

- Provisions for rehabilitation and environmental provisions may change where reserve estimate changes affect expectations about when such activities will occur and the associated cost of these activities
- The recognition and carrying value of deferred income tax assets may change due to changes in the judgements regarding the existence of such assets and in estimates of the likely recovery of such assets

The Group estimates its ore reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological and technical data on the size, depth, shape and grade of the ore body and suitable production techniques and recovery rates. Such an analysis requires complex geological judgements to interpret the data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body.

The Group estimates and reports ore reserves and mineral resources in line with the principles contained in the Metalville Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (December 2010), which is prepared by the Metalville Ore Reserves Committee (MORC) of the Metalville Institute of Mining and Metallurgy, known as the "MORC Code". The MORC Code requires the use of reasonable investment assumptions, including:

- Future production estimates, which include proved and probable reserves, resource estimates and committed expansions
- Expected future commodity prices, based on current market prices, forward prices and the Group's assessment of the long-term average price
- Future cash costs of production, capital expenditure and rehabilitation obligations

Consequently, management will form a view of forecast sales prices based on current and long-term historical average price trends. For example, if current prices remain above long-term historical averages for an extended period of time, management may assume that lower prices will prevail in the future. As a result, those lower prices would be used to estimate ore reserves and mineral resources under the MORC Code. Lower price assumptions generally result in lower estimates of reserves.

As the economic assumptions used may change and as additional geological information is produced during the operation of a mine, estimates of ore reserves and mineral resources may change.

Commentary

Definitions and the disclosure of reserve and resource information in the financial statements are currently not covered by IFRS. General industry practice when reporting under IFRS is to present information regarding the life-of-mine assumptions used to determine reserves outside the financial statements. However, IAS 1.125 requires the disclosure of key sources of estimation uncertainty; therefore, a paragraph on the uncertainties surrounding the estimation of remaining economically recoverable reserves, and a description of the method used by the entity to estimate economically recoverable reserves (e.g., JORC Code, or other methodologies such as NI 43-101, SAMREC etc.,) should be covered in the appropriate note(s).

2C. Changes in accounting policies and disclosures

2C.1 New and amended standards and interpretations

IAS 8.28

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 (unless otherwise stated). The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effect of these changes as a result of the adoption of these new standards are described below. Other than the changes described below, the accounting policies adopted are consistent with those of the previous financial year.

Several other amendments and interpretations applied for the first time in 2021, but did not have an impact on the consolidated financial statements of the Group and, hence, have not been disclosed.

2C. Changes in accounting policies and disclosures *continued*

2C.1 New and amended standards and interpretations *continued*

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Temporary relief provided to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the consolidated financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

On 28 May 2020, the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases*.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Group has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

IFRS Interpretations Committee agenda decision – Configuration or Customisation Costs in a Cloud Computing Arrangement

In April 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on configuration and customisation costs incurred related to implementing Software as a Service (SaaS) arrangements. The agenda decision could impact whether an entity can capitalise the costs associated with configuration or customisation activities in cloud computing arrangements. The Group has not previously had any material cloud computing projects; as such, the agenda decision had no material impact. However, it is expected that cloud computing arrangements will become more common for the Group and these requirements will be applied when determining whether to capitalise or expense these costs.

Commentary

For illustrative purposes, the Group has listed most of the disclosures of new and amended standards and interpretations that are effective from 1 January 2021 (unless otherwise stated), regardless of whether these have any impact on the Group's financial statements. To the extent that an entity is not affected by a particular amendment, standard or interpretation, it is sufficient to disclose that fact together with its title.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may, therefore, be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure as standards issued but not yet effective, in accordance with IAS 8.30, when an entity provides a complete set of financial statements, irrespective of whether the legal process referred to above has been completed.

2C. Changes in accounting policies and disclosures *continued*

2C.1 New and amended standards and interpretations *continued*

Only those new and amended standards and interpretations that actually impact the financial position, financial results, disclosures or stated accounting policies of the Group should be listed. Entities are not required to disclose the impact of such standards or interpretations if they will have no impact. For details of other new and amended standards and interpretations, refer below for the remaining list.

Impact of new accounting standards

IAS 8 governs disclosures in relation to changes in accounting policies.

Specifically, IAS 8.28 requires the following to be disclosed (unless relief is provided by a transitional provision in the standard):

(a) The title of the IFRS

(b) When applicable, that the change in accounting policy is made in accordance with its transitional provisions

(c) The nature of the change in accounting policy

(d) When applicable, a description of the transitional provisions

(e) When applicable, the transitional provisions that might have an effect on future periods

(f) For the current period and each prior period presented, to the extent practicable, the amount of the adjustment:

  (i) For each financial statement line item affected

  (ii) If IAS 33 *Earnings per Share* applies to the entity, for basic and diluted earnings per share

(g) The amount of the adjustment relating to periods before those presented, to the extent practicable

(h) If retrospective application required by paragraph 19(a) or (b) is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

In some jurisdictions, the adoption of IFRS for reporting purposes may be subject to a specific legal process (e.g., in the European Union or Australia). In those jurisdictions, the effective dates may therefore be different from the IASB's effective dates. Nevertheless, all new standards and interpretations must be considered for disclosure as standards issued but not yet effective, in accordance with IAS 8.30, when an entity provides a complete set of financial statements, irrespective of whether the legal process referred to above has been completed.

2D. Summary of significant accounting policies

IAS 1.112

Commentary

As part of the process of streamlining financial statements, improving disclosure effectiveness and providing a more holistic discussion to users of the financial statements, entities may also consider placing certain significant accounting policies together in the same note as the related qualitative and quantitative disclosures. Alternatively, they may choose to continue to present all accounting policies together in a single accounting policy note, either towards the front of the financial statements or towards the back of the financial statements.

Consistent with the approach taken in the prior years, the Group has elected to adopt the approach of placing certain accounting policies at the end of each relevant note, e.g., the joint arrangements accounting policy note can be found at the end of Note 3A. As an alternative, entities may wish to place the accounting policy at the start of each relevant note. This will be a matter for each entity to decide. The Group elected to leave the financial instruments accounting policy here in Note 2D as it relates to various notes presented in different places throughout the financial statements, as well as the policy on current versus non-current.

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.1 Financial instruments — initial recognition and subsequent measurement

IAS 32.11

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

Initial recognition and measurement

IFRS 7.21
IFRS 9.4.1.1

Financial assets are classified, at initial recognition, and subsequently measured at amortised cost, fair value through OCI, or fair value through profit or loss.

IFRS 9.4.1.1
IFRS 15.108

The classification of financial assets at initial recognition that are debt instruments depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient for contracts that have a maturity of one year or less, are measured at the transaction price as disclosed in Note 5C.

IFRS 9.4.1.2(b)

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

IFRS 9.B4.1.1

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

IFRS 9.3.1.2

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

IFRS 9.5.2.1

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.1 Financial instruments — initial recognition and subsequent measurement *continued*

(a) Financial assets *continued*

Financial assets at amortised cost (debt instruments)

IFRS 9.4.1.2
IFRS 9.5.4

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Interest received is recognised as part of finance income in the statement of profit or loss and other comprehensive income. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables (not subject to provisional pricing), other receivables and receivables from joint arrangements. Refer below to 'Financial assets at fair value through profit or loss' for a discussion of trade receivables (subject to provisional pricing).

Commentary

Other than provisionally priced trade receivables, the Group only has relatively simple financial instruments. For entities that have more complex financial instruments, the SPPI assessment can be particularly challenging. The application guidance for IFRS 9 and EY's *International GAAP 2022* publication provide specific examples of instruments that pass or fail the SPPI test. Where relevant, entities should also consider providing more detailed accounting policies in relation to their SPPI and business model assessments. Only equity instruments that meet the definition of equity from the issuer's perspective can be designated at fair value through OCI at initial recognition. IFRS 9 also allows entities to elect to designate non-financial contracts, such as commodity contracts held for own use, as financial assets at fair value through profit or loss under certain circumstances.

Financial assets at fair value through profit or loss

IFRS 9.4.1.4
IFRS 9.5.7.1

Financial assets at fair value through profit or loss include financial assets held for trading, e.g., derivative instruments, financial assets designated upon initial recognition at fair value through profit or loss, e.g., debt or equity instruments, or financial assets mandatorily required to be measured at fair value, i.e., where they fail the SPPI test. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that do not pass the SPPI test are required to be classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

IFRS 9.4.3.3

A derivative embedded in a hybrid contract with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As IFRS 9 has the SPPI test for financial assets, the requirements relating to the separation of embedded derivatives is no longer needed for financial assets. An embedded derivative will often make a financial asset fail the SPPI test thereby requiring the instrument to be measured at fair value through profit or loss in its entirety. This is applicable to the Group's trade receivables (subject to provisional pricing). These receivables relate to sales contracts where the selling price is determined after delivery to the customer, based on the market price at the relevant QP stipulated in the contract. This exposure to the commodity price causes such trade receivables to fail the SPPI test. As a result, these receivables are measured at fair value through profit or loss from the date of recognition of the corresponding sale, with subsequent movements being recognised in 'fair value gains/losses on provisionally priced trade receivables' in the statement of profit or loss and other comprehensive income.

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.1 Financial instruments – initial recognition and subsequent measurement *continued*

(a) Financial assets *continued*

Commentary

The Group does not have any financial assets at fair value through OCI (debt instruments) or any financial assets designated at fair value through OCI (equity instruments). Please refer to *Good Group (International) Limited 2021 illustrative financial statements* for example disclosures.

The Group has recognised the impact of provisional pricing in 'Fair value gains/losses on provisionally priced trade receivables'. Entities could elect to present the impacts of provisional pricing as part of revenue on the face of the statement of profit or loss and other comprehensive income. As noted above, IFRS 15 only applies to a subset of total revenue (i.e., revenue from contracts with customers). IFRS 15 defines revenue as 'income arising in the course of an entity's ordinary activities', but it excludes some revenue contracts from its scope (e.g., leases or the impacts of some provisionally priced sales).

IFRS 15.113(a) requires revenue recognised from contracts with customers to be disclosed separately from other sources of revenue, unless presented separately in the statement of comprehensive income or statement of profit or loss. If an entity elects to present non-IFRS 15 revenue as part of the line item described as 'revenue' on the face of the statement of profit or loss and other comprehensive income, it would need to show the impacts of provisional pricing or other items described as revenue that are not in the scope of IFRS 15, separately in the notes to the financial statements, e.g., potentially as 'Other revenue'. See Appendix B for additional illustrative disclosures to describe the impact where an entity discloses such provisional pricing movements in revenue.

Derecognition

IFRS 9.3.2.3(a)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

IFRS 9.3.2.4(a)
IFRS 9.3.2.4(b)

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

IFRS 9.3.2.6(a)
IFRS 9.3.2.6(c)
IFRS 9.3.2.4(b)

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

IFRS 9.3.2.16

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

IFRS 9.5.5.1

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Disclosure of significant assumptions Note 8B
- Trade and other receivables Note 8B

IFRS 9.5.5.1

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

IFRS 9.5.5.3
IFRS 9.5.5.5

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.1 Financial instruments — initial recognition and subsequent measurement *continued*

(a) Financial assets *continued*

***Impairment of financial assets* continued**

IFRS 9.5.5.15
IFRS 9.B5.5.35

For trade receivables (not subject to provisional pricing) and other receivables due in less than 12 months, the Group applies the simplified approach in calculating ECLs, as permitted by IFRS 9. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on the financial asset's lifetime ECL at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. For any other financial assets carried at amortised cost (which are due in more than 12 months), the ECL is based on the 12-month ECL. The 12-month ECL is the proportion of lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group 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 Group's historical experience and informed credit assessment including forward-looking information.

IFRS 7.35F(b)
IFRS 9.5.5.9
IFRS 9.B5.5.37

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows and usually occurs when past due for more than one year and not subject to enforcement activity.

IFRS 7.88A

At each reporting date, the Group assesses whether financial assets carried at amortised cost 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. Refer Note 7C.4(c) and Note 8B for further discussion on impairment assessments of financial assets.

Commentary

An entity is required to apply the simplified approach for trade receivables or contract assets (in scope of IFRS 15) that do not contain a significant financing component, or when the entity applies the practical expedient for contracts that have a maturity of one year or less. However, an entity has a policy choice to apply either the simplified approach or the general approach for the following:

- All trade receivables or contract assets that contain a significant financing component in accordance with IFRS 15. The policy choice may be applied separately to trade receivables and contract assets.
- Where an entity is a lessor, all lease receivables that result from transactions that are within the scope of IFRS 16 *Leases*. The policy choice may be applied separately to finance and operating lease receivables. This is not applicable to Good Mining as it is not a lessor.

IFRS 9 contains an important simplification that, if a financial instrument has a low credit risk, then an entity is allowed to assume at the reporting date that no significant increases in credit risk have occurred. The low credit risk concept was intended to provide entities relief from tracking changes in the credit risk of high-quality financial instruments. This simplification is optional, and the low credit risk simplification can be elected on an instrument-by-instrument basis.

(b) Financial liabilities

Initial recognition and measurement

IFRS 7.6
IFRS 7.21

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

IFRS 9.5.1.1

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.1 Financial instruments — initial recognition and subsequent measurement *continued*

(b) Financial liabilities *continued*

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings and trade and other payables)

Financial liabilities at fair value through profit or loss

IFRS 9.4.2.1(a)

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

IFRS 9.5.7.1

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities at amortised cost (loans and borrowings and trade and other payables)

IFRS 9.4.2.1
IFRS 9.5.7.2

After initial recognition, interest-bearing loans and borrowings and trade and other payables are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the statement of profit or loss and other comprehensive income when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

This category generally applies to interest-bearing loans and borrowings and trade and other payables. For more information, refer to Note 7C.1 and Note 8D.

Derecognition

IFRS 9.3.3.1

A financial liability is derecognised when the associated obligation is discharged or cancelled or expires.

IFRS 9.3.3.3
IFRS 9.3.3.2

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in profit or loss and other comprehensive income.

(c) Offsetting of financial instruments

IAS 32.42

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Commentary

For those financial instruments not specifically mentioned in the Group's accounting policy note (e.g., equity instruments or debt instruments at fair value through profit or loss or OCI or hedging instruments), please refer to *Good Group (International) Limited 2021 illustrative financial statements*.

(d) Cash and cash equivalents

IAS 7.6
IAS 7.7
IAS 7.48-49

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value, but exclude any restricted cash. Restricted cash is not available for use by the Group and therefore is not considered highly liquid, for example, cash set aside to cover rehabilitation obligations.

IAS 7.46

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2D. Summary of significant accounting policies *continued*

IAS 1.112

2D.2 Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

IAS 1.60

IAS 1.66

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within 12 months after the reporting period

Or

- Cash or cash equivalent, unless restricted from being exchanged or used, to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when either:

IAS 1.69

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within 12 months after the reporting period

Or

- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

IAS 1.56

Section 3: Group structure

This section provides additional information that the directors consider is most relevant in understanding the structure of the Group, including:

- Interests in joint arrangements (Note 3A)
- Group information and related party disclosures (Note 3B)

3A. Interests in joint arrangements

3A.1 Interests in joint operations

Farm-out arrangement

The Group entered into an agreement with Red Copper Limited (Red Copper) to share costs and risks associated with exploration activities on the Cuprum exploration tenement in Metalville. Red Copper contributed US$23 million in cash in return for a 20% working interest in the mine. Red Copper will contribute 20% of operating costs and capital expenditure going forward and the Group has been appointed as operator, but each entity markets and sells its share of production.

IFRS 12.20
IFRS 12.21

Other joint operations

The Group, jointly with other participants, owns certain exploration and gold and copper production assets in Metalville. The Group's share is 25%.

3A. Interests in joint arrangements *continued*

3A.2 Interests in joint ventures

The Group has a 50% interest in Goldrock Limited, a joint venture which is involved in the production of gold and mineral exploration. The interest in this joint venture is accounted using the equity method.

IFRS 12.20
IFRS 12.21

Summarised financial statement information (100% share) of the joint venture, based on its IFRS financial statements, and a reconciliation with the carrying amount of the investment in the Group's consolidated financial statements, are set out below.

IFRS 12.B14

IFRS 12.B12
IFRS 12.B13

	2021 US$ million	2020 US$ million	
Revenue from contracts with customers	240	308	
Interest income	6	6	*IFRS 12.B13(e)*
Interest expense	(4)	(6)	*IFRS 12.B13(f)*
Depreciation and amortisation	(80)	(110)	*IFRS 12.B13(d)*
Other expenses	(110)	(122)	
Profit before income tax	**52**	**76**	
Income tax expense	(20)	(26)	*IFRS 12.B13(g)*
Profit for the year	**32**	**50**	
Group's share of profit for the year	**16**	**25**	
Current assets, including cash and cash equivalents of US$43 million (2020: US$81 million) and prepayments of US$45 million (2020: nil)	142	128	
Non-current assets	286	206	
Total assets	**428**	**334**	
Current liabilities, including tax payable of US$37 million (2020: US$10 million)	92	60	
Non-current liabilities, including deferred tax liabilities of US$32 million (2020: US$25 million) and long-term borrowings of US$50 million (2020: US$50 million)	108	78	
Total liabilities	**200**	**138**	
Net assets	**228**	**196**	
Proportion of the Group's ownership	50%	50%	
Carrying amount of investment in consolidated financial statements	**114**	**98**	*IFRS 12.B14(b)*

The joint venture had no contingent liabilities as at 31 December 2021 and 2020. Refer to Note 6F for details of capital commitments.

IFRS 12.23(b)
IFRS 12.B18-B19

Goldrock Limited cannot distribute its profits until it obtains the consent from the two venture partners.

IFRS 12.22(a)

3A. Interests in joint arrangements *continued*

3A.2 Interests in joint ventures *continued*

Commentary

Refer to Notes 6A.2(c) and 6B.2(d) for more details regarding the accounting for farm-in/farm-out arrangements.

IFRS 12 *Disclosure of Interests in Other Entities* paragraph B14 requires separate presentation of goodwill and other adjustments to the investments in joint ventures in the above reconciliation. The Group does not have any goodwill or other adjustments.

The Group has presented the summarised financial information for the joint venture based on its IFRS financial statements.

IFRS 12.B15 allows this information to be provided using an alternative basis, if the entity measures its interest in the joint venture at fair value, or if the joint venture does not prepare IFRS financial statements and preparation on that basis, would be impracticable or would cause undue cost. Applying both the impracticable and undue cost thresholds involves significant judgement and must be carefully considered in the context of the specific facts and circumstances. In either case, the entity is required to disclose the basis on which the information is provided.

IFRS 12.22(b) requires additional disclosures when the financial statements of the joint venture used in applying equity method are as of a different date or for a different period from that of the Group. This is not applicable to the Group.

IFRS 12.22(c) requires disclosure of unrecognised share of losses of a joint venture. This is not applicable to the Group.

3A.3 Accounting policy – joint arrangements

IFRS 11.4
IFRS 11.7

The Group undertakes a number of business activities through joint arrangements. A joint arrangement is an arrangement over which two or more parties have joint control. Joint control is the contractually agreed sharing of control over an arrangement which exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. The Group's joint arrangements are of two types:

(a) Joint operations

IFRS 11.15

A joint operation (JO) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement.

IFRS 11.20

In relation to its interests in JOs, the financial statements of the Group includes:

- Assets, including its share of any assets held jointly
- Liabilities, including its share of any liabilities incurred jointly
- Revenue from the sale of its share of the output arising from the joint operation
- Share of the revenue from the sale of the output by the joint operation
- Expenses, including its share of any expenses incurred jointly

All such amounts are measured in accordance with the terms of each arrangement which are in proportion to the Group's interest in each asset and liability, income and expense of the JO.

(b) Joint ventures

IFRS 11.1

A joint venture (JV) is a type of joint arrangement in which the parties with joint control of the arrangement have rights to the net assets of the arrangement. A separate vehicle (not the parties) will have the rights to the assets and obligations for the liabilities, relating to the arrangement. More than an insignificant share of output from a JV is sold to third parties, which indicates that the JV is not dependent on the parties to the arrangement for funding and that the parties to the arrangement have no obligations for the liabilities of the arrangement. The Group's investment in its JV is accounted for using the equity method.

IAS 28.10

Under the equity method, the investment in the JV is initially recognised at cost to the Group. In subsequent periods, the carrying amount of the JV is adjusted to recognise changes in the Group's share of net assets of the JV since the acquisition date. Goodwill relating to the JV is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

IAS 28.26-29

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of the operations of the JV. In addition, when there has been a change recognised directly in the equity of the JV, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the JV are eliminated to the extent of the interest in the JV.

IAS 1.82(c)

The aggregate of the Group's share of profit or loss of the JV is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of JV.

3A. Interests in joint arrangements *continued*

3A.3 Accounting policy – joint arrangements *continued*

(b) Joint ventures *continued*

The financial statements of the JV are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

IAS 28.33
IAS 28.27
IAS 28.35

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in the JV. At each reporting date, the Group determines whether there is objective evidence that the investment in the JV is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the JV and its carrying value, then recognises the loss as 'Share of profit of a joint venture' in the statement of profit or loss and other comprehensive income.

IAS 28.40-43

On loss of joint control over the JV, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the JV upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

IAS 28.22(b)

Significant judgements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. The considerations made in determining joint control are similar to those necessary to determine control over subsidiaries. Refer to Note 2A.2 for more details.

IFRS 11.17

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers:

IFRS 11.B15

- The structure of the joint arrangement – whether it is structured through a separate vehicle
- When the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - The legal form of the separate vehicle
  - The terms of the contractual arrangement
  - Other facts and circumstances (when relevant)

This assessment often requires significant judgement, and a different conclusion on joint control and also whether the arrangement is a JO or a JV, may materially impact the accounting.

The Group has a joint arrangement which is structured through a separate vehicle, Goldrock Limited. This structure and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangement. Given this, the Group then assessed the other facts and circumstances relating to the arrangement. After undertaking an assessment, there was nothing to suggest that the Group had rights to the assets and obligations for the liabilities. The final conclusion was that the arrangement was a JV. Refer to Note 3A for more information.

(c) Reimbursement of the costs of the operator of the joint arrangement

When the Group, acting as lead operator or manager of a joint arrangement, receives reimbursement of direct costs recharged to the joint arrangement, such recharges represent reimbursements of costs that the operator incurred as an agent for the joint arrangement and therefore have no effect on profit or loss.

When the Group charges a management fee (based on a fixed percentage of total costs incurred for the year) to cover other general costs incurred in carrying out the activities on behalf of the joint arrangement, it is not acting as an agent. Therefore, the general overhead expenses and the management fee are recognised in the statement of profit or loss and other comprehensive income as an expense and income, respectively. The amount of income does not represent revenue from contracts with customers. Instead, it represents income from collaborative partners and hence is outside scope of IFRS 15.

3B. Group information and related party disclosures

IFRS 12.10(a)

3B.1 Information about subsidiaries

The consolidated financial statements of the Group include:

	Principal activities	Country of incorporation	% equity interest 2021	% equity interest 2020
Oasis Minerals Limited	Gold exploration and production	Metalville	100	–

IAS 24.13
IFRS 12.12 (a)-(c)

The holding company

The ultimate holding company of the Group is M.C. Limited, which is based and listed in Metalville. The only transaction between the Group and M.C. Limited is the payment of dividends.

IAS 1.138(c)
IAS 24.13

Joint venture in which the Group is a venture

As set out in Note 3A, the Group has a 50% interest in Goldrock Limited (2020: 50%).

Commentary

IFRS 12.10(a) requires entities to disclose information about the composition of the group. The list above contains information about the Group's subsidiaries. Companies need to note that this disclosure is required for material subsidiaries. The above illustrates one example as to how the requirements set out in IFRS 12 can be met. When local laws or regulations require the list of investments in subsidiaries to be disclosed, the above disclosures should be modified to comply with the additional local requirements.

Material partly-owned subsidiaries

IFRS 12.12 requires additional disclosures in respect of subsidiaries that have non-controlling interests that are material to the reporting entity (i.e., the Group). A subsidiary may have significant non-controlling interest *per se,* but disclosure is not required if that interest is not material at group level. Similarly, the additional disclosures do not apply to the non-controlling interests that are material in aggregate but not individually. In addition, it should be noted that the additional disclosures should be provided separately for each individual subsidiary with a material non-controlling interest.

When there is a change in the ownership of a subsidiary, IFRS 12.18 requires disclosure of a schedule that shows the effects on equity of any changes in its ownership interest in the subsidiary that did not result in a loss of control. When there are significant restrictions on the Group's (or its subsidiaries') ability to access or use the assets and settle the liabilities of the Group, IFRS 12.13 requires disclosure of the nature and extent of significant restrictions. The Group did not have any such changes in the ownership or restrictions.

IFRS 12.10 (b) (iv) requires disclosure of information to enable the users to evaluate the consequences of losing control of a subsidiary during the period. The Group did not lose control over a subsidiary during the period.

IFRS 12 requires a number of disclosures in respect of financial or other support provided to consolidated structured entities. Certain intra-group transactions that have been eliminated on consolidation and details of certain commitments are required to be disclosed. This is not applicable as the Group does not have a structured entity. IFRS 12.24 also requires disclosure of the involvement in unconsolidated structured entities and exposures arising from that.

3B.2 Related party transactions

During the year, the Group entered into the following transactions, in the ordinary course of business on an arm's length basis, with related parties:

IAS 24.18

IAS 24.18

US$ million	Sales	Purchases	Other revenue	Accounts payable	Accounts receivable
Joint venture in which the parent is a venturer: Goldrock Limited					
2021	2	34	1	-	-
2020	-	57	-	-	-

Terms and conditions of transactions with related parties

IAS 24.21
IAS 24.18(b)

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest-free and settlement occurs in cash and are presented as part of trade receivables and trade payables as appropriate. There have been no guarantees provided or received for any related party receivables or payables. An assessment of the expected credit losses relating to related party receivables is undertaken upon initial recognition and each financial year by examining the financial position of the related party and the market in which the related party operates applying the general approach of the ECL impairment model of IFRS 9. Refer Note 8B for further information.

3B. Group information and related party disclosures *continued*

3B.2 Related party transactions *continued*

Commentary

The disclosure that transactions with related parties are made on terms equivalent to an arm's length transaction is required only if an entity can substantiate such terms, but IAS 24 *Related* Parties paragraph 23 does not require such disclosure. The Group was able to substantiate the terms and therefore provide the disclosure.

3B.3 Compensation of key management personnel of the Group

	2021	2020	
	US$ million	US$ million	IAS 24.17
Short-term employee benefits	25	26	IAS 24.17(a)
Post-employment pension and medical benefits	6	6	IAS 24.17(b)
Total compensation paid to key management personnel	**31**	**32**	

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel.

There are no other related party transactions.

Commentary

Certain jurisdictions may require additional and more extensive disclosures, e.g., remuneration and benefits of key management personnel and members of the Board of Directors.

Section 4: Significant transactions and events

This section provides additional information which will help users understand how changes in the Group structure have impacted the financial position and performance of the Group as a whole and the significant events that have occurred during the year impacting the financial position and performance of the Group.

4A. Business combinations – acquisitions

4A.1 Acquisitions during the current year

IFRS 3.59
IFRS 3.B64(a)-(d)

The Group acquired 100% of the share capital of Oasis Minerals Limited (Oasis) for US$535 million cash, a company holding certain gold exploration and development licences, on 1 November 2021. Oasis has been acquired to gain access to additional reserves for the Group.

(a) Acquisition date fair values

The provisional fair values of identifiable assets acquired and liabilities assumed of Oasis as at the date of acquisition were:

	Provisional fair value US$ million	
		IFRS 3.B64(i) IAS 7.40(c), (d)
Assets		
Exploration and evaluation assets (Note 6A)	72	
Mine development costs (Note 6B)	487	
Other property, plant and equipment (Note 6C)	29	
Inventories	1	
Other current assets	39	
Cash and cash equivalents	96	
	724	
Liabilities		
Trade and other payables	(52)	
Deferred tax liabilities	(42)	
Provisions (Note 9A)	(75)	
Long-term debt	(57)	
	(226)	
Total identifiable net assets at fair value	**498**	
Goodwill arising on acquisition (Note 6D)	37	
Total consideration	**535**	IAS 7.40(a) IFRS 3.B64(f)

4A. Business combinations — acquisitions *continued*

4A.1 Acquisitions during the current year *continued*

(b) Acquisition-date fair value of consideration transferred

	US$ million	
Cash paid	535	*IAS 7.40(b)*
Consideration transferred	**535**	*IFRS 3.B64(f)*
Direct costs relating to the acquisition	15	*IFRS 3.B64(m)*
The cash outflow on acquisition is as follows:		
Net cash acquired with the subsidiary	96	*IAS 7.40(c)*
Cash paid	(535)	*IAS 7.40(b)*
Net consolidated cash outflow	**(439)**	

The fair values disclosed are provisional as at 31 December 2021. This is because the acquisition only occurred on 1 November, and due to the complexity of the acquisition and the inherently uncertain nature of the mining sector, particularly in valuing intangible exploration and evaluation assets, further work will be required to confirm the final fair values. The finalisation of the valuation work required to determine the fair values of the assets and liabilities acquired will be completed within 12 months of the acquisition date, at the latest. *IFRS 3.B67 (a)(i),(ii)*

The Company used a discounted cash flow model to estimate the expected future cash flows of the mine, based on the life-of-mine plans. Expected future cash flows are based on estimates of future production and commodity prices, operating costs, and forecast capital expenditures using the life-of-mine plan as at the acquisition date.

Additional resources which were not included in the life-of-mine plan and exploration potential were separately valued using a market approach, evaluating recent comparable transactions and are included above as part of 'Exploration and evaluation assets'.

A replacement-cost approach was used to determine the fair value of other property, plant and equipment.

From the date of acquisition (1 November 2021) to 31 December 2021, Oasis contributed US$75 million to Group revenue and US$25 million to Group profit. If the acquisition of Oasis had taken place at the beginning of the year, Group revenue and profit for the 2021 year would have been US$4,113 million and US$1,140 million, respectively. *IFRS 3.B64(q) (i), (ii)*

The goodwill of US$37 million arises principally because of the following factors: *IFRS 3.B64(e)*

1) The going concern value implicit in our ability to sustain and/or grow our business by increasing reserves and resources through new discoveries
2) The ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing mines in our regional business units
3) The requirement to recognise deferred tax assets and liabilities for the difference between the assigned fair values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value

None of the goodwill recognised is expected to be deductible for income tax purposes. *IFRS 3.B64(k)*

Transaction costs of US$15 million have been expensed and are included in other expenses. *IFRS 3.B64(m)*

4A.2 Accounting policy – business combinations and goodwill

IFRS 3.4
IFRS 3.18
IFRS 3.19
IFRS 3.53

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any NCI in the acquiree. For each business combination, the Group elects whether to measure the NCI in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

4A. Business combinations — acquisitions *continued*

4A.2 Accounting policy – business combinations and goodwill *continued*

IFRS 3.B8
IFRS 3.B12

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

IFRS 3.15
IFRS 3.16(c)

When the Group acquires a business, it assesses the assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Mineral reserves, resources and exploration potential that can be reliably measured are recognised separately in the assessment of fair values on acquisition. Other potential reserves, resources and rights, for which fair values cannot be reliably measured, are not recognised separately, but instead are subsumed in goodwill.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition-date fair value, and any resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income. It is then considered in the determination of goodwill.

IFRS 3.42
IFRS 3.39
IFRS 3.58

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 is measured at fair value, with changes in fair value recognised in profit or loss in the statement of profit or loss and other comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

IFRS 3.32
IFRS 3.36

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed). If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in statement of profit or loss and other comprehensive income.

IAS 36.80

After initial recognition, goodwill is measured at cost less any accumulated impairment losses, if any. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

IAS 36.86

Where goodwill forms part of a CGU and part of the operation in that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the disposed operation of and the portion of the CGU retained.

Commentary

Definition of a business

Under IFRS 3 *Business Combinations*, when an entity acquires an asset or a group of assets, careful analysis is required to identify whether the acquisition constitutes a business or represents only an asset or group of assets that does/do not constitute a business.

A business is defined in IFRS 3 as "an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities." The application guidance to IFRS 3 describes the components of a business as inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs. The three elements are described as follows:

- **Input:** Any economic resource that creates outputs or has the ability to contribute to the creation of outputs when one or more processes are applied to it. Examples include non-current assets (including intangible assets or rights to use non-current assets), intellectual property, the ability to obtain access to necessary materials or rights and employees.
- **Process:** Any system, standard, protocol, convention or rule is a process if, when applied to an input or inputs, it either creates or has the ability to contribute to the creation of outputs. Examples include strategic management processes, operational processes and resource management processes. These processes typically are documented, but the intellectual capacity of an organised workforce having the necessary skills and experience following rules and conventions may provide the necessary processes that are capable of being applied to inputs to create outputs.

4A. Business combinations — acquisitions *continued*

4A.2 Accounting policy – business combinations and goodwill *continued*

Commentary *continued*

Definition of a business *continued*

Accounting, billing, payroll and other administrative systems typically are not processes used to create outputs so their presence or exclusion generally will not affect whether an acquired set of activities and assets is considered a business.

- **Output:** The result of inputs and processes applied to those inputs that provide goods or services to customers, generate investment income (such as dividends or interest) or generate other income from ordinary activities.

Although businesses usually have outputs, outputs need not be present at the acquisition date for an integrated set of activities and assets to be identified as a business.

To assess whether a transaction is the acquisition of a business, an entity may apply first a quantitative concentration test (also known as a screening test). The entity is not required to apply the test but may elect to do so separately for each transaction or other event.

If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is required. Otherwise, or if the entity elects not to apply the test, the entity shall perform the qualitative analysis of whether an acquired set of assets and activities includes at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

Determining whether a particular set of integrated activities and assets is a business may require significant judgement.

Accounting for leases in a business combination

IFRS 3 was consequentially amended when IFRS 16 was issued. IFRS 3.28B requires a lease liability acquired in a business combination to be measured at the present value of the remaining lease payments as if the acquired lease were a new lease at the acquisition date. That is, the acquirer applies IFRS 16's initial measurement provisions using the present value of the remaining lease payments at the acquisition date. The right-of-use asset is measured at an amount equal to the lease liability, adjusted to reflect the favourable or unfavourable terms of the lease when compared with market terms. Because the off-market nature of the lease is captured in the right-of-use asset, the acquirer does not separately recognise an intangible asset or liability for favourable or unfavourable lease terms relative to market.

Goodwill in a business combination

Prior to the adoption of IFRS, many mining companies had assumed that the entire consideration paid for exploration and development assets should be allocated to the identifiable net assets acquired, that is, any excess of the consideration transferred over the fair value of identifiable net assets (excluding mineral reserves and resources) acquired would then have been included in mineral reserves and resources acquired and goodwill would not generally be recognised. However, goodwill could arise as a result of purchased synergies, overpayment by the acquirer, or when IFRS requires that acquired assets and/or liabilities are measured at an amount that is not fair value (e.g., deferred taxation). As far as overpayments are concerned, it was concluded that, in practice, it is not possible to identify and reliably measure an overpayment at the acquisition date, and the accounting for overpayments is best addressed through subsequent impairment testing when evidence of a potential overpayment first arises [IFRS 3.BC382]. Therefore, it is unlikely to be appropriate for mining entities to simply assume that goodwill would never arise in a business combination and that any differential automatically goes to mineral reserves and resources. Instead, mineral reserves and resources and any exploration potential acquired (if relevant) should be valued separately and any excess of the consideration transferred over and above the supportable fair value of the identifiable net assets (which includes mineral reserves, resources and acquired exploration potential), should be allocated to goodwill.

Deferred taxation

If an entity were simply to take any excess of the consideration transferred over the fair value of the identifiable assets acquired to mineral reserves and resources, it may end up having to allocate significantly larger values to mineral reserves and resources than expected. This is because, under IFRS 3, an entity is required to provide for deferred taxation on the temporary differences relating to all identifiable net assets (including mineral reserves and resources) acquired in a business combination, but not on temporary differences related to goodwill. Therefore, if any excess were simply allocated to mineral reserves and resources, IAS 12 would give rise to a further deferred tax liability on the additional temporary difference, which would create a further excess. This would then result in an iterative calculation in which the deferred tax liability recognised would increase the amount attributed to mineral reserves and resources. This would, in turn, give rise to an increase in the deferred tax liability. Given the very high marginal tax rates to which extractive activities are often subject (i.e., tax rates of 60% to 80% are not uncommon), the mineral reserves and resources might end up being grossed up by a factor of 2.5 to 5 (i.e., 1/ (1 – 60%) = 2.5).

This would only be acceptable if the final amount allocated to mineral reserves and resources remained in the range of fair values determined for those mineral reserves and resources. If not, this would lead to excessive amounts being allocated to mineral reserves and resources, which could not be supported by appropriate valuations.

Where goodwill is tax deductible, new temporary differences will arise after its initial recognition as a result of the interaction between tax deductions claimed and impairments (if any) of the goodwill in the financial statements. These temporary differences do not relate to the initial recognition of goodwill, and therefore deferred tax should be recognised on them.

Section 5: Results for the year

This section provides additional information that is most relevant in explaining the Group's performance during the year.

- Segment information (Note 5A)
- Information about key items comprising operating profit/loss (Note 5B)
- Information about revenue from contracts with customers (Note 5C)
- The calculation of income tax (Note 5D)
- Earnings per share (Note 5E)

5A. Segment information

IFRS 8.22(a)

All of the Group's assets and operations are located in Metalville. For management purposes, the Group is organised into business units based on the main types of activities and has three reportable operating segments, as follows:

IFRS 8.22(b)

- The gold segment develops and mines gold that is ultimately sold as gold bullion or gold in concentrate
- The copper segment develops and mines copper that is sold as copper concentrate
- The exploration areas segment undertakes exploration and evaluation activities

Other than the exploration area segment, no operating segments have been aggregated to form the above reportable operating segments.

IFRS 8.7

The Executive Management Committee monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment and is considered to be the Group's Chief Operating Decision Maker (CODM). Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements. However, the Group's financing (including finance costs and finance income) and income taxes are managed on a group basis and are not allocated to operating segments.

IFRS 8.27(a)

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

IFRS 8.27(b)

The accounting policies used by the Group in reporting segments internally are the same as those contained in Note 2D and the respective quantitative and qualitative notes of the financial statements.

5A. Segment information *continued*

Year ended 31 December 2021	Gold	Copper	Exploration areas	Adjustments and eliminations	Consolidated	
	US$ million	US$ million	US$ million	US$ million	US$ million	
Revenue						
External customers	2,882	948	–	–	3,830	*IFRS 8.23(a)*
Inter-segment	100	–	–	(100)	–	*IFRS 8.23(b)*
Revenue from contracts with customers	**2,992**	**948**	–	**(100)**	**3,830**	
Results						
Depreciation and amortisation	(596)	(245)	–	(1)[1]	(842)	*IFRS 8.23(e)*
Goodwill impairment	(15)	–	–	–	(15)	*IFRS 8.23(i)*
Impairment of mine properties	(33)	–	–	–	(33)	*IFRS 8.23(i)*
Impairment of exploration and evaluation assets	–	–	(5)	–	(5)	*IFRS 8.23(i)*
Reversal of previously impaired exploration and evaluation assets	–	–	16	–	16	*IFRS 8.23(i)*
Exploration and evaluation expenditure written off	–	–	(90)	–	(90)	*IFRS 8.23(f)*
Employee benefits expense	(112)	(46)	–	–	(158)	*IFRS 8.23(f)*
Cost of inventories recognised as expense	(874)	(357)	–	–	(1,231)	*IFRS 8.23(f)*
Gain on sale of mine properties	39	–	–	–	39	*IFRS 8.23(f)*
Gain on sale of property, plant and equipment	11	–	–	–	11	*IFRS 8.23(f)*
Gain on sale of exploration and evaluation assets	–	–	1	–	1	
Share of profit of equity-accounted joint venture	26	–	(10)	–	16	*IFRS 8.23(g)*
Profit before tax	**1,418**	**511**	**(81)**	**(70)**[2]	**1,778**	*IFRS 8.28(b)*
Income tax expense					(766)	
Net profit for the year					**1,013**	
Segment assets	**4,281**	**2,113**	**759**	**32**[3]	**7,185**	*IFRS 8.23*
Segment liabilities	**834**	**347**	**57**	**1,437**[4]	**2,675**	*IFRS 8.23*
Other segment information						
Investment in joint venture	114	–	–	–	114	*IFRS 8.24(a)*
Capital expenditure[5]	450	1,369	430	46	2,295	*IFRS 8.24(b) IFRS 8.28*

1. Represents amortisation of other intangible assets.
2. Profit for each operating segment does not include finance income (US$24 million) and finance costs (US$98 million).
3. Segment assets do not include deferred income tax assets (US$107 million) and other intangible assets (US$11 million) as these assets are managed on a group basis.
4. Segment liabilities do not include deferred income tax liabilities (US$415 million), current tax payable (US$337 million) and interest-bearing loans and borrowings (US$685 million) as these liabilities are managed on a group basis.
5. Capital expenditure consists of additions to property, plant and equipment; intangible assets; mine properties; right-of-use assets; and exploration and evaluation assets (where applicable), including assets from the acquisition of subsidiaries.

5A. Segment information *continued*

Year ended 31 December 2020	Gold	Copper	Exploration areas	Adjustments and eliminations	Consolidated	
	US$ million	US$ million	US$ million	US$ million	US$ million	
Revenue						
External customers	2,041	874	–	–	2,915	*IFRS 8.23(a)*
Inter-segment	125	–	–	(125)	–	*IFRS 8.23(b)*
Total revenue from contracts with customers	**2,166**	**874**	**–**	**(125)**	**2,915**	
Results						
Depreciation and amortisation	(191)	(243)	–	–	(434)	*IFRS 8.23(e)*
Goodwill impairment	–	–	–	–	–	*IFRS 8.23(i)*
Impairment of mine properties	(9)	–	–	–	(9)	*IFRS 8.23(i)*
Impairment of exploration and evaluation assets	–	–	(6)	–	(6)	*IFRS 8.23(i)*
Reversal of previously impaired exploration and evaluation assets	–	–	–	–	–	*IFRS 8.23(i)*
Exploration and evaluation expenditure written off	–	–	(75)	–	(75)	*IFRS 8.23(f)*
Employee benefits expense	(114)	(47)	–	–	(161)	*IFRS 8.23(f)*
Cost of inventories recognised as expense	(598)	(244)	–	–	(842)	*IFRS 8.23(f)*
Gain on sale of mine properties	58	–	–	–	58	*IFRS 8.23(f)*
Loss on sale of property, plant and equipment	(11)	–	–	–	(11)	*IFRS 8.23(f)*
Gain on sale of exploration and evaluation assets	–	–	–	–	–	
Share of profit of equity-accounted joint venture	29	–	(4)	–	25	*IFRS 8.23(g)*
Profit before tax	**1,262**	**279**	**(90)**	**(65)**[1]	**1,386**	*IFRS 8.28(b)*
Income tax expense					(510)	
Net profit for the year					**876**	
Segment assets	**3,568**	**1,543**	**501**	**163**[2]	**5,775**	*IFRS 8.23*
Segment liabilities	**782**	**106**	**49**	**991**[3]	**1,928**	*IFRS 8.23*
Other segment information						
Investment in joint venture	98	–	–	–	98	*IFRS 8.24(a)*
Capital expenditure[4]	712	889	293	4	1,898	*IFRS 8.24(b)*

IFRS 8.28

1. Profit for each operating segment does not include finance income (US$25 million) and finance costs (US$46 million).
2. Segment assets do not include deferred tax assets (US$94 million) and other intangible assets (US$7 million) as these assets are managed on a group basis.
3. Segment liabilities do not include deferred tax liabilities (US$364 million), current tax payable (US$151 million) and interest-bearing loans and borrowings (US$476 million) as these liabilities are managed on a group basis.
4. Capital expenditure consists of additions to property, plant and equipment; intangible assets; mine properties; right-of-use assets; and exploration and evaluation assets, including assets from the acquisition of subsidiaries.

5A. Segment information *continued*

Geographic information

The operations of the Group are located in only one geographic location, Metalville. *IFRS 8.33(a)*

Revenue from one customer amounted to US$900 million (2020: US$800 million), arising from sales made in the gold segment and related to spot gold sales. *IFRS 8.34*

Revenues from external customers are based on the locations of the customers:

	2021 US$ million	2020 US$ million
Metalville		
▶ Gold bullion	798	601
▶ Gold in concentrate	1,113	904
▶ Copper concentrate	841	773
▶ Freight/shipping services	250	220
Goldville		
▶ Gold bullion	828	417
Total revenue from contracts with customers per consolidated statement of profit or loss and other comprehensive income	**3,830**	**2,915**

All non-current assets of the Group are located in Metalville. *IFRS 8.33(b)*

Commentary

Interest income and interest expense by segment have not been disclosed as these items are managed on a group basis and are not provided to the chief operating decision-maker (CODM) at the operating segment level. Disclosure of operating segment assets and liabilities is required only where such measures are provided to the CODM. The Group provides information about operating assets and liabilities to the CODM. The remaining operations (e.g., taxation) that are reflected in 'Adjustments and eliminations', do not constitute an individual operating segment.

The Group's internal reporting is set up to report in accordance with IFRS. The segment disclosures could be significantly more extensive if internal reports had been prepared on a basis other than IFRS. In that case, a reconciliation between the internally reported items and the externally communicated items would need to be prepared.

In addition to the amounts disclosed under paragraphs 2 (a)-(e), IFRS 8.23(f) requires an entity to disclose material items of income and expense disclosed in accordance with IAS 1.97 (as revised in 2007). IAS 1.97 requires an entity to disclose separately the nature and amount of material items of income or expense. In order to fulfil the requirements of paragraph 23(f) of IFRS 8, the Group disclosed for each reportable segment, the following items of income or expenses that are included in the measure of the segment profit or loss reviewed by CODM: cost of inventories recognised as an expense and employee benefits expenses.

Application of IFRS 8 *Operating Segments* to exploration entities

IFRS does not specifically prescribe the application of operating segments to exploration entities and whether exploration properties meet the definition of an operating segment under IFRS 8.

It is our view that exploration properties are capable of meeting the definition of an operating segment under IFRS 8. This is because it would be considered a component of an entity that engages in business activity (exploration), and while it does not currently generate revenue, it does incur expenses; the operating results, including the cash spent, is regularly reviewed by the CODM; and discrete financial information is available.

The level at which an operating segment can be aggregated will depend on whether the criteria outlined in IFRS 8.12 have been met. The CODM is the person(s) responsible for allocating resources and assessing the operating results of the entity that, for mining exploration companies, include key decisions relating to how to spend available cash (e.g., which targets, what type of exploration) and how to finance such expenditure (e.g., equity, joint venture, farm-ins). Generally, the information provided to the CODM is cash spent and exploration results (i.e., drill intersections, reserves and resources, etc.).

The level at which this information is prepared or aggregated may vary widely depending on factors such as the size of the mining company, etc. For example, the CODM may receive the above information for:

- Each individual target area (in an ore body or mining area)
- Each separately defined ore body or mining area (in a tenement or property)
- Each tenement or property
- Each geological structure (which may span several tenements or properties but in a geographical region)
- Each geographical region (such as country, state, province, etc.)

The level at which the information is received by the CODM is the major determinant of the level at which operating segments exist for mining exploration entities.

The disclosures in Good Mining illustrate exploration areas as a reportable segment. The assumptions made by this fictitious entity are:

- The Group has three exploration tenements: Cuprum, a copper exploration tenement, and Aurum and Oro, both gold exploration tenements.
- The operating results of the exploration tenements are reviewed by the CODM of the Group, and each exploration tenement is a separate operating segment.
- The exploration tenements meet the criteria for aggregation under IFRS 8 as they are in one geographical location, i.e., Metalville, and while exploration is for gold and copper, it has been determined that these have similar economic characteristics in terms of the Group's mining and processing costs.

5B. Operating profit/(loss)

Operating profit is stated after (charging)/crediting:

	Notes	2021 US$ million	2020 US$ million	
Amortisation of mine properties		(791)	(426)	*IAS 1.104*
Depreciation of property, plant and equipment		(7)	(8)	*IAS 1.104*
Depreciation of right-of-use assets		(43)	(43)	*IFRS 16.53(a)*
Amortisation of other intangible assets		(1)	–	*IAS 38.118(e)(vi), IAS 1.104*
Total depreciation and amortisation		**(842)**	**(434)**	
Impairment of mine properties	5B.1	(33)	(9)	*IAS 36.126(a)*
Impairment of exploration and evaluation assets		(5)	(6)	*IFRS 6.23, IAS 36.126(a)*
Impairment of goodwill		(15)	–	*IAS 36.126(a)*
Reversal of previously impaired exploration and evaluation assets	5B.2	16	–	*IFRS 6.23, IAS 36.126(b)*
Exploration and evaluation expenditure written off		(90)	(75)	*IFRS 6.23*
Gain on sale of mine properties		39	58	*IAS 1.98*
Gain/(loss) on sale of property, plant and equipment		11	(11)	*IAS 1.98*
Gain on sale of exploration and evaluation assets	5B.3	1	–	*IAS 1.98*
(Loss)/gain on derivative financial instruments	7C.2	(3)	5	
Fair value gain on provisionally priced trade receivables		5	4	*IFRS 7.20(a)*
Pre-licence expenditure	5B.4	(13)	(9)	*IFRS 6.23*
Variable lease expense		(18)	(12)	*IFRS 16.53(e)*
Short-term lease expense		(10)	(8)	*IFRS 16.53(c)*
Low-value asset expense		(15)	–	*IFRS 16.53(d)*
Employee benefits expense		(158)	(161)	*IAS 1.104*
Cost of inventories recognised as expense		(1,231)	(842)	*IAS 2.36(d)*
Net foreign exchange gain/(loss)		4	(2)	*IAS 21.52(a)*
Expected credit losses on trade receivables relating to revenue from contracts with customers	8B	(6)	(4)	*IFRS 15.113(b)*
Royalties paid		(182)	(181)	

5B.1 Impairment of Sovereign Mine

IAS 36.130

As part of the annual impairment review of asset carrying values a charge of US$33 million was recorded in relation to the Sovereign Mine. During the year, the Group carried out an impairment review of the related CGU. The review determined that the commercial viability of the mine has decreased significantly. As a result, an impairment was recognised in the statement of profit or loss and other comprehensive income as part of other operating expenses. Refer to Note 6E for a description of the assumptions used in the impairment calculation.

5B.2 Reversal of previously impaired exploration and evaluation assets

IAS 36.130

The Group has reversed some of the previously recognised impairment charge related to the Aurum Mine. This reversal resulted from a positive change in the estimates used to determine the CGU's recoverable amount since the impairment loss was initially recognised. The reversal of the previously booked impairment charge is included in the statement of profit or loss and other comprehensive income as part of other expenses.

5B.3 Gain on sale of exploration and evaluation assets

IAS 1.98

The Group entered into a farm-out agreement with Red Copper Limited to share costs and risks associated with exploration activities on Cuprum tenements as described in Note 3A. As part of the farm-out, Red Copper contributed cash of US$23 million and, in accordance with the policy described in Note 6A.2(c), this amount was credited to the related exploration and evaluation asset, which totalled US$22 million. The excess of US$1 million was recognised as a gain on disposal of exploration and evaluation assets in the statement of profit or loss and other comprehensive income.

5B. Operating profit/(loss) *continued*

5B.4 Pre-licence expenditure

IFRS 6.23

The pre-licence expenditure relates predominantly to the licence areas Leaf and Crown where the Group incurred preliminary costs, but where no rights have yet been granted by the Metalville Government. These costs were expensed as incurred.

All other gains and losses in the current and preceding year were derived from continuing operations.

Commentary

Refer Note 6A.2(c) for more details regarding the accounting for farm-in/farm-out arrangements. For the purposes of these illustrative financial statements, where the Group is the farmor, any cash consideration received is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

IFRS 15.113 requires entities to disclose impairment losses recognised (in accordance with IFRS 9) on any receivables or contract assets arising from the entity's contracts with customers, which the entity must disclose separately from impairment losses from other contracts.

5C. Revenue from contracts with customers

5C.1 Disaggregated revenue information

IFRS 15.114-115

	2021	2020
Type of goods	**US$ million**	**US$ million**
Gold segment		
▸ Gold bullion	1,626	1,018
▸ Gold in concentrate	1,113	904
▸ Freight/shipping services	143	119
Copper segment		
▸ Copper concentrate	841	773
▸ Freight/shipping services	107	101
Total revenue from contracts with customers	**3,830**	**2,915**

All revenue from gold bullion, gold in concentrate and copper concentrate is recognised at a point in time when control transfers (see Note 5C below for further details) and revenue from freight/shipping services is recognised over time as the services are provided.

Commentary

The Group presented disaggregated revenue based on the type of goods or services provided to customers and the geographical region (see Note 5A geographical segment disclosures above). Entities will need to make this determination based on entity-specific and/or industry-specific factors that would be most meaningful to their business such as internal reporting and external reporting to shareholders.

The Group presented a reconciliation of the disaggregated revenue with the revenue information disclosed for each reportable segment. Entities may find it appropriate to provide disaggregated revenue information within the segment reporting disclosures.

5C.2 Accounting policy – revenue from contracts with customers

IFRS 15.2
IFRS 15.110

The Group is principally engaged in the business of producing gold bullion and gold/copper concentrate and in some instances, provides freight/shipping services. Revenue from contracts with customers is recognised when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

IFRS 15.B34

The Group has generally concluded that it is the principal in its revenue contracts because it typically controls the goods or services before transferring them to the customer.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

Contract balances

Contract assets

IFRS 15.107

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. The Group does not have any contract assets as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

IFRS 15.108

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to Note 2D.1(a) for the accounting policies for financial assets and Note 8B for trade receivables.

Contract liabilities

IFRS 15.106

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

From time to time, the Group recognises contract liabilities in relation to some metal in concentrate sales which are sold under CFR and CIF Incoterms, whereby a portion of the cash may be received from the customer before the freight/shipping services are provided. See Note 8D for further details of contract liabilities.

	2021 US$ million	2020 US$ million	
Amount of freight/shipping revenue recognised during the year included in contract liabilities at the beginning of the year	12	10	IFRS 15.116(b)

Commentary

IFRS 15.116 requires the disclosure of the opening balances of receivables, contract assets and contract liabilities from contracts with customers, if they are not otherwise separately presented or disclosed. The Group has presented the balances as at 1 January 2020 to comply with this requirement. The Group had no contract assets. Disclosures about receivables are included in Note 8B and disclosures about contract liabilities are provided above and in Note 8D.

The Group disclosed its receivables arising from contracts with customers separately from other receivables. It will be necessary for entities that have receivables from non-IFRS 15 contracts to separate these balances for disclosure purposes. For example, an entity may have accounts receivable relating to leasing contracts that would need to be disclosed separately from accounts receivable related to contracts with customers.

IFRS 15.116 also requires disclosure of 'revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period' and 'revenue recognised in the reporting period from performance obligations satisfied (or partially satisfied) in previous periods'. Entities can also present this in a tabular or narrative format.

The Group provided qualitative and quantitative disclosures on its contract balances and changes in those balances during the period. Entities are permitted to disclose information about contract balances, and changes therein, as they deem to be most appropriate, which would include a combination of tabular and narrative information.

IFRS 15.123 requires an entity to disclose the judgements, and changes in the judgements, made in applying the standard that significantly affect the determination of the amount and timing of revenue from contracts with customers.

The Group included in its accounting policy disclosures those judgements that significantly affect the determination of the amount and timing of its revenue from contracts with customers. Entities will need to apply judgement to ensure the information disclosed is sufficient to meet the disclosure objective.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

(a) Gold bullion sales

For gold bullion sales, most of these are sold under spot sales contracts with banks. The Group initially sends its unrefined dore to the refiner for processing, but the refiner is not the customer, i.e., control of the product does not pass to the refiner, it is simply providing processing services to the Group. Once the dore is processed into bullion (i.e., outturned), the Group enters into arrangements with a range of different banks, but there is no formal sales agreement, as such. Instead, there is a deal confirmation, which sets out the terms of the sale including the applicable spot price and this is considered to be the enforceable contract. The only performance obligation is the sale of gold bullion.

IFRS 15.119

Revenue is recognised at a point in time when control passes to the bank. This generally occurs after the dore is outturned and when the Group advises the refiner to transfer the gold to the bank by crediting the metal account of the bank (as this is the market mechanism with respect to gold bullion, i.e., the gold bullion is not physically delivered, but instead resides in the mint). However, the bank has title, is required to pay for the gold bullion and is able to direct the use of the gold bullion by instructing the refiner to transfer metal credits to or from its metal account, and is exposed to the risks and rewards of the gold bullion.

IFRS 15.125

With these arrangements, there are no advance payments received from the banks, no conditional rights to consideration, i.e., no contract assets are recognised. A trade receivable is recognised at the date of sale and there are only several days between recognition of revenue and payment. The contract is entered into and the transaction price is determined at outturn by virtue of the deal confirmation and there are no further adjustments to this price. Also, given each spot sale represents the enforceable contract and all performance obligations are satisfied at that time, there are no remaining performance obligations (unsatisfied or partially unsatisfied) requiring disclosure. Refer to Note 8B for details of payment terms.

IFRS 15.120

(b) Gold and copper in concentrate (metal in concentrate) sales

For most gold and copper in concentrate (metal in concentrate) sales, the enforceable contract is each purchase order, which is an individual, short-term contract. For one customer in Euroland, there is a long-term, five-year contract where the customer is required to purchase a minimum quantity each year, which has Free on Board (FOB) Incoterms and this represents the enforceable contract.

For the Group's metal in concentrate sales not sold under CFR and CIF Incoterms, the performance obligations are the delivery of the concentrate. A proportion of the Group's metal in concentrate sales are sold under CFR or CIF Incoterms, whereby the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping services also represent separate performance obligations. Refer Note 5C.2(c) for further discussion.

IFRS 15.119

The majority of the Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements subject to CIF/CFR shipping terms, a portion of the transaction price is allocated to the separate freight/shipping services provided – refer Note 5C.2(c) below for further discussion.

IFRS 15.125
IFRS 15.126(a)

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue *continued*

(b) Gold and copper in concentrate (metal in concentrate) sales *continued*

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition and until the date of settlement. These subsequent changes in fair value are recognised in the statement of profit or loss and other comprehensive income each period and presented separately from revenue from contracts with customers as part of 'Fair value gains/losses on provisionally priced trade receivables'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. See Note 7C.3 for further discussion on fair value. Refer Note 8B for details of payments terms for trade receivables.

IFRS 15.126(a)

IFRS 15.120

IFRS 15.126(b)

IFRS 15.122

As noted above, as the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract) and, therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts. For the customer in Euroland, as discussed above, this is a long-term contract and the nature of the pricing terms are such that the transaction price is determined depending on the timing of when the customer takes delivery of the copper concentrate, the future market price on and around the time of each shipment and the length of the QP. Given this, at contract inception, all consideration is considered variable, and will be recognised utilising the variable consideration allocation exception. This variable consideration is subject to constraint (see significant judgements and estimates for further discussion). Additionally, while there are remaining performance obligations at reporting period end, the transaction price allocated to these remaining performance obligations is not material.

IFRS 15.126(c)

For this long-term contract when allocating the transaction price to each performance obligation (which is practically considered to be each shipment), the Group applies the variable consideration allocation exception to allocate the variable pricing to each shipment on the basis that:

- The terms of the variable payment relate specifically to the Group's efforts to satisfy the performance obligation; and
- Allocating the variable amount of consideration entirely to the performance obligation or the distinct good or service is consistent with the allocation objective in IFRS 15, when considering all of the performance obligations and payment terms in the contract.

(c) Freight/shipping services

IFRS 15.119

As noted above, a proportion of the Group's metal in concentrate sales are sold under CFR or CIF Incoterms, whereby the Group is responsible for providing freight/shipping services (as principal) after the date that the Group transfers control of the metal in concentrate to its customers. The Group, therefore, has separate performance obligations for freight/shipping services which are provided solely to facilitate sale of the commodities it produces.

Other Incoterms commonly used by the Group are FOB, where the Group has no responsibility for freight or insurance once control of the products has passed at the loading port, and Delivered at Place (DAP) where control of the goods passes when the product is delivered to the agreed destination. For arrangements which have these Incoterms, the only performance obligations are the provision of the product at the point where control passes. Refer above at Note 5C.2(a) and (b) for further discussion.

IFRS 15.126(c)

IFRS 15.119(a)
IFRS 15.124

For CFR and CIF arrangements, the transaction price (as determined above) is allocated to the metal in concentrate and freight/shipping services using the relative stand-alone selling price method. Under these arrangements, a portion of consideration may be received from the customer in cash at, or around, the date of shipment under a provisional invoice. Therefore, some of the upfront consideration that relates to the freight/shipping services yet to be provided, is deferred. It is then recognised as revenue over time using an output method (being days of shipping/transportation elapsed) to measure progress towards complete satisfaction of the service as this best represents the Group's performance. This is on the basis that the customer simultaneously receives and consumes the benefits provided by the Group as the services are being provided. The costs associated with these freight/shipping services are also recognised over the same period of time as incurred.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue *continued*

(c) Freight/shipping services *continued*

Payment for part of the freight/shipping costs may occur in advance of the services being provided (and is therefore recognised as a contract liability). The final portion is paid once the services have been completed. The period of time between receipt of these upfront amounts and the satisfaction of the freight/shipping services is usually no more than one month. Given the quantum of these amounts and the short time frame between receipt of cash and satisfaction of the performance obligation, the Group has applied the practical expedient to not adjust the promised consideration for the effects of a significant financing component as the period between the transfer of the promised good or service to a customer and when the customer pays for that good or service is one year or less.

IFRS 15.129

IFRS 15.123

Significant judgements, estimates and assumptions

Identification of the enforceable contract

For most gold and copper in concentrate (metal in concentrate) sales, while there are master services agreements with key customers that set out the general terms and conditions governing any sales that occur, they do not contain any minimum volumes, i.e., the customer is not required to buy any concentrate. The customer is only obliged to purchase metal in concentrate when it places a purchase order for each shipment. Also, there are no terms which link separate purchase orders. For example, there are no rebates or discounts provided if a customer buys more than a specified amount each year, and there are no penalties that impact overall sales during a period. Therefore, for these arrangements, the enforceable contract has been determined to be each purchase order.

For one customer in Euroland, there is a long-term five (5) year contract where the customer is required to purchase a minimum quantity each year, which have Free on Board (FOB) Incoterms. Therefore, this is the enforceable contract.

IFRS 15.122

Identification of performance obligations for arrangements subject to CIF/CFR Incoterms

A proportion of the Group's metal in concentrate sales subject to CIF/CFR Incoterms, whereby the Group is responsible for providing freight/shipping services. The freight/shipping services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determined that both the metal in concentrate and the freight/shipping services are capable of being distinct as the customer can benefit from both products on their own. The Group also determined that the promises to transfer the metal in concentrate and the freight/shipping services are distinct within the context of the contract. The metal in concentrate and the freight/shipping services are not inputs to a combined item in the contract. The Group is not providing a significant integration service, because the presence of the metal in concentrate and the freight/shipping services together in this contract do not result in any additional or combined functionality and neither the metal in concentrate nor the freight/shipping services modify or customise the other. In addition, the metal in concentrate and the freight/shipping services are not highly interdependent or highly interrelated, because the Group would be able to transfer the metal in concentrate even if the customer did not want the freight/shipping services. Consequently, the Group allocated a portion of the transaction price to the metal in concentrate and the freight/shipping services based on relative stand-alone selling prices.

IFRS 15.27
IFRS 15.29

Principal versus agent considerations – freight/shipping services

As noted above, in some arrangements subject to CIF/CFR Incoterms, the Group is responsible for providing freight/shipping services. While the Group does not actually provide nor operate the vessels, trucks or trains, the Group has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. This is on the basis that the Group obtains control of a right to freight/shipping services after entering into the contract with the customer, but before those services are provided to the customer. The terms of the Group's contract with the service provider give the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

IFRS 15.B34
IFRS 15.34A

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue *continued*

***Significant judgements, estimates and assumptions* continued**

IFRS 15.123

In addition, the Group has concluded that the following indicators provide evidence that it controls the freight/shipping services before they are provided to the customer:

- **The Group is primarily responsible for fulfilling the promise** to provide freight/shipping services. Although the Group has hired a service provider to perform the services promised to the customer, it is the Group itself that is responsible for ensuring that the services are performed and are acceptable to the customer (i.e., the Group is responsible for fulfilment of the promise in the contract, regardless of whether the Group performs the services itself or engages a third-party service provider to perform the services).
- **The Group has discretion in setting the price** for the services to the customer as this is negotiated directly with the customer.

Application of the variable consideration constraint

For the Group's long-term contracts that are subject to market-based prices, i.e., there is variable consideration, the Group has assessed that at contract inception, this variable consideration will generally be significantly constrained. This is on the basis that the ultimate price they will receive will depend on a range of factors that are highly susceptible to factors outside the Group's influence and include:

- **Actions of third parties:** the exact date that each shipment occurs (this is relevant because this is the date the market price is determined, or for provisionally priced sales, the date from which the QP commences)
- **Volatile commodity market:** the price to be received in the future is then based on market-based prices for highly liquid commodities

The Group's estimates of variable consideration and any disclosures provided in relation to the allocation of that variable consideration to unsatisfied performance obligations, are immaterial. In addition, the Group applies the variable consideration allocation exception when allocating the future consideration to future performance obligations.

Determining the timing of satisfaction of freight/shipping services

IFRS 15.123(a)
IFRS 15.124

The Group concluded that revenue for freight/shipping services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the freight/shipping services that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs. The Group determined that the input method is the best method for measuring progress of the freight/shipping services because there is a direct relationship between the Group's effort (i.e., time elapsed) and the transfer of service to the customer. The Group recognises revenue on the basis of the time elapsed relative to the total expected time to complete the service.

Commentary

Performance obligations

IFRS 15 requires an entity to provide more descriptive information about its performance obligations. IFRS 15.119 requires an entity to include a description of all of the following:

- When the entity typically satisfies its performance obligations (for example, upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement
- The significant payment terms (for example, when payment is typically due, whether the contract has a significant financing component, whether the amount of consideration is variable and whether the estimate of variable consideration is typically constrained in accordance with IFRS 15.56-58)
- The nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e., if the entity is acting as an agent)
- Obligations for returns, refunds and other similar obligations
- Types of warranties and related obligations

The Group provided this information in this section of the notes for illustrative purposes. This information may also be included in the disclosure of significant accounting policies, if an entity discloses all accounting policies in a separate accounting policies note. This is one way that entities can comply with the disclosure requirement of IFRS 15.119.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue *continued*

Commentary *continued*

Performance obligations *continued*

For the Group's performance obligations, while each ounce of gold or tonne of copper would be a separate performance obligation, given each sale or shipment comprises multiple ounces / tonnes which are delivered at the same time, these performance obligations are all satisfied and revenue is recognised at the same time.

Gold bullion forward sales agreements

From time to time, entities in the mining sector enter into hedging arrangements, such as forward contracts, in order to manage exposure to volatile commodity prices. Sales made under gold bullion forward sales agreements may be accounted for as normal sales arrangements (executory contracts), if they meet the requirements in IFRS 9. One of these requirements is that the obligations under the gold bullion forward sales agreements must be met with physical delivery from gold bullion production of the mining company.

Provisionally priced contracts

Sales contracts for certain commodities often provide for provisional pricing at the time of shipment of metal in concentrate, with final pricing based on a market price for a particular future period. The final price may be based on the average price during a subsequent period (the QP), the price on a fixed date after delivery, or the amount subsequently realised by the smelter or refinery.

If the contract is cancellable without penalty before delivery, the price adjustment feature does not meet the definition of a derivative because there is no contractual obligation until delivery takes place.

If the contract is non-cancellable, the price adjustment feature is considered to be an embedded derivative. The non-financial contract for the sale or purchase of the product, e.g., copper concentrate, at a future date would be treated as the host contract.

Prior to delivery, the host contract will be a commodity sales contract. After delivery, once the sale is recognised, the host contract will be a trade receivable. A strong argument can be made that the price adjustment feature will be closely related to a contract to supply a commodity and, hence, will not have to be separated. However, under IFRS 9, different accounting arises, as outlined below. Revenue is recognised when control passes to the customer. At this point, the non-financial host commodity contract is considered to be satisfied and a corresponding receivable is recognised. However, the receivable is still exposed to the price adjustment feature. Under IFRS 9, embedded derivatives are not separated from financial assets, i.e., from the receivable. Instead, the receivable will fail the cash flow characteristics test and, therefore, will need to be measured at fair value through profit or loss in its entirety.

5D. Income tax

5D.1 Income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 are: *IAS 12.79*

	2021	2020	
	US$ million	US$ million	
Consolidated statement of profit or loss and other comprehensive income			
Income tax expense			
Current income tax:			
Current income tax charge	653	624	*IAS 12.80(a)*
Adjustments in respect of current income tax of previous years	80	(77)	*IAS 12.80(b)*
Deferred income tax:			
Relating to origination and reversal of temporary differences	(10)	(83)	*IAS 12.80(c)*
Income tax expense recognised in profit or loss	**723**	**464**	
Resource rent tax expense			
Current tax:			
Current tax charge	69	57	*IAS 12.80(a)*
Deferred tax:			
Relating to origination and reversal of temporary differences	(26)	(11)	*IAS 12.80(c)*
Resource rent tax expense recognised in profit or loss	**43**	**46**	
Total tax expense reported as part of profit or loss in the statement profit or loss and other comprehensive income	**766**	**510**	

5D.2 Reconciliation

A reconciliation between tax expense and the accounting profit multiplied by Metalville's domestic tax rate for the years ended 31 December 2021 and 2020 is, as follows: *IAS 12.81(c)(i)*

	2021	2020
	US$ million	US$ million
Accounting profit before income tax	1,779	1,386
At Metalville's statutory income tax rate of 30% (2020: 30%)	534	416
Research and development allowance	(5)	–
Benefit from previously unrecognised tax losses	(5)	–
Non-deductible expenses	118	126
Under/(over) provided in prior years	81	(78)
At the effective income tax rate of 41% (2020: 33%)	723	464
Resource rent tax expense (net of income tax benefit)	43	46
Total tax expense reported in the consolidated statement of profit or loss and other comprehensive income	**766**	**510**

5D. Income tax *continued*

5D.3 Deferred income tax

Deferred income tax at 31 December relates to the following:

	Consolidated statement of financial position		Consolidated statement of profit or loss and other comprehensive income	
	2021 US$ million	2020 US$ million	2021 US$ million	2020 US$ million
Income tax related				
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	(111)	(146)	35	(18)
Exploration and evaluation assets	(77)	(21)	(56)	2
Right-of-use asset	(21)	(34)	13	13
Mine properties	(115)	(101)	(14)	(12)
	(324)	(302)		
Deferred income tax assets				
Contract liabilities	3	4	1	(1)
Lease liabilities	21	33	(12)	(13)
Losses available for offset against future taxable income	80	57	23	(54)
	104	94		
Deferred tax income			(10)	(83)
Deferred income tax liabilities (net) relating to income tax	(220)	(212+)		
Resource rent tax related				
Deferred tax liabilities				
Exploration and evaluation assets	(37)	(22)	(15)	6
Mine properties	(54)	(40)	(14)	(17)
	(91)	(62)		
Deferred tax assets				
Other	3	–	3	-
	3	–		
Deferred tax income/(expense)			(26)	(11)
Deferred tax liabilities (net) relating to resource rent tax	(88)	(62)		
Reflected in the consolidated statement of financial position as follows:				
Deferred tax assets	107	94		
Deferred tax liabilities	(415)	(364)		
Deferred tax liabilities (net)	**(308)**	**(270)**		

Deferred income tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available in the future against which the unused tax losses/credits can be utilised.

In addition to recognised deferred income tax assets, the Group has unrecognised tax losses of US$533 million (2020: US$550 million) that are available indefinitely to carry forward against future taxable income of the subsidiaries in which the losses arose. Deferred income tax assets have not been recognised in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group, they have arisen in subsidiaries that have been loss-making for some time, and there are no other tax planning opportunities or other evidence of recoverability in the near future to support (either partially or in full) the recognition of the losses as deferred income tax assets.

IAS 12.81(e)

5D. Income tax *continued*

5D.3 Deferred income tax *continued*

The temporary differences associated with investments in subsidiaries and joint ventures, for which a deferred income tax liability has not been recognised, aggregate to US$58 million (2020: US$94 million). *IAS 12.81(f)*

There are no income tax consequences attached to the payment of dividends by the Group to its shareholders. *IAS 12.82A*

No deferred tax asset has been recognised on rehabilitation provisions (refer to Note 9A.4(b) for further details of this accounting policy).

Commentary

The Group's lease payments are deductible upon payment for tax purposes. In accounting for the deferred tax relating to the lease, the Group considers both the right-of-use asset and lease liability separately. The Group separately accounts for the deferred taxation on the taxable temporary difference and the deductible temporary difference, which upon initial recognition, are equal and offset to zero. Deferred tax is recognised on subsequent changes to the taxable and temporary differences.

For illustrative purposes, it has been assumed that the Group meets the criteria to be able to recognise the deferred income tax asset in relation to the lease liabilities and that the Group does not satisfy the criteria to be able to offset under IAS 12 (see below). If an entity did meet the offset criteria, it would just show a net deferred income tax asset or liability.

The Group offsets tax assets and liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and if the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or the Group may realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Resource rent tax disclosures

The income tax note disclosures in Good Mining illustrate a resource rent tax which was determined to meet the criteria to be treated as an income tax under IAS 12. Where a resource rent tax is to be treated as an income tax for financial statement purposes, it is required to be recorded as a below-the-line tax expense (i.e., on the same basis as income tax), and tax-effect accounting (including recognition of deferred tax balances and associated disclosures) is required.

Determining whether a resource rent tax is a production or profit-based tax, and therefore, whether it is an income tax, is often not straightforward. There are many different types of resource rent taxes around the world, some of which are clearly not income taxes, while others have some of the characteristics of an income tax. In determining whether a particular production tax meets the definition of an income tax under IAS 12, an entity will need to assess whether or not the tax is based on (or closely enough linked to) net profit for the period. If it does not meet the definition of an income tax, it will generally be subject to IAS 37.

The disclosures for the Group assume that the resource rent tax has always applied. Therefore, these illustrative financial statements do not provide any example disclosures that would be required when a new tax regime would first apply and the related deferred income tax balances first recognised.

5D.4 Accounting policy – taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from, or paid to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. *IAS 12.46*

Current income tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations where applicable tax regulations are subject to interpretation and establishes provisions where appropriate. *IAS 12.61A*

(b) Deferred tax

Deferred tax is provided using the balance sheet method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit (tax loss) *IAS 12.15* *IAS 12.22(c)*
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in JVs, where the timing of the reversal of the temporary differences can be controlled by the parent, investor or venturer and it is probable that the temporary differences will not reverse in the foreseeable future *IAS 12.39*

5D. Income tax *continued*

5D.4 Accounting policy – taxes *continued*

(b) Deferred tax *continued*

Deferred income tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except: *IAS 12.34*

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss *IAS 12.24*
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available, against which the temporary differences can be utilised *IAS 12.44*

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will be available to allow the deferred tax asset to be recovered. *IAS 12.56* *IAS 12.37*

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting date. Deferred tax relating to items recognised in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss. *IAS 12.47* *IAS 12.61A*

The Group offsets deferred income tax assets and deferred income tax liabilities if, and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered. *IAS 12.74*

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances arises. The adjustment is either treated as a reduction to goodwill (as long as it does not exceed goodwill) if it occurred during the measurement period or if outside the measurement period, it is recognised in the statement of profit or loss and other comprehensive income. *IAS 12.68*

Significant judgements, estimates and assumptions

Judgement is required:

- To determine which arrangements are considered to be a tax on income as opposed to an operating cost;
- To determine whether deferred tax assets are recognised in the statement of financial position. Deferred tax assets, including those arising from unutilised tax losses, require the Group to assess the likelihood it will generate sufficient taxable earnings in future periods, in order to utilise recognised deferred tax assets;
- In respect of the application of existing tax laws in each jurisdiction; and
- To identify uncertainties over income tax treatments. As the Group operates in a complex multinational environment, it needs to consider whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Group makes a determination as to whether a tax treatment is probable of being accepted by the taxation authorities based on its tax compliance and transfer pricing studies

Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. These estimates of future taxable income are based on forecast cash flows from operations (which are impacted by production and sales volumes, commodity prices, reserves, operating costs, closure and rehabilitation costs, capital expenditure, dividends and other capital management transactions). To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

In addition, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

5D. Income tax *continued*

5D.4 Accounting policy – taxes *continued*

(c) Royalties, resource rent tax and revenue-based taxes

IAS 12.2

In addition to corporate income taxes, the Group's consolidated financial statements also include, and recognise as taxes on income, other types of taxes on net income.

Royalties, resource rent taxes and revenue-based taxes are accounted for under IAS 12 when they have the characteristics of an income tax. This is considered to be the case when they are imposed under government authority and the amount payable is based on taxable income — rather than physical quantities produced or as a percentage of revenue — after adjustment for temporary differences. For such arrangements, current and deferred income tax is provided on the same basis as described above for other forms of taxation. Obligations arising from royalty arrangements and other types of taxes that do not satisfy these criteria are recognised as current provisions and included in cost of sales. The resource rent taxes payable by the Group meet the criteria to be treated as part of income taxes.

Commentary

The mining sector is subject to numerous fiscal regimes throughout the world. These fiscal regimes may include royalties, production taxes, revenue taxes and other taxes. As such, it is necessary to determine which of these fiscal regimes represent income taxes and are therefore subject to the accounting requirements of IAS 12, and which are not income taxes and therefore fall outside the scope of IAS 12. Usually, this is considered on a case-by-case basis.

Another issue that arises is how these amounts should be presented, that is, whether they represent part of a collaborative arrangement, a cost of production, or whether they should be deducted in arriving at revenue.

In situations where the royalty holder retains or obtains a direct interest in the underlying production, it may be that the relationship between the mining and metals entity and the royalty holder is more like a collaborative arrangement (and, hence, is not within the scope of IFRS 15). See *EY's International GAAP 2022* publication, section 12.11.2 of the extractives chapter for further discussion.

If these royalty payments are in scope of IFRS 15, the requirements relating to principal versus agent will be helpful in assessing how they should be presented. IFRS 15 states that the 'transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties'. Specifically, an entity will need to determine whether it obtains control of all of the underlying minerals once extracted, sells the product to its customers and then remits the proceeds to the royalty holder. If so, the mining and metals entity will be considered to be acting as the principal and, hence, would recognise the full amount as revenue with any payments to the royalty holder being recognised as part of cost of goods sold (or possibly as an income tax, depending on the nature of the royalty payment). Where the mining and metals entity does not obtain control over those volumes, it may be acting as the royalty holder's agent and extracting the minerals on its behalf.

Given such amounts are aimed at taxing the production of minerals rather than the sale of minerals, they are likely to be considered a tax on extractive activities rather than a tax collected by a mining and metals entity on behalf of the government. As a result, these should be presented as a production cost. However, it could also be argued, particularly when the amount is payable in kind, that the mining and metals entity never receives any of the benefits associated with the production of the associated minerals. Hence, it would be more appropriate to present revenue net of such amounts.

(d) Sales tax

Revenues, expenses, assets and liabilities are recognised net of the amount of sales tax except:

IFRS 15.47

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Commentary

IFRS 15 Appendix A states that the "transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties (for example, some sales taxes)".

5E. Earnings per share

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings. *IAS 33.70(c)*

	2021	2020	
Net profit attributable to ordinary shareholders (US$ million)	1,013	876	*IAS 33.70(a)*
Weighted average number of ordinary shares (number of shares – million)	1,564	958	*IAS 33.70(b)*
Basic and diluted earnings per ordinary share (US$)	**0.65**	**0.92**	

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements. *IAS 33.70(d)*

Section 6: Invested capital

This section provides additional information about how the Group invests and manages its capital. This section contains:

- Reconciliations of movements of significant capital balances (Notes 6A, 6B, 6C and 6D)
- Information regarding impairment testing of long-term, non-financial assets (Note 6E)
- An analysis of capital expenditure the Group is committed to (Note 6F)

6A. Exploration and evaluation assets

6A.1 Reconciliation

	US$ million	
Cost as at 1 January 2020	361	*IFRS 6.23* *IFRS 6.24(b)* *IFRS 6.25*
Additions	293	
Unsuccessful exploration expenditure derecognised	(75)	
Transfer to mines under construction	(55)	
Cost as at 31 December 2020	524	
Additions	358	
Acquisition of Oasis exploration potential	24	
Acquisition of Oasis mineral resources	48	
Farm-out of interest in Cuprum	(22)	
Unsuccessful exploration expenditure derecognised	(90)	
Transfer to mines under construction	(71)	
Cost as at 31 December 2021	771	
Provision for impairment as at 1 January 2020	(17)	
Impairment charge for the year	(6)	
Reversal of previously recognised impairments	–	
Provision for impairment as at 31 December 2020	(23)	
Impairment charge for the year	(5)	
Reversal of previously recognised impairments	16	
Provision for impairment as at 31 December 2021	**(12)**	
Net book value as at 31 December 2020	501	
Net book value as at 31 December 2021	759	

Exploration and evaluation (E&E) expenditure immediately expensed to 'Other operating expenses' in the statement of profit or loss and other comprehensive income as per Note 6A.2(b) amounted to US$35 million (2020: US$23 million). *IFRS 6.24(b)*

Exploration potential acquired consists of the estimated fair value attributable to exploration licences acquired as part of a business combination (Note 4A).

Mineral resources acquired are not subject to amortisation until they are included in the life-of-mine plan and production has commenced.

6A. Exploration and evaluation assets *continued*

6A.2 Accounting policy – exploration and evaluation

Commentary

Specifying the level at which E&E assets are assessed for impairment

When deciding the level at which E&E assets should be assessed for impairment rather than introduce a special CGU for E&E assets, IFRS 6 *Exploration for and Evaluation of Mineral Resources* allows CGUs to be aggregated in a way that is consistent with the approach applied to goodwill in IAS 36 *Impairment of Assets*. Therefore, an entity should determine an accounting policy for allocating E&E assets to CGUs, or to CGU groups, for the purpose of assessing them for impairment. IFRS 6 requires that each CGU (or group of CGUs) to which an E&E asset is allocated should not be larger than an operating segment (which is not always the same as a reportable segment), as determined in accordance with IFRS 8. Hence, the level identified by an entity for the purposes of testing E&E assets for impairment may be composed of one or more CGUs.

Reversal of impairment losses

Any impairment loss on an E&E asset recognised in accordance with IFRS 6 needs to be reversed when the requirements specified in IAS 36 paragraphs 109-123 have been met. An impairment loss recognised in prior periods for an asset other than goodwill must be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset must be increased to its recoverable amount. However, such reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

In some circumstances, when an entity recognises an impairment of an E&E asset, it also needs to derecognise the remaining E&E asset if no future economic benefits are expected. Refer to the commentary in Note 6E.5 for further information.

(a) Pre-licence costs

IFRS 6.5

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

(b) Exploration and evaluation expenditure

IFRS 6.23
IFRS 6.9

E&E activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

E&E activity includes:

- Researching and analysing historical exploration data
- Gathering exploration data through geophysical studies
- Exploratory drilling and sampling
- Determining and examining the volume and grade of the resource
- Surveying transportation and infrastructure requirements
- Conducting market and finance studies

The Group applies the area of interest method when accounting for E&E costs. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Once the legal right to explore has been acquired, E&E expenditure is charged to profit or loss as incurred, unless the Group concludes that a future economic benefit is more likely than not to be realised. These costs include directly attributable employee remuneration, materials and fuel used, surveying costs, drilling costs and payments made to contractors.

In evaluating whether the expenditures meet the criteria to be capitalised, several different sources of information are used. The information that is used to determine the probability of future benefits depends on the extent of exploration and evaluation that has been performed.

E&E expenditure incurred on licences where a MORC-compliant resource has not yet been established is expensed as incurred until sufficient evaluation has occurred in order to establish a MORC-compliant resource. Costs expensed during this phase are included in 'Other operating expenses' in the statement of profit or loss and other comprehensive income.

IFRS 6.15

Upon the establishment of a MORC-compliant resource (at which point, the Group considers it probable that economic benefits will be realised), the Group capitalises any further evaluation expenditure incurred for the particular licence as E&E assets up to the point when a MORC-compliant reserve is established. Capitalised E&E expenditure is considered to be a tangible asset.

6A. Exploration and evaluation assets *continued*

6A.2 Accounting policy – exploration and evaluation *continued*

Commentary

Accounting for E&E costs

Current industry practice on the capitalisation of E&E costs varies widely among entities. The decision to expense or capitalise E&E costs requires significant judgement and, as such, it is important that entities provide meaningful disclosures of their accounting policy for the treatment of E&E costs. The commentary below provides guidance on the application of a number of different policies. Good Mining applies the area of interest method.

Successful efforts type of method

Similar to the successful efforts method more commonly adopted in the oil and gas sector, only those costs that lead directly to the discovery, acquisition or development of specific discrete mineral reserves are capitalised and become part of the capitalised costs of the cost centre. Under this type of method, an entity will generally consider each individual mineral lease as a cost centre. Costs that are known to fail to meet this criterion (at the time of incurrence) are generally expensed in the period they are incurred, although some interpretations of a successful efforts type of method would capitalise the cost of unsuccessful areas of interest.

When an entity applies such a method, it will need to account for prospecting costs incurred before the E&E phase under IAS 16 or IAS 38 *Intangible Assets*. As the economic benefits are highly uncertain at this stage, prospecting costs will typically be expensed as incurred. Costs incurred to acquire undeveloped mineral rights, however, should be capitalised if an entity expects an inflow of future economic benefits.

IFRS 6 does not prescribe any recognition and measurement rules in respect of costs incurred in the E&E phase of a project. Consequently, it would be acceptable for such costs to be either recorded as assets and written off when it is determined that the costs will not lead to economic benefits or be expensed when incurred if the outcome is uncertain.

The capitalised costs of an undeveloped mineral right may be subject to an impairment test each period with the amount of impairment expensed, or the costs may be kept intact until it is determined whether there are any mineral reserves. However, E&E assets should no longer be classified as such when the technical feasibility and commercial viability of extracting mineral resources are demonstrable.

Full-cost type of method

A full-cost type of method under most national GAAPs requires that all costs incurred in prospecting, acquiring mineral interests, exploration, appraisal, development, and construction are accumulated in large cost centres. Costs incurred pre-licence must be expensed. However, IFRS 6 does not permit application of the full-cost method outside the E&E phase.

There are several other areas in which application of the full cost method under IFRS is restricted because:

- IFRS 6 requires, when impairment indicators are present, an impairment test in accordance with IAS 36 to be performed
- IFRS 6 requires E&E assets to be classified as tangible or intangible assets according to the nature of the assets. Even when an entity accounts for E&E costs in relatively large pools, it will still need to distinguish between tangible and intangible assets
- Once the technical feasibility and commercial viability of extracting mineral resources are demonstrable, IFRS 6 requires that E&E assets shall no longer be classified as such and need to be tested for impairment under IAS 36, reclassified in the statement of financial position and accounted for under IAS 16 or IAS 38

This means it is not possible to account for successful and unsuccessful projects in one cost centre or pool.

For these reasons, it is not possible to apply the full-cost type of method of accounting under IFRS without making very significant modifications in the application of the method. An entity may wish to use the full-cost method as its starting point in developing its accounting policy for E&E assets under IFRS. However, it would rarely be appropriate to describe the resulting accounting policy as a 'full-cost method' because key elements of the full-cost method are not permitted under IFRS.

Area-of-interest type of method

Under an area-of-interest type of method, costs incurred for individual geological areas that have characteristics conducive to containing a mineral reserve are capitalised as assets pending determination of whether commercial reserves are found. If the area is found to contain commercial reserves, the accumulated costs remain capitalised. If the area is found to contain no commercial reserves, the accumulated costs are expensed. Some consider such a method to be a version of a successful efforts type of method that uses an area-of-interest, rather than an individual licence, as its unit of account. Others believe that this method is more like a full-cost type of method, but applied on an area-of-interest basis. Costs incurred up to the point where an area-of-interest is identified (prospecting costs) are often expensed under the area-of-interest approach. While IFRS 6 will not permit all aspects of an area-of-interest method defined by a national GAAP, an entity that uses relatively small areas-of-interest may be able to implement the method in a meaningful way under IFRS.

6A. Exploration and evaluation assets *continued*

6A.2 Accounting policy – exploration and evaluation *continued*

Commentary *continued*

Reserves and resources

While the MORC code is a fictitious reserves and resources code, most financial statements refer to the relevant national standard which has been used for measuring reserves and resources. Many of these have been harmonised with the guidance issued by the Committee for Mineral Reserves International Reporting Standards (CRIRSCO).

Presentation of exploration and evaluation (E&E) assets

IFRS 6 states E&E assets are to be classified as either tangible or intangible, according to the nature of the assets acquired and the classification must be applied consistently. The Group classifies E&E assets as part of tangible assets. However, practice in the industry is diverse. It is important that whatever approach an entity adopts is applied consistently and clearly disclosed.

IFRS 6.17

E&E assets acquired in a business combination are initially recognised at fair value, including resources and exploration potential that is considered to represent value beyond proven and probable reserves. Similarly, the costs associated with acquiring an E&E asset (that does not represent a business) are also capitalised. They are subsequently measured at cost less accumulated impairment. Once MORC-compliant reserves are established and development is sanctioned, E&E assets are tested for impairment and transferred to 'Mines under construction' which is a sub-category of 'Mine properties'. No amortisation is charged during the E&E phase.

Commentary

Impairment of E&E assets

IFRS 6.18

IFRS 6.20

E&E assets should be assessed for impairment when facts and circumstances suggest that the carrying amount of an E&E asset may exceed its recoverable amount. Under IFRS 6, one or more of the following facts and circumstances could indicate that an impairment test is required. The list is not intended to be exhaustive:

(a) the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;

(b) substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

(c) exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; and

(d) sufficient data exist to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the E&E asset is unlikely to be recovered in full from successful development or by sale.

Significant judgements, estimates and assumptions

The application of the Group's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The determination of a MORC resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e., measured, indicated or inferred). The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to the statement of profit or loss and other comprehensive income in the period when the new information becomes available.

6A. Exploration and evaluation assets *continued*

6A.2 Accounting policy – exploration and evaluation *continued*

(c) Farm-outs — in the exploration and evaluation phase

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements, but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal.

Commentary

Accounting for farm-ins/farm-outs in the E&E phase

While some of the following commentary refers to guidance that applied to the oil and gas sector (i.e., the former UK Oil Industry Accounting Committee (OIAC) — Statement of Recommended Practice (SORP)), such arrangements are also common in the mining sector.

A farm-out (from the viewpoint of the transferor) or a farm-in (from the viewpoint of the transferee) is defined in the former OIAC SORP as "the transfer of part of an oil and gas interest in consideration for an agreement by the transferee (farmee) to meet, absolutely, certain expenditure which would otherwise have to be undertaken by the owner (farmor)" (OIAC SORP paragraph 16). Farm-in transactions generally occur in the exploration or development phase and are characterised by the transferor (i.e., farmor) giving up future economic benefits, in the form of reserves, in exchange for a (generally) permanent reduction in future funding obligations.

There is currently no specific guidance in IFRS in accounting for this type of farm-in. IFRS 6 deals only with accounting for exploration and evaluation (E&E) expenditures and does not "address other aspects of accounting by entities engaged in the exploration for and evaluation of mineral resources" [IFRS 6.4]. That leaves open the question whether farm-in arrangements can ever fall within the scope of IFRS 6. However, as a farm-in arrangement in the E&E phase leads to the acquisition of an E&E asset by the farmee and a disposal by the farmor, we believe that a farm-in arrangement would fall in the scope of IFRS 6. Hence, in developing an accounting policy for such arrangements, IFRS 6 effectively provides two options.

Either:

(a) Develop an accounting policy under IAS 8

(b) Develop an accounting policy under IFRS 6

The exemption provided by IFRS 6 in not having to apply the hierarchy within IFRS when determining the accounting policy for E&E assets potentially provides a reasonable degree of flexibility. Consequently, in practice, when developing an accounting policy for farm-ins, many entities use the second option by developing and applying an accounting policy to farm-in arrangements that is based on their previous or another national GAAP.

Most of the previous GAAPs and industry practice in accounting for farm-ins was developed based on specific guidance contained in the former OIAC SORP (June 2001, paragraph 192 – see below) and US GAAP (ASC 932-360, which contains guidance governing the accounting for a range of transactions involving unproven properties).

Given this, accounting policies for farm-in arrangements in the E&E phase that are based on an entity's previous or another national GAAP will often require that:

- The farmee recognises its expenditure under the arrangement in respect of its own interest and that retained by the farmor, as and when the costs are incurred. The farmee accounts for its expenditures under a farm-in arrangement in the same way as directly incurred E&E expenditure.
- The farmor accounts for the farm-out arrangement as follows:
  - The farmor does not record any expenditure made by the farmee on its behalf
  - The farmor does not recognise a gain or loss on the farm-out arrangement but rather, redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained
  - Any cash consideration received is credited against costs previously capitalised in relation to the whole interest with any excess accounted for by the farmor as a gain on disposal. [OIAC SORP, paragraph 192]

If an entity applies its previous or another GAAP accounting policy in respect of farm-in arrangements, we would expect the entity also to make the farm-in disclosures required by its previous or the other GAAP.

The accounting for farm-ins which occur outside of the E&E phase differs from that described above – refer to Note 6B.2(d) below for further information.

6B. Mine properties

6B.1 Reconciliation

	Mines under construction US$ million	Producing mines US$ million	Stripping activity asset US$ million	Total US$ million	IAS 1.78(a) IAS 16.73(e)
Cost as at 1 January 2020	**559**	**2,796**	**200**	**3,555**	IAS 16.73(d)
Additions	1,299	–	240	1,539	IAS 16.73(e)(i)
Transferred from exploration and evaluation assets	55	–	–	55	IAS 16.73(e)(ix) IAS 16.73(e)(ix)
Change in rehabilitation provision	27	152	–	179	IAS 16.73(e)(ix)
Disposals	–	(115)	–	(115)	IAS 16.73(e)(ix)
Transfers	(1,102)	1,102	–	–	IAS 16.73(d)
Cost as at 31 December 2020	**838**	**3,935**	**440**	**5,213**	
Additions	1,096	–	150	1,246	IAS 16.73(e)(i) IAS 16.73(e)(iii)
Acquisition of Oasis	–	487	–	487	
Transferred from exploration and evaluation assets	71	–	–	71	IAS 16.73(e)(ix)
Change in rehabilitation provision	35	195	–	230	IAS 16.73(e)(ix)
Disposals	–	(72)	–	(72)	IAS 16.73(e)(ix)
Transfers	(876)	876	–	–	IAS 16.73(e)(ix)
Cost as at 31 December 2021	**1,164**	**5,421**	**590**	**7,175**	IAS 16.73(d)
Depletion and impairment as at 1 January 2020	–	**(1,339)**	–	**(1,339)**	IAS 16.73(d)
Charge for the year – profit or loss	–	(285)	(141)	(426)	IAS 16.73(e)(vii)
Charge for the year – inventory	–	–	(9)	(9)	
Provision for impairment	(1)	(8)	–	(9)	IAS 16.73(e)(v)
Disposals	–	63	–	63	IAS 16.73(e)(ix)
Depletion and impairment as at 31 December 2020	**(1)**	**(1,569)**	**(150)**	**(1,720)**	IAS 16.73(d)
Charge for the year – profit or loss	–	(634)	(157)	(791)	IAS 16.73(e)(vii)
Charge for the year – inventory	–	–	(13)	(13)	
Provision for impairment	(5)	(28)	–	(33)	IAS 16.73(e)(v)
Disposals	–	46	–	46	IAS 16.73(e)(ix)
Depletion and impairment as at 31 December 2021	**(6)**	**(2,185)**	**(320)**	**(2,511)**	IAS 16.73(d)
Net book value as at 31 December 2020	**837**	**2,366**	**290**	**3,493**	
Net book value as at 31 December 2021	**1,158**	**3,236**	**270**	**4,664**	

Borrowing costs relating to mines currently under development, which have been capitalised in 'Mines under construction' during the period, amounted to US$10 million (2020: US$1 million) at a weighted-average interest rate of 5.8% (2020: 5.7%). *IAS 23.26(a),(b)*

'Mines under construction' are not depreciated until construction is completed and the assets are available for their intended use. This is signified by the formal commissioning of the mine for production. *IAS 16.74(b)*

Refer to Note 6E for the details on impairment testing of mine properties.

Commentary

Presentation of capitalised stripping costs

IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* clarifies that any production phase stripping costs capitalised as stripping activity assets form part of the related mining assets (either tangible or intangible). Therefore, all stripping activity assets relating to production phase stripping for surface mines is required to be presented as part of non-current assets. There is no specific requirement for an entity to separately disclose its stripping activity asset, either on the face of the statement of financial position, or in the notes. However, the Group has decided to disclose this separately in the mine properties note.

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties

(a) Mines under construction

Expenditure is transferred from 'Exploration and evaluation assets' to 'Mines under construction' which is a sub-category of 'Mine properties' once the work completed to date supports the future development of the property and such development receives appropriate approvals.

IFRS 6.17

After transfer of the exploration and evaluation assets, all subsequent expenditure on the construction, installation or completion of infrastructure facilities is capitalised in 'Mines under construction'. Development expenditure is net of proceeds from the sale of ore extracted during the development phase to the extent that it is considered integral to the development of the mine. Any costs incurred in testing the assets to determine if they are functioning as intended, are capitalised, net of any proceeds received from selling any product produced while testing. Where these proceeds exceed the cost of testing, any excess is recognised in the statement of profit or loss and other comprehensive income. After production starts, all assets included in 'Mines under construction' are then transferred to 'Producing mines' which is also a sub-category of 'Mine properties'.

IFRS 6.10
IAS 16.21

(b) Mine properties and property, plant and equipment

(i) Initial recognition

Upon completion of the mine construction phase, the assets are transferred into "Property, plant and equipment" or "Mine properties". Items of property, plant and equipment and producing mine are stated at cost, less accumulated depreciation and accumulated impairment losses.

IAS 16.73(a)
IAS 16.15
IAS 16.30

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of the rehabilitation obligation, and, for qualifying assets (where relevant), borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

IAS 16.16

Mine properties also consist of the fair value attributable to mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of an acquisition. When a mine construction project moves into the production phase, the capitalisation of certain mine construction costs ceases, and costs are either regarded as part of the cost of inventory or expensed, except for costs which qualify for capitalisation relating to mining asset additions, improvements or new developments, underground mine development or mineable reserve development.

(ii) Depreciation/amortisation

Accumulated mine development costs are depreciated/amortised on a UOP basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of the mine, in which case, the straight-line method is applied. The unit of account for run-of-mine (ROM) costs is tonnes of ore, whereas the unit of account for post-ROM costs is recoverable ounces of gold and recoverable tonnes of copper. Rights and concessions are depleted on the UOP basis over the economically recoverable reserves of the relevant area. The UOP rate calculation for the depreciation/amortisation of mine development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure. Economically recoverable reserves include proven and probable reserves.

IAS 16.73(b)
IAS 16.73(c)

The estimated fair value attributable to the mineral reserves and the portion of mineral resources considered to be probable of economic extraction at the time of the acquisition is amortised on a UOP basis, whereby the denominator is the proven and probable reserves, and for some mines, a portion of mineral resources which are expected to be extracted economically. These other mineral resources may be included in depreciation calculations in limited circumstances and where there is a high degree of confidence in their economic extraction. This would be the case when the other mineral resources do not yet have the status of reserves merely because the necessary detailed evaluation work has not yet been performed and the responsible technical personnel agree that inclusion of a proportion of measured and indicated resources is appropriate based on historic reserve conversion rates.

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(b) Mine properties and property, plant and equipment *continued*

The estimated fair value of the mineral resources that are not considered to be probable of economic extraction at the time of the acquisition is not subject to amortisation, until the resource becomes probable of economic extraction in the future and is recognised in exploration and evaluation assets.

The premium paid in excess of the intrinsic value of land to gain access is amortised over the life of the mine.

Other plant and equipment, such as mobile mine equipment, is generally depreciated on a straight-line basis over their estimated useful lives, as follows:

- Buildings 20 years
- Plant and equipment 5 to 15 years

IAS 16.73(b)
IAS 16.73(c)

The Group reviews the estimated residual values and expected useful lives of assets at least annually.

IAS 16.67
IAS 16.68
IAS 16.71

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in statement of profit or loss and other comprehensive income when the asset is derecognised.

IAS 16.51

The asset's residual values, useful lives and methods of depreciation/amortisation are reviewed at each reporting period and adjusted prospectively, if appropriate.

Refer to Note 6B.2(c) for the Group's policy on amortisation of stripping costs incurred in the production phase.

Significant estimates and assumptions

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- The effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions
- Unforeseen operational issues

Changes in estimates are accounted for prospectively.

Commentary

Commencement of the production phase

Refer above to Note 2B.1 *Judgements – Production start date* for further discussion on determination of the production start date.

Reserves base for unit-of-production method of depreciation

An important decision in applying the UOP method is the selection of the reserves base that will be used. IFRS does not provide any guidance on the selection of an appropriate reserves base or cost centre for the application of the UOP method. In theory, the following reserve bases could be used:

(a) Proved developed reserves

(b) Proved developed and undeveloped reserves

(c) Proved and probable reserves

(d) Proved and probable reserves and a portion of resources expected to be converted into reserves

It is important, whatever reserves base is chosen, that the costs applicable to that category of reserves are included in the depreciable amount to achieve a proper matching of costs and production. For example, if the cost centre is not fully developed, there may be costs that do not apply, either in total or in part, to proved developed reserves, which may create difficulties in matching costs and reserves. In addition, some reserve categories will require future costs to bring them to the point where production may begin.

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(b) Mine properties and property, plant and equipment *continued*

Commentary *continued*

Reserves bases

An entity preparing its financial statements under IFRS will need to choose between using proved developed reserves, proved developed and undeveloped reserves, proved and probable reserves, and proved and probable reserves and a portion of resources expected to be converted into reserves as its reserves base. Each of these approaches is acceptable under IFRS. Preparers of financial statements should be aware of the difficulties that exist in ensuring that the reserves base and the costs that are being depreciated correspond. Users of financial statements need to understand that comparability between entities reporting under IFRS may sometimes be limited and need to be aware of the impact that each of the approaches has on the depreciation charge that is reported.

I — Proved developed reserves

Under some national GAAPs that have (or had) accounting standards for the extractive industries, an entity is (was) required to use proved developed reserves as its reserves base. An entity would therefore calculate its depreciation charge on the basis of actual costs that have been incurred to date. However, the problem often exists that the cost centre includes capitalised costs that relate to undeveloped reserves. To calculate the depreciation charge correctly, it will be necessary to exclude a portion of the capitalised costs from the depreciation calculation.

II — Proved developed and undeveloped reserves

The International Accounting Standards Committee's (IASC's – the predecessor to the IASB) Issues Paper notes that it could be argued that "the choice is either to use: (a) both developed and undeveloped proved reserves and add to the depreciable costs already incurred estimated future development costs applicable to proved undeveloped reserves; or (b) proved developed reserves only and withhold from the depreciation computation those development costs applicable to reserves whose remaining development will occur in the future", but that "it is often difficult to allocate costs that have already been incurred between developed and undeveloped reserves."

Therefore, another approach common under IFRS is to use proved developed and undeveloped reserves as the reserves base for the application of the UOP method. This approach has the advantage that it effectively straight-lines the depreciation charge per UOP across the different phases of a project. The entity would therefore define its cost pool (i.e., unit of account) as including both assets that it currently owns and certain future investments. Although there is no specific precedent in IFRS for using such a widely defined unit of account, such an approach is not prohibited. In practice, it has gained a broad level of acceptance in the extractive industries.

III — Proved and probable reserves

The arguments in favour of using proved and probable reserves as the reserves base in applying the UOP method are similar to those discussed at II above. The IASC's Issues Paper summarises the arguments in favour of this approach, as follows:

"Proponents of [using "proved and probable reserves" as the reserve base] use the same arguments given for including proved undeveloped reserves and related future costs in calculating depreciation. They point out that in a cost centre in which development has only begun a large part of capitalised prospecting, mineral acquisition, exploration, and appraisal costs may apply to probable reserves. Often in this situation, there are large quantities of probable reserves, lacking only relatively minor additional exploration and/or appraisal work to be reclassified as proved reserves. They argue that, in calculating depreciation, it would be possible to defer all costs relating to the probable reserves if either proved developed reserves only, or all proved reserves, were to be used as the quantity on which depreciation is based. They contend that using probable and proved reserves in the reserve base and including in the depreciable costs any additional costs anticipated to explore and develop those reserves provides more relevant and reliable information."

The main drawbacks of this approach are that:

(1) Estimates of probable reserves are almost certainly different from actual reserves that will ultimately be developed

(2) Estimates of the costs to complete the development are likely to be incorrect because of the potentially long time scales involved

IV — Proved and probable reserves and a portion of resources expected to be converted into reserves

We observe in practice that some mining entities adopt a slightly different policy when depreciating some of their mining assets. They use proven and probable reserves and a portion of resources expected to be converted into reserves. Such an approach tends to be limited to mining entities where the type of mineral and the characteristics of the ore body indicate that there is high degree of confidence those resources will be converted into reserves.

Such resources can comprise measured, indicated and inferred resources, and even exploration potential. Determining which of those have a high degree of confidence of being extracted in an economic manner will require judgement. Such an assessment will take into account the specific mineralisation and the 'reserves to resource' conversion that has previously been achieved for a mine.

Such an approach is generally justified on the basis that it helps to ensure the depreciation charges reflect management's best estimate of the useful life of the assets and provides greater accuracy in the calculation of the consumption of future economic benefits.

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(b) Mine properties and property, plant and equipment *continued*

Commentary *continued*

Reserves estimates

The reserves estimate to be used when applying the unit-of-production method of depreciation is the best estimate of the reserves at the beginning of the period. Nevertheless, a revised and more accurate estimate is often available by the end of the period. It could therefore be argued that, in order to take into account the most recent information, the opening reserves should be calculated by adding the 'closing reserves estimated at the end of the period' to the 'current period's production'. However, reserve estimates might change for a number of reasons, such as:

(a) More detailed knowledge about existing reserves (e.g., detailed engineering studies)

(b) New events that affect the physical quantity of reserves (e.g., major fire in a mine)

(c) Changes in economic assumptions (e.g., higher commodity prices)

Generally, it is not appropriate to take account of these events retrospectively. For example, changes in reserve estimates that result from events that took place after the reporting period (such as those under (b) above) are non-adjusting events that should be accounted for prospectively in accordance with IFRS. Changes in reserve estimates that result from 'new information or new developments' (such as those under (a) above) are not considered to be corrections of errors; instead, they are changes in accounting estimates that should be accounted for prospectively under IFRS (IAS 8.5, 32-38).

Accounting for land acquisitions

Obtaining the legal rights to explore for, develop and produce minerals can be achieved in a number of ways. One of these ways is the outright purchase of the minerals and the land on, or under, which the minerals are located. In undertaking such a transaction, it is not uncommon for an entity to pay an amount in excess of the intrinsic value of the land itself. In such a situation, an entity needs to ensure it appropriately allocates the purchase price between the fair value of the land and the fair value of the mineral or surface mining rights acquired. The amount allocated to land will be capitalised and not depreciated, whereas the amount allocated to the minerals or surface mining rights will form part of the total cost of mining assets and will ultimately be depreciated on a UOP basis over the economically recoverable reserves to which it relates.

Derecognition of items of property, plant and equipment

On disposal of property, plant and equipment, entities should take into account the consequential amendments made by IFRS 15:

- The date of disposal of the asset is the date the recipient obtains control of the asset in accordance with the requirements for determining when a performance obligation is satisfied in IFRS 15 (IAS 16.69).
- The amount of consideration to be included in the gain or loss arising from the derecognition is determined in accordance with the requirements for determining the transaction price in IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss shall be accounted for in accordance with the requirements for changes in transaction price in IFRS 15 (IAS 16.72).

The above requirements also apply to disposals of intangible assets (IAS 38.114 and IAS 38.116). These changes did not impact the gain/loss on sale of assets recognised by the Group.

(c) Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of constructing the mine and subsequently amortised over its useful life using a UOP method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management. Factors used to determine when a mine/component has commenced production are set out in the 'Production start date' note (refer to Note 2B.1(a)).

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production, further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The cost of such stripping is accounted for in the same way as development stripping (as outlined above).

Production stripping is generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories.

IFRIC 20.8

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(c) Stripping (waste removal) costs *continued*

Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a 'stripping activity asset', if the following criteria are met:

IFRIC 20.9

a) Future economic benefits (being improved access to the ore body) are probable

b) The component of the ore body for which access will be improved can be accurately identified

c) The costs associated with the improved access can be reliably measured

If any of the criteria are not met, the production stripping costs are charged to profit or loss as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with the mining operations personnel for each mining operation to analyse each of the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of commodity, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major pushbacks or phases and they generally form part of a larger investment decision which requires board approval.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

IFRIC 20.12

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

IFRIC 20.13

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit(s), which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

IFRIC 20.10

The stripping activity asset is subsequently depreciated using the UOP method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less depreciation and any impairment losses.

IFRIC 20.15

Significant judgements, estimates and assumptions

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g., in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component. The Group considers that the ratio of the expected volume (e.g., in tonnes) of waste to be stripped for an expected volume (e.g., in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Furthermore, judgements and estimates are also used to apply the UOP method in determining the depreciable lives of the stripping activity asset(s). Refer Note 6B.2(b)(ii) for more information.

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(c) Stripping (waste removal) costs *continued*

Commentary

In surface mining operations, it is necessary to remove overburden and other waste materials to gain access to the ore from which minerals can be extracted. It is generally accepted that the costs of removal (also known as stripping) of overburden and waste materials during the development phase of a mine (i.e., before the production phase commences) should be capitalised as part of the investment in the construction of the mine. For these purposes, the mine is considered to be an asset that is separate from the mineral rights and mineral reserves, which are outside the scope of IAS 16. Ultimately, these capitalised costs are depreciated or amortised on a systematic basis, usually by using the UOP method, once production commences. The stripping costs incurred in the development phase are not in the scope of IFRIC 20. Despite the importance of the term production phase, this is not defined in the Interpretation, or elsewhere in IFRS.

IFRIC 20.BC5

Scope

The Interpretation applies to all waste removal (stripping) costs incurred during the production phase of a surface mine (production stripping costs). The Interpretation limits its scope only to surface mining activity and does not apply to underground mining.

IFRIC 20.BC5
IFRIC 20.BC4

Stripping activity undertaken during the production phase may create two benefits: (1) the extraction/production of inventory; and (2) improved access to ore to be mined in the future. Where the benefits are realised in the form of inventory produced, the production stripping costs must be accounted for in accordance with IAS 2 *Inventories*. Where the benefits are improved access to ore to be mined in the future, these costs must be recognised as a non-current asset, if the required criteria are met (refer below). The Interpretation refers to this non-current asset as the 'stripping activity asset'.

IFRIC 20.BC6
IFRIC 20.8

Recognition criteria — stripping activity asset

IFRIC 20 states that an entity must recognise a stripping activity asset if, and only if, all of the following criteria are satisfied:

IFRIC 20.9

- It is probable that the future economic benefit (improved access to the ore body) associated with the stripping activity will flow to the entity
- The entity can identify the component of the ore body for which access has been improved
- The costs relating to the improved access to that component can be measured reliably

Instead of being a separate asset, the stripping activity asset must be accounted for as an addition to, or an enhancement of, an existing asset. This means that the stripping activity asset will be accounted for as part of an existing asset. IFRIC 20 does not specify whether the stripping activity asset will be a tangible or intangible asset. Instead, it simply states that it should be classified as tangible or intangible according to the nature of the existing asset of which it is part, i.e., the mine asset. So classification of the stripping activity asset will depend on whether an entity classifies its mine assets as tangible or intangible. The Group classifies its mine assets, and therefore its stripping activity assets, as tangible assets.

IFRIC 20.10
IFRIC 20.11

The stripping activity asset is to be initially measured at cost. This will be the accumulation of costs directly incurred to perform the stripping activity that benefits the identified component of ore, plus an allocation of directly attributable overhead costs. In the Basis for Conclusions to IFRIC 20, examples of the types of costs expected to be included as directly attributable overhead costs would be items such as salary costs of the mine supervisor overseeing that component of the mine, and an allocation of rental costs of any equipment that was hired specifically to perform the stripping activity.

IFRIC 20.12

Allocating costs between inventory and the stripping activity asset

If the costs of waste removal can be directly allocated between inventory and the stripping activity asset, then the entity should allocate those costs accordingly. However, where this cannot be done, the Interpretation permits an entity to use an allocation approach that is based on a relevant production measure.

IFRIC 20.13

The production measure is calculated for each identified component of the ore body.

Subsequent measurement

After initial recognition, the stripping activity asset must be carried at its cost or revalued amount less depreciation or amortisation and less impairment losses, in the same way as the existing asset of which it is a part. The stripping activity asset is to be depreciated or amortised on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity. The Interpretation effectively requires the UOP method to be applied unless another method is more appropriate.

IFRIC 20.14
IFRIC 20.15
IFRIC 20.BC17

Further details on the Interpretation and application of IFRIC 20 can be found in EY's *International GAAP 2022* publication – Extractive Industries chapter (chapter 38).

IFRIC 20.16

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(d) Farm-outs — outside the exploration and evaluation phase

In accounting for a farm-out arrangement outside the E&E phase, the Group:

- Derecognises the proportion of the asset that it has sold to the farmee consistent with the principles of IAS 16 or IAS 38
- Recognises the consideration received or receivable from the farmee, which is the cash received and/or the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor
- Recognises a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of. A gain is recognised only when the value of the consideration can be determined reliably. If not, then the Group accounts for the consideration received as a reduction in the carrying amount of the underlying assets
- Tests the retained interest for impairment if the terms of the arrangement indicate that the retained interest may be impaired

The consideration receivable on disposal of an item of property, plant and equipment or an intangible asset is recognised initially in accordance with the requirements of IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss calculation (if any) must be accounted for in accordance with the requirements for changes in the transaction price in IFRS 15. However, if payment for the item is deferred, the consideration received is recognised initially at the cash price equivalent. The difference between the nominal amount of the consideration and the cash price equivalent is recognised as interest revenue. Any part of the consideration that is receivable in the form of cash is treated as a definition of a financial asset and is accounted for in accordance with IFRS 9 either at amortised cost or fair value.

Commentary

Accounting farm-ins outside the E&E phase

As discussed above in Note 6A.2(c), a farm-in represents the complete acquisition of a proportion of a property.

Farmee

Therefore, the farmee should:

- Recognise an asset that represents the underlying (partially) undeveloped interest acquired at cost in accordance with IAS 16 or IAS 38 [IAS 16.15, IAS 38.21]
- Recognise a liability that reflects the obligation to fund the farmor's share of the future investment from which the farmee itself will not derive any future economic benefits.

Farm-in arrangements can be structured in numerous ways, some requiring payment of a fixed monetary amount, while others are more flexible and state, for example, that capital expenditures over the next five years will be paid for by the farmee regardless of what those amounts may be.

In the latter scenario (i.e., where the farmee pays all capital expenditure incurred over a five-year period, regardless of the amount), the farmee should recognise a provision under IAS 37 as the timing and amount of the liability are uncertain [IAS 37.10]. However, in the former scenario, it could be argued that the liability meets the definition of a financial liability under IAS 32 that should be accounted for in accordance with IFRS 9 [IAS 32.11].

Farmor

In accounting for a farm-in arrangement, the farmor should:

- Derecognise the proportion of the asset that it has sold to the farmee consistent with the principles of IAS 16 or IAS 38 [IAS 16.67, IAS 38.112]
- Recognise the consideration received or receivable from the farmee, which represents the farmee's obligation to fund the capital expenditure in relation to the interest retained by the farmor
- Recognise a gain or loss on the transaction for the difference between the net disposal proceeds and the carrying amount of the asset disposed of [IAS 16.71, IAS 38.113]. Recognition of a gain would be appropriate only when the value of the consideration can be determined reliably. If not, then the carried party should account for the consideration received as a reduction in the carrying amount of the underlying assets
- Test the retained interest for impairment if the terms of the arrangement indicate that the retained interest may be impaired

Under IAS 16, IAS 38 and IFRS 15, the amount of consideration to be included in the gain/loss arising from the derecognition of an item of property, plant and equipment or an intangible asset, and hence the receivable that is recognised, is determined in accordance with the requirements for determining the transaction price under IFRS 15. Subsequent changes to the estimated amount of the consideration included in the gain or loss calculation shall be accounted for in accordance with the requirements for changes in the transaction price in IFRS 15. [IAS 16.72, IAS 38.116].

6B. Mine properties *continued*

6B.2 Accounting policy – mine properties *continued*

(d) Farm-outs — outside the exploration and evaluation phase *continued*

Commentary *continued*

Accounting farm-ins outside the E&E phase *continued*

However, any part of the consideration that is receivable in the form of cash will meet the definition of a financial asset under IAS 32 *Financial Instruments: Presentation*, [IAS 32.11], and should be accounted for in accordance with IFRS 9 [IAS 32.11], either at amortised cost or fair value depending on how the farmor designates the receivable.

Accounting for farm-ins in the E&E phase differs from that described above – refer Note 6A.2(c) above for further information.

Farming into a business which is a joint operation or results in the formation of a joint operation

Where a farmee farms into a project that is a joint operation or results in the formation of a joint operation, and the joint operation is considered to be a business (as defined in IFRS 3), IFRS 11 *Joint Arrangements* requires that the business combination accounting principles of IFRS 3 and other standards must be applied.

(e) Major maintenance and repairs

IAS 16.13
IAS 16.14

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and overhaul costs. Where an asset, or part of an asset, that was separately depreciated and is now written off is replaced, and it is probable that future economic benefits associated with the item will flow to the Group through an extended life, the expenditure is capitalised.

IAS 16.70

Where part of the asset was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. All other day-to-day maintenance and repairs costs are expensed as incurred.

IAS 16.12

(f) Borrowing costs

IAS 23.8

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised as part of the cost of the respective asset. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

IAS 23.10

IAS 23.12
IAS 23.13
IAS 23.14

Where funds are borrowed specifically to finance a project, the amount capitalised represents the actual borrowing costs incurred. Where surplus funds are available for a short term from funds borrowed specifically to finance a project, the income generated from the temporary investment of such amounts is also capitalised and deducted from the total capitalised borrowing cost. Where the funds used to finance a project form part of general borrowings, the amount capitalised is calculated using a weighted average of rates applicable to relevant general borrowings of the Group during the period.

All other borrowing costs are recognised in the statement of profit or loss and other comprehensive income in the period in which they are incurred.

Even though exploration and evaluation assets can be qualifying assets, they generally do not meet the 'probable economic benefits' test and also are rarely debt funded. Any related borrowing costs incurred during this phase are therefore generally recognised in the statement of profit or loss and other comprehensive income in the period they are incurred.

Commentary

IAS 23 *Borrowing Costs* defines borrowing costs as including exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The Group would also include foreign exchange differences on directly attributable borrowings as borrowing costs capable of capitalisation to the extent that they represented an adjustment to interest costs. Additionally, the accounting policy would be expanded to include the Group's approach in determining which foreign exchange differences were considered an adjustment to interest costs.

The Interpretations Committee concluded that the unwinding of the discount, e.g., on a rehabilitation provision or other provisions, is not a borrowing cost as defined in IAS 23 and thus cannot be capitalised under that standard.

IFRIC 1.8

6C. Property, plant and equipment

6C.1 Reconciliation

	Freehold land and buildings	Plant and equipment	Total	
	US$ million	US$ million	US$ million	*IAS 1.78(a)* *IAS 16.73(e)*
Cost				
At 1 January 2020	**87**	**220**	**307**	*IAS 16.73(d)*
Additions	21	11	32	*IAS 16.73(e)(i)*
Disposals	(10)	(50)	(60)	*IAS 16.73(e)(ix)*
At 31 December 2020	**98**	**181**	**279**	*IAS 16.73(d)*
Additions	–	1	1	*IAS 16.73(e)(i)*
Acquisition of Oasis	10	19	29	*IAS 16.73(e)(iii)*
Disposals	(4)	(9)	(13)	*IAS 16.73(e)(ix)*
At 31 December 2021	**104**	**192**	**296**	*IAS 16.73(d)*
Depreciation				
At 1 January 2020	**(19)**	**(62)**	**(81)**	*IAS 16.73(d)*
Depreciation charge for the year	(5)	(3)	(8)	*IAS 16.73(e)(vii)*
Disposals	6	31	37	*IAS 16.73(e)(ix)*
At 31 December 2020	**(18)**	**(34)**	**(52)**	*IAS 16.73(d)*
Depreciation charge for the year	(2)	(5)	(7)	*IAS 16.73(e)(vii)*
Disposals	–	1	1	*IAS 16.73(e)(ix)*
At 31 December 2021	**(20)**	**(38)**	**(58)**	*IAS 16.73(d)*
Net book value:				
At 31 December 2020	**80**	**147**	**227**	
At 31 December 2021	**84**	**154**	**238**	

Useful lives

The useful lives of the assets are estimated as follows:

IAS 16.73(c)

Buildings	20 years
Plant and equipment	5 to 15 years

Included in plant and equipment at 31 December 2021, was US$3 million (2020: US$46 million) relating to expenditure for a facility in the course of construction. The expenditure includes borrowing costs capitalised during the period amounting to US$0.1 million (2020: US$2.1 million), at a weighted-average interest rate of 5.8% (2020: 5.7%).

IAS 16.74(b)

IAS 23.26(a),(b)

Cash outflow for the purchase of other property, plant and equipment was US$1 million (2020: US$32 million).

Commentary

If a lessee does not present right-of-use assets separately in the statement of financial position, IFRS 16.47 requires the right-of-use assets to be included within the same line item as that within which the corresponding underlying assets would be presented if they were owned. The Group has separately disclosed its right-of-use assets on the face of the statement of financial position. However, if the Group had elected to include its right-of-use assets within property, plant and equipment, a column for the right-of-use assets would be included in the above table with a cross-reference to the details in Note 7F.

6C.2 Accounting policy – property, plant and equipment

Refer Note 6B.2 above for the accounting policy applicable to property, plant and equipment.

6D. Intangible assets

6D.1 Reconciliation

	Goodwill	Other intangible assets	Total	
	US$ million	US$ million	US$ million	IAS 38.118(e)
Cost				
At 1 January 2020	**20**	**4**	**24**	IAS 38.118(c)
Additions	–	4	4	IAS 38.118(e)(i)
At 31 December 2020	**20**	**8**	**28**	IAS 38.118(c)
Additions	–	5	5	IAS 38.118(e)(i)
Acquisition of Oasis (Note 4A)	37	–	37	IAS 38.118(e)(i)
At 31 December 2021	**57**	**13**	**70**	IAS 38.118(c)
Amortisation and impairment				
At 1 January 2020	–	**(1)**	**(1)**	IAS 38.118(c)
Amortisation charge for the year	–	–	–	IAS 38.118(e)(vi)
At 31 December 2020	–	**(1)**	**(1)**	IAS 38.118(c)
Amortisation charge for the year	–	(1)	(1)	IAS 38.118(e)(vi)
Impairment	(15)	–	(15)	IAS 38.118(e)(iv)
At 31 December 2021	**(15)**	**(2)**	**(17)**	IAS 38.118(c)
Net book value:				
At 31 December 2020	**20**	**7**	**27**	
At 31 December 2021	**42**	**11**	**53**	

Other intangible assets mostly represent computer software which is being amortised over their useful economic lives of three years. *IAS 38.118(a)*

Goodwill arises principally because of the following factors: *IFRS 3.B64(e)*

1) The going concern value implicit in our ability to sustain and/or grow our business by increasing reserves and resources through new discoveries
2) The ability to capture unique synergies that can be realised from managing a portfolio of both acquired and existing mines in our regional business units
3) The requirement to recognise deferred tax assets and liabilities for the difference between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination at amounts that do not reflect fair value

6D.2 Accounting policy - intangible assets (other than goodwill)

Other intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation (calculated on a straight-line basis over their useful lives) and accumulated impairment losses, if any. *IAS 38.24 IAS 38.33 IAS 38.74*

Internally generated intangibles, excluding capitalised development costs, are not capitalised. Instead, the related expenditure is recognised in the statement of profit or loss and other comprehensive income in the period in which the expenditure is incurred. IAS 38.51, 52

The useful lives of intangible assets are assessed as either finite or indefinite. *IAS 38.88*

Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss and other comprehensive income in the expense category that is consistent with the function of the intangible assets. *IAS 38.97 IAS 38.104 IAS 38.99 IAS 38.112-113*

6D. Intangible assets *continued*

6D.2 Accounting policy – intangible assets (other than goodwill) *continued*

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss and other comprehensive income when the asset is derecognised.

6E. Impairment losses

In accordance with its accounting policies and processes, each asset or CGU is evaluated annually at 31 December, to determine whether there are any indications of impairment. If any such indications of impairment exist, a formal estimate of the recoverable amount is performed.

IAS 36.130(e)
IAS 36.134(c)
IAS 36.134(e)

In assessing whether an impairment is required, the carrying value of the asset or CGU is compared with its recoverable amount. The recoverable amount is the higher of the CGU's fair value less costs of disposal (FVLCD) and value in use (VIU). Given the nature of the Group's activities, information on the fair value of an asset is usually difficult to obtain unless negotiations with potential purchasers or similar transactions are taking place. Consequently, the FVLCD for each CGU is estimated based on discounted future estimated cash flows (expressed in real terms) expected to be generated from the continued use of the CGUs using market-based commodity price and exchange assumptions, estimated quantities of recoverable minerals, production levels, operating costs and capital requirements, including any expansion projects, and its eventual disposal, based on the CGU five-year plans and latest life of mine (LOM) plans. These cash flows were discounted using a real post-tax discount rate that reflected current market assessments of the time value of money and the risks specific to the CGU.

Estimates of quantities of recoverable minerals, production levels, operating costs and capital requirements and sourced from out planning process, including the LOM plans, five-year plans, one-year budgets and CGU-specific studies.

The determination of FVLCD for each CGU are considered to be Level 3 fair value measurements in both years, as they are derived from valuation techniques that include inputs that are not based on observable market data. The Group considers the inputs and the valuation approach to be consistent with the approach taken by market participants.

6E.1 Summary of impairments

As a result of the recoverable amount analysis performed during the year, the following impairment losses and reversals were recognised:

	2021 US$ million	2020 US$ million	
Impairment losses			
Mine properties	(33)	(9)	*IAS 36.126(a)*
Goodwill	(15)	–	*IAS 36.126(a)*
Exploration and evaluation assets	(5)	(6)	*IAS 36.126(a)*
Impairment reversals			
Exploration and evaluation assets	16	–	*IAS 36.126(b)*

IAS 36.130(b)
IAS 36.130(a)

Mine properties: Total impairment losses of US$33 million (2020: US$9 million) were recognised in respect of producing mine properties. This impairment loss was recognised in relation to the Sovereign Mine. The triggers for the impairment test were primarily the effect of changes to the mine plan resulting from further geotechnical analysis, which resulted in higher–than-expected estimates of costs of extraction. This also resulted in increased future rehabilitation costs resulting from the removal of additional overburden. The recoverable amount of the Sovereign Mine was based on management's estimate of FVLCD.

Goodwill: The carrying amount of goodwill allocated to the Sovereign Mine has been reduced to its recoverable amount via the recognition of an impairment loss of US$15 million during the year ended 31 December 2021. As part of the Group's annual impairment assessment, it was determined that, due to changes in estimates of extraction costs, the carrying amount of goodwill exceeded its recoverable amount.

6E. Impairment losses *continued*

6E.2 Key assumptions

The determination of FVLCD is most sensitive to the following key assumptions:

IAS 36.132

IAS 36.134(e)

- Production volumes
- Commodity prices
- Discount rates
- Exchange rates

IAS 36.134(e)

Production volumes: In calculating the FVLCD, the production volumes incorporated into the cash flow models were 75 million ounces of gold (2020: 80 million ounces of gold) and 10 million tonnes of copper (2020: 12 million tonnes of copper). Estimated production volumes are based on detailed life-of-mine plans and take into account development plans for the mines agreed by management as part of the long-term planning process. Production volumes are dependent on a number of variables, such as: the recoverable quantities; the production profile; the cost of the development of the infrastructure necessary to extract the reserves; the production costs; the contractual duration of mining rights; and the selling price of the commodities extracted. As each producing mine has specific reserve characteristics and economic circumstances, the cash flows of the mines are computed using appropriate individual economic models and key assumptions established by management. The production profiles used were consistent with the reserves and resource volumes approved as part of the Group's process for the estimation of proved and probable reserves, resource estimates and in certain circumstances, include expansion projects. These are then assessed to ensure they are consistent with what a market participant would estimate.

IAS 36.134(e)

Commodity prices: Forecast commodity prices are based on management's estimates and are derived from forward price curves and long-term views of global supply and demand in a changing environment, particularly with respect to climate risk, building on past experience of the industry and consistent with external sources. These prices were adjusted to arrive at appropriate consistent price assumptions for the different qualities and type of commodities, or, where appropriate, contracted prices were applied. These prices are reviewed at least annually. Estimated long–term gold and copper prices for the current year and the comparative year that have been used to estimate future revenues, are as follows:

	2021			2020	
Assumptions	**2022**	**2023**	**Long term (2024+)**	**2021-2025**	**Long term (2026+)**
Gold (US$ per ounce)	$1,750	$1,700	$1,500	$1,550	$1,350
Copper (US$ per pound)	$3.75	$3.50	$3.3	$2.35	$3.0

IAS 36.134(e)

Discount rates: In calculating the FVLCD, a real post-tax discount rate of 6.0% (2020: 6.0%) was applied to the post-tax cash flows expressed in real terms. This discount rate is derived from the Group's post-tax weighted average cost of capital (WACC), with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on its interest-bearing borrowings the Group is obliged to service. Segment-specific risk is incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

IAS 36.134(e)

Exchange rates: Foreign exchange rates are estimated with reference to external market forecasts and updated at least annually. The rates applied for the first five years of the valuation are based on observable market data including spot and forward values, thereafter the estimate is interpolated to the long term assumption, which involves market analysis including equity analyst estimates. The assumed long-term US dollar/AU dollar exchange rate is estimated to be $0.68 (2020: 0.70).

IAS 36.130(b)

IAS 36.130(a)

Exploration and evaluation (E&E) assets: During the year ended 31 December 2021, a reversal of impairment of E&E assets of US$16 million (2020: nil) was recognised. This reversal related to a previously recognised impairment loss of the Aurum Mine. This reversal resulted from a positive change in the estimates used to determine the assets' recoverable amounts since the impairment loss was recognised, specifically the future commodity price estimates and future operating cost estimates. This reversal was partially offset by impairment losses on E&E assets totalling US$5 million (2020: US$6 million). The major element of the E&E impairment losses was a charge of US$3 million against the assets relating to the Oro exploration area, which was triggered by a downward revision to resource estimates.

6E. Impairment losses *continued*

6E.3 Goodwill

For impairment testing purposes, goodwill acquired through business combinations has been allocated to CGUs or groups of CGUs, that are expected to benefit from the synergies of the business combination and represents the level at which management will monitor and manage the goodwill. The CGUs below have been allocated goodwill that is significant in comparison with the total carrying amount of goodwill for the Group.

IAS 36.135

After reflecting the impairment of the Sovereign Mine goodwill balance, the following goodwill balance has been recognised at year end:

IAS 36.134(a)

CGU	2021	2020
	US$ million	US$ million
Sovereign Mine	–	15
Dore Mine	5	5
Oasis Mine	37	–
Total goodwill	**42**	**20**

The goodwill arising as a result of the acquisition of Oasis during the year of US$37 million represents the provisional amount, which could not be reliably allocated to a CGU by 31 December 2021. There were no indicators of impairment during the period to 31 December 2021 to suggest that the provisional goodwill had been impaired. Therefore, as at 31 December 2021, this goodwill has not yet been subject to any impairment testing.

IAS 36.133

Commentary

IAS 36 also recognises that it might not be possible to complete the initial allocation of the goodwill to a CGU or group of CGUs for impairment testing purposes before the end of the annual period in which the combination occurs [IAS 36.85]. Where this is the case, IAS 36 does not require a provisional allocation to be made, but the goodwill (or part of it) is left unallocated for that period. Goodwill must then be allocated before the end of the first annual period beginning after the acquisition date (i.e., before the end of 2021 in the case of the acquisition of Oasis) [IAS 36.84]. The standard requires disclosure of the amount of the unallocated goodwill together with an explanation as to why that is the case.

However, so much time may have elapsed since the acquisition that there could be indicators of impairment, e.g., because of a general fall in market prices. In our view, an entity that did not finalise the goodwill allocation to CGUs must carry out an impairment test where there are indicators that the provisional goodwill could be impaired. This means, if a provisional allocation can be made, that provisional goodwill is tested for impairment in accordance with IAS 36, even if the fair values have not been finalised or goodwill has not necessarily been allocated to the relevant CGUs or CGU groups and the test is therefore carried out at a higher level.

6E.4 Sensitivity analysis

With the exception of the Sovereign Mine, which was impaired during the year, and the Dore Mine (discussed below), management believes that currently there are no reasonably possible changes in any of the above assumptions, which would lead to an impairment for any CGUs not impaired during the year.

IAS 36.134(f)

For the Dore Mine, other than the gold price, there are no reasonably possible changes in any of the other assumptions (discussed above), which would lead to an impairment. As at 31 December 2021, the recoverable amount of the Dore Mine exceeded its carrying amount by US$10 million. It is estimated that a US$250 per ounce reduction in the long-term price of gold, after incorporating any consequential effects of changes on the other variables used to measure recoverable amount, would cause the recoverable amount of the Dore Mine to equal its carrying amount.

IAS 36.134(f)(i)
IAS 36.134(f)(ii)
IAS 36.134(f)(iii)

In relation to the Sovereign Mine that was impaired during the year, any variation in the key assumptions above would either result in further impairment or lead to a reversal of impairment.

6E. Impairment losses *continued*

6E.4 Sensitivity analysis *continued*

Commentary

If recoverable amounts are determined using FVLCD, IAS 36.134(e) requires disclosure of the valuation technique(s) and other information — including the key assumptions used, a description of management's approach to each key assumption and the level of fair value hierarchy within which the valuation resides — and the reason(s) for changing valuation techniques, if there is any change, are required to be provided in the financial statements.

Furthermore, if FVLCD is determined using discounted cash flow projections, additional information, such as the period of cash flow projections, growth rate(s) used to extrapolate cash flow projections and the discount rate(s) applied to the cash flow projections, is required to be disclosed. While an entity is not required to provide the disclosures required under IFRS 13 *Fair Value Measurement*, the disclosures under IAS 36.134(e) are similar to those under IFRS 13, illustrated elsewhere in these financial statements.

IAS 36.134(d)(i) requires disclosure of key assumptions made for each CGU for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. While the disclosures above have been provided for illustrative purposes, entities need to evaluate the significance of each assumption used for the purpose of this disclosure.

IAS 36.134(f) requires disclosure of sensitivity analysis for each CGU for which the carrying amount of goodwill or intangible assets with indefinite lives allocated to that CGU is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite lives. These disclosures are made if a reasonably possible change in a key assumption used to determine the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount.

6E.5 Accounting policy – impairment of non-financial assets

(a) Non-financial assets (excluding goodwill)

The Group assesses, at each reporting date, whether there is an indication that an asset (or CGU) may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's or CGU's recoverable amount. The recoverable amount is the higher of an asset's or CGU's FVLCD and its VIU. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the asset is tested as part of a larger CGU to which it belongs. If the carrying amount of an asset or CGU exceeds its recoverable amount, the asset/CGU is considered impaired and is written down to its recoverable amount. Management has assessed its CGUs as being individual mines, which is the lowest level for which cash inflows are largely independent of those of other assets.

IAS 36.9
IAS 36.18
IAS 36.22
IAS 36.59
IAS 36.66

In calculating VIU, 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/CGU. In determining FVLCD, recent market transactions (where available) are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies, or other available fair value indicators. Further details on how FVLCD is calculated are outlined in Note 7C.3(c).

IAS 36.30-32

The Group bases its impairment calculation on detailed budgets and forecasts, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated, based on the life-of-mine plans. The estimated cash flows are based on expected future production, metal selling prices, operating costs and forecast capital expenditure, and cash flows beyond five years are based on life-of-mine plans.

IAS 36.33
IAS 36.35

VIU does not reflect future cash flows associated with improving or enhancing an asset's performance, whereas anticipated enhancements to assets are included in FVLCD calculations.

IAS 36.44

Impairment losses of continuing operations, including impairment of inventories, are recognised in the statement of profit or loss and other comprehensive income in those expense categories consistent with the function of the impaired asset.

IAS 36.60

For assets/CGUs excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's /CGU's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset/CGU does not exceed either its recoverable amount, or the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset/CGU in prior years. Such a reversal is recognised in the statement of profit or loss and other comprehensive income as other income.

IAS 36.110
IAS 36.114
IAS 36.117
IAS 36.119

6E. Impairment losses *continued*

6E.5 Accounting policy – impairment of non-financial assets *continued*

(b) Goodwill

IAS 36.10(b)

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

IAS 36.90

IAS 36.124

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. Where the recoverable amount of the CGU is less than its carrying amount including goodwill, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Significant estimates and assumptions

Impairment assessments require the use of estimates and assumptions such as long-term commodity prices (considering current and historical prices, price trends and related factors), discount rates, operating costs, future capital requirements, closure and rehabilitation costs, exploration potential, reserves (see Note 2B.2(a) above) and operating performance (which includes production and sales volumes). These estimates and assumptions are subject to risk and uncertainty. Therefore, there is a possibility that changes in circumstances will impact these projections, which may impact the recoverable amount of assets and/or CGUs. In such circumstances, some or all of the carrying amount of the assets/CGUs may be further impaired or the impairment charge reduced with the impact recognised in the statement of profit or loss and other comprehensive income.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Further information on how fair value is determined by the Group is contained in Note 7C.3(b).

Commentary

IAS 36.96 permits the annual impairment test for a CGU to which goodwill has been allocated to be performed at any time during the year provided that it is at the same time each year. However, if some or all of the goodwill allocated to a CGU was acquired in a business combination during the current annual period, that CGU must be tested for impairment before the end of the current annual period. Different CGUs may be tested at different times.

IAS 36 provides a number of minimum indicators of impairment of assets other than E&E assets. However, entities operating in the mining sector may also consider the following:

- Declines in prices of products or increases in production costs
- Governmental actions, such as new environmental regulations, imposition of price controls and tax increases
- Major operational problems or accidents
- Significant decreases in reserves estimates
- Increases in the anticipated period over which reserves will be produced
- Substantial cost overruns during the development and construction phases of a mine

The level of cash generating units (CGUs)

A CGU is defined by IAS 36 as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

In determining appropriate CGUs, an entity may need to consider some of the following issues:

- Is there an active market for intermediate products such as ore or concentrates?
- Are there external users of the processing assets?
- Are there mines that are operated as one complex though the use of shared infrastructure?
- Are there stand-alone mines that operate on a portfolio basis?

For most mining companies, the successive stages of the extraction and production process are often considered to be one CGU as it is not possible to allocate net cash inflows to individual stages of the process. Given this, the mine or mining area may be an appropriate CGU since, in most cases, it is the level at which separately identifiable cash inflows are available.

Impairment calculations are based on economically recoverable reserves.

The prices to apply to future production

Forecasting commodity prices is never straightforward, because it is not usually possible to know whether recent changes in commodity prices are a temporary aberration or the beginning of a longer-term trend. Management usually takes a longer-term approach to estimates of commodity prices for internal management purposes, but this is not always consistent with the VIU rules. Given the long life of most mines, an entity should not consider price levels only for the past three or four years. Instead, it should consider historical price levels for longer periods and assess how these prices are influenced by changes in underlying supply and demand levels.

6E. Impairment losses *continued*

6E.5 Accounting policy – impairment of non-financial assets *continued*

Commentary *continued*

For actively traded commodities, typically forward price curves are available and, in such situations, these provide a reference point for forecast price assumptions.

The commodity assumptions need to match the profile of the life of the mine. Spot prices and forward curve prices (where they are available as at the impairment testing date) are more relevant for shorter-life mines, while long-term price assumptions are more relevant for longer-life mines. Forecast prices (where available) should be used for the future periods covered by the VIU calculation. Where the forward price curve does not extend far enough into the future, the price at the end of the forward curve is generally held steady or is often dropped to a longer-term average price (in real terms), where appropriate.

The future cash flows relating to the purchase or sale of commodities might be known from forward purchase or sales contracts. Use of these contracted prices in place of the spot price or forward curve price for the contracted volumes will generally be acceptable. However, it is possible that some of these forward contracts might be accounted for as derivatives contracts at fair value in accordance with IFRS 9, and therefore, the related assets or liabilities will be recognised on the balance sheet. Such balances would be excluded from the IAS 36 impairment test. Given this, the cash flow projections prepared for the purposes of the IAS 36 impairment test should exclude the pricing terms associated with these forward contracts.

Inputs to impairment calculations and long-term prices used should be consistent with those used for investment appraisal purposes and will likely be linked to internal long-term planning assumptions.

Foreign currency future cash flows

In accordance with IAS 36, when calculating the VIU of the CGU, future cash flows are estimated in the currency in which they will be generated and then discounted using a discount rate appropriate for that currency. An entity then translates the present value of these cash flows using the spot rate at the date of the VIU calculation [IAS 36.54]. This is to avoid the problems inherent in using forward exchange rates, which are based on differential interest rates. Using such forward rates would result in double-counting the time value of money, first in the discount rate and then in the forward rate [IAS 36.BCZ49].

This requirement, however, is more complex than it may initially appear. Effectively, this method not only requires an entity to perform separate impairment tests for cash flows generated in different currencies, but also to make them consistent with one another so that the combined effect is meaningful. This can be a difficult exercise to undertake. Many different factors need to be considered, including relative inflation rates and relative interest rates, as well as appropriate discount rates for the currencies in question. Because of this, the potential for error is significant. Given this, it is important for entities to seek input from experienced valuers who will be able to assist them in dealing with these challenges.

For FVLCD calculations, the requirements relating to foreign currency are not specified other than they must reflect what a market participant would use when valuing the asset/CGU. In practice, entities that use a discounted cash flow (DCF) analysis when calculating FVLCD will incorporate a forecast for exchange rates into their calculations rather than using the spot rate. A key issue in any forecast is the assumed timeframe over which the exchange rate may return to lower levels. This assumption is generally best analysed in conjunction with commodity prices in order to ensure consistency in the parameters used, i.e., a rise in prices will usually be accompanied by a rise in currency.

Shared infrastructure

When several mines share infrastructure (e.g., railways, ports or smelting facilities), the question arises as to whether the different mines and the shared infrastructure should be treated as a single CGU. Treating the mines and the shared infrastructure as part of the same CGU is not appropriate under the following circumstances:

- If the shared infrastructure is relatively insignificant
- If the mines are capable of selling their product without making use of the shared infrastructure
- If the shared infrastructure generates substantial cash flows from third parties as well as the entity's own mines
- If the shared infrastructure is classified as a corporate asset, which is defined under IAS 36 as "assets other than goodwill that contribute to the future cash flows of both the CGU under review and other CGUs". In that case, the entity should apply the requirements in IAS 36 for corporate assets

However, if none of the conditions above apply, then there are two acceptable ways shared infrastructure can be dealt with, which are consistent with the guidance in IAS 36 for corporate assets.

Any shared infrastructure that does not belong to a single CGU, but relates to more than one CGU, still needs to be considered for impairment purposes. It is considered that there are two ways to do this and an entity should use the method most appropriate. Shared infrastructure can be allocated to individual CGUs or the CGUs can be grouped together to test the shared assets (similar to the way corporate assets are tested – see commentary above).Under the first approach, the shared assets should be allocated to each individual CGU, or group of CGUs, on a reasonable and consistent basis. The cash flows associated with the shared assets, such as fees from other users and expenditure, should be allocated similarly and should form part of the cash flows of the individual CGU. Each mine/CGU should then be tested for impairment individually when indicators of impairment exist. Under the second approach, the CGUs that benefit from the shared assets are grouped together with the shared assets to test them for impairment. In the absence of clear industry accounting guidance, both approaches are considered acceptable.

6E. Impairment losses *continued*

6E.5 Accounting policy – impairment of non-financial assets *continued*

Commentary *continued*

Derecognition — exploration and evaluation assets

In some circumstances, when an entity recognises an impairment of an E&E asset, it also needs to decide whether or not to derecognise the asset because future economic benefits are no longer expected. If an entity concludes that production is not technically feasible or commercially viable, this provides evidence that the related E&E asset needs to be tested for impairment. Based on such evidence, an entity may also conclude that future economic benefits are no longer expected and that the area is to be abandoned.

Although IFRS does not specifically deal with derecognition of E&E assets, the entity should derecognise the E&E asset because:

(1) The asset is no longer in the E&E phase and, hence, outside the scope of IFRS 6

(2) Other asset standards, such as IAS 16 and IAS 38, would require derecognition under those circumstances.

Subsequent to derecognition, the cost of an E&E asset that has been derecognised cannot be re-recognised as part of a new E&E asset or reversed, unlike the impairment of an E&E asset, which may be reversed (as discussed above).

Impairment reversals – exploration and evaluation assets

Any impairment loss on an E&E asset that has been recognised in accordance with IFRS needs to be reversed when the requirements specified in IAS 36.109-123 have been met. An impairment loss recognised in prior periods for an asset other than goodwill must be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If this is the case, the carrying amount of the asset will be increased to its recoverable amount. However, such reversal must not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

6F. Commitments and other contingencies

6F.1 Commitments – leases not yet commenced

IFRS 16.59(b)(iv)

The Group has various lease contracts that have not yet commenced as at 31 December 2021. The future lease payments for these non-cancellable lease contracts are US$3 million within one year (2020: nil), US$8 million in one to two years (2020: nil), and US$5 million in two to five years (2020: nil).

6F.2 Capital commitments

IAS 16.74(c)

Capital commitments (excluding those related to joint arrangements)

	2021 US$ million	2020 US$ million
Contracted capital expenditure: mineral exploration	248	169
Other commitments	75	62

Capital commitments related to joint ventures

IFRS 12.23

IFRS 12.B18-B19

	2021 US$ million	2020 US$ million
Capital commitments related to the Group's interest in the joint venture	20	30

Section 7: Capital and debt structure

This section provides additional information about the Group's business and management policies that the directors consider is most relevant in understanding the business and management of the Group's capital and debt structure including:

- Objectives and policies of how the Group manages its financial risks, liquidity positions and capital structure (Notes 7A, 7B, 7C)
- Changes in liabilities arising from financing activities (Note 7D)
- Distributions made and proposed by the Group (Note 7E)
- Leases (Note 7F)

7A. Capital management

IAS 1.134

IAS 1.135(a)

For the purpose of the Group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise the shareholder's value.

IAS 1.135(d)

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to its interest-bearing loans and borrowings that form part of its capital structure requirements. Breaches in the financial covenants would permit the bank to immediately call interest-bearing loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowings in the current or prior period.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions and the requirements of the financial covenants. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 31 December 2020.

IAS 1.135(b)

The Group monitors capital using a gearing ratio, which is net debt divided by the aggregate of equity and net debt. The Group's policy is to keep the gearing ratio between 5% and 20%. The Group includes in its net debt, interest-bearing loans and borrowings (which includes lease liabilities), trade and other payables, less cash and short-term deposits.

	2021	**2020**
	US$ million	**US$ million**
Interest-bearing loans and borrowings	724	366
Accounts payable, contract liabilities and accrued liabilities	599	548
Less cash and short-term deposits	(408)	(489)
Net debt	915	425
Equity	4,543	3,881
Capital and net debt	**5,458**	**4,306**
Gearing ratio	17%	10%

Commentary

IAS 1.134 and IAS 1.135 require entities to make qualitative and quantitative disclosures regarding their objectives, policies and processes for managing capital. The Group has disclosed a gearing ratio as it uses this to monitor capital. The Group considers both capital and net debt as relevant components of funding and, hence, part of its capital management. However, other measures or a different type of gearing ratio may be more suitable for other entities.

IFRS 7.18-19 requires disclosures in the event of a default or breaches as at the end of a reporting period and during the year. Although there are no explicit requirements addressing the opposite situation, the Group has disclosed the restriction on capital represented by financial covenants as it considers it relevant information to the users of the financial statements. The Group did not provide additional information on its debt covenants because the likelihood of the breach occurring is remote.

7B. Issued capital

	2021	2020	
Authorised (shares have no par value)	**US$ million**	**US$ million**	*IAS 1.78(e)*
Ordinary share capital (1,564,433,024 ordinary shares)	1,564	1,564	*IAS 1.79(a)(i) IAS 1.79(a)(iii)*

	Thousand (shares)	US$ million	
Ordinary shares issued and fully paid			*IAS 1.79(a)(ii) IAS 1.79(a)(iv)*
At 1 January 2020	836,458	836	
Issued on 1 November 2020 for cash	727,975	728	
At 1 January 2021	1,564,433	1,564	
At 31 December 2021	**1,564,433**	**1,564**	

Fully paid ordinary shares carry one vote per share and carry the right to dividends. *IAS 1.79(v)*

7C. Financial instruments

7C.1 Interest-bearing loans and borrowings

Commentary

IFRS 7.7 only requires disclosure of information that enables users of the financial statements to evaluate the significance of financial instruments for its financial position and performance. As the Group has a reasonable amount of interest-bearing loans and borrowings, it has decided to provide detailed information to the users of the financial statements about the effective interest rate as well as the maturity of the loans.

	Effective interest rate		2021	2020	
Current interest-bearing loans and borrowings	**%**	**Maturity**	**US$ million**	**US$ million**	*IFRS 7.6* *IFRS 7.8(f)*
Bank overdrafts	SOFR+1.0	On demand	8	51	
Lease liabilities (Note 7F)	3.0 - 4.0	2022	26	39	
Other loans:					
US$75 million bank loan facility (2020: US$75 million)	SOFR +0.5	1-Nov-2022	74	–	
			108	**90**	
Non-current interest-bearing loans and borrowings					
10% debentures	10.2	2023-2026	108	77	
Lease liabilities (Note 7F)	3.0 - 4.0	2023-2027	45	71	
US$75 million bank loan facility (2020: US$75 million)	SOFR +0.5	1-Nov-22	–	71	
US$450 million bank loan facility (2020: US$450 million)	SOFR +1.0	31-Mar-23	424	167	
			577	**386**	

Bank overdrafts

The bank overdrafts are secured by a portion of the Group's short-term deposits. *IFRS 7.7*

US$75 million bank loan facility

This loan is unsecured and repayable in full on 1 November 2022.

7C. Financial instruments *continued*

7C.1 Interest-bearing loans and borrowings *continued*

10% debentures

These are repayable in equal annual instalments of US$35 million commencing on 1 January 2023.

IFRS 7.7

US$450 million bank loan facility

This loan is secured by a floating charge over all assets of the Group and is repayable in full on 31 March 2023.
Total interest expense for the year on interest-bearing loans and liabilities was US$71 million (2020: US$18 million).

7C.2 Derivative financial instruments

IFRS 7.8(e)

The Group has entered into the following derivative commodity contracts for the forward sale of gold that have not been designated as hedges:

Gold forward contracts	Financial instrument classification	Term	Ounces	Price US$ per ounce	Fair value at 31 Dec 2021 US$ million
Gold forwards – US$ denominated contracts	Fair value through profit or loss	Expiry June 2023	30,000	1,500	5
Gold forwards – AU$ denominated contracts	Fair value through profit or loss	Expiry December 2023	30,000	1,500	7
					12

Gold forward contracts	Financial instrument classification	Term	Ounces	Price US$ per ounce	Fair value at 31 Dec 2020 US$ million
Gold forwards – US$ denominated contracts	Fair value through profit or loss	Expiry June 2023	30,000	1,500	8
Gold forwards – AU$ denominated contracts	Fair value through profit or loss	Expiry December 2023	30,000	1,500	7
					15

IFRS 7.6
IFRS 7.36

The resulting US$12 million (2020US$15 million) fair value of these contracts has been recognised in the statement of financial position as derivative assets. These amounts are neither past due nor impaired. The maximum credit exposure of these derivative assets is the carrying value. The Group mitigates this risk by entering into transactions with long-standing, reputable counterparties and partners.

IFRS 7.20(a)(i)

The change in the fair value of these derivatives of US$3 million loss (2020: US$5 million gain) has been recognised in the statement of profit or loss and other comprehensive income during the year as a loss (2020: gain) on derivative financial instruments.

7C.3 Fair values

(a) Carrying value versus fair value

IFRS 7.25
IFRS 7.26
IFRS 7.29

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those whose carrying amounts are a reasonable approximation of fair value:

IFRS 7.8

	Financial instrument classification	Carrying amount		Fair value	
		2021	2020	2021	2020
		US$ million	US$ million	US$ million	US$ million
Financial liabilities					
Interest-bearing loans and borrowings:					
Fixed-rate borrowings	Amortised cost	108	77	111	81

7C. Financial instruments *continued*

7C.3 Fair values *continued*

(a) Carrying value versus fair value *continued*

Management assessed that the fair values of cash and short-term deposits, trade receivables, trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. Derivative assets and trade receivables subject to provisional pricing are already carried at fair value.

Commentary

IFRS 7.29 provides that disclosure of the fair values of financial instruments is not required:

- When the carrying amount is a reasonable approximation of fair value (e.g., short-term trade receivables and payables)
- For a contract containing a discretionary participating feature (as described in IFRS 4) if the fair value of that feature cannot be measured reliably

Or

- For lease liabilities

(b) Fair value hierarchy

The fair value of the financial instruments is included at the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Management of the Group have assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables (not subject to provisional pricing), trade payables, bank overdrafts and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

IFRS 13.93(d)
IFRS 13.97
IFRS 7.29

The following methods and assumptions were used to estimate the fair values:

- Fair values of the Group's interest-bearing borrowings and loans are determined by using discounted cash flow models that use discount rates that reflect the issuer's borrowing rate as at the end of the reporting period.
- The Group enters into derivative financial instruments (commodity contracts) with various counterparties, principally financial institutions with investment-grade credit ratings. It also recognises trade receivables in relation to its provisionally priced sales contracts at fair value. All derivatives and provisionally priced trade receivables are valued using valuation techniques, which employ the use of market observable inputs. The most frequently applied valuation techniques include forward pricing models that use present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. As at 31 December 2020, the mark-to-market value of derivative asset positions and of provisionally priced trade receivables is net of a credit valuation adjustment attributable to derivative counterparty / customer default risk. The changes in counterparty credit risk had no material effect on financial instruments recognised at fair value. The fair values of derivative financial instruments and of provisionally priced trade receivables are disclosed in Note 7C.2 and Note 8B respectively.

IFRS 13.91(a)

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments which are measured at fair value by valuation technique:

IFRS 13.93(b)

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: Techniques which use inputs that have a significant effect on the recorded fair value that are not based on observable market data

All financial instruments measured at fair value use Level 2 valuation techniques in both years. *IFRS 13.93(b)*

There have been no transfers between fair value levels during the reporting period. *IFRS 13.93(c)*

(c) Accounting policy - fair value measurement

The Group measures financial instruments, such as derivatives and provisionally priced trade receivables, at fair value at each reporting date. Also, from time to time, the fair values of non-financial assets and liabilities are required to be determined, e.g., when the entity acquires a business, or where an entity measures the recoverable amount of an asset or CGU at fair value less costs of disposal. Also, fair values of financial instruments measured at amortised cost are disclosed in Note 7C.3(a).

7C. Financial instruments *continued*

7C.3 Fair values *continued*

(c) Accounting policy - fair value measurement *continued*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

IFRS 13.9

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

IFRS 13.16

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

IFRS 13.22

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

IFRS 13.27

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

IFRS 13.61

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described above at Note 7C.3(b).

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

IFRS 13.95

The Group's Valuation Committee determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests. The Valuation Committee comprises of the head of risk management, the chief reserve engineer and chief finance officers for each business unit.

IFRS 13.93(g)

At each reporting date, the Valuation Committee analyses the movements in the values of assets and liabilities which are required to be remeasured or re-assessed as per the Group's accounting policies. For this analysis, the Valuation Committee verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Valuation Committee also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

IFRS 13.94

On an interim basis, the Valuation Committee presents the valuation results to the Audit Committee and the Group's independent auditors. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Significant estimates and assumptions

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, they are measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

When the fair values of non-financial assets/CGUs need to be determined, e.g., for the purposes of calculating FVLCD for impairment testing purposes, they are measured using valuation techniques including the DCF model. Further information about the significant judgements, estimates and assumptions impacting impairment testing is contained in Note 6E.5.

Commentary

These illustrative disclosures provide details of how fair value has been determined. However, entities tailor the level of detail provided based on specific facts and circumstances and materiality considerations. When determining the fair value of provisionally priced trade receivables, the valuation hierarchy level such instruments fall in will depend on the nature of the commodity being sold and the inputs into the valuation of these. Should there be inputs are not based on observable data, e.g., those in relation to the customer itself, that have a significant effect on the recorded fair values, then such instruments would be disclosed as a Level 3 valuation and the associated disclosures would need to be provided.

7C. Financial instruments *continued*

7C.4 Financial instruments risk management objectives and policies

The Group's principal financial liabilities, other than derivatives, comprise accounts payable, bank loans and overdrafts and debentures. The main purpose of these financial instruments is to manage short-term cash flow and raise finance for the Group's capital expenditure programme. The Group's principal financial assets, other than derivatives and provisionally priced trade receivables, comprise trade and other receivables and cash and short-term deposits that arise directly from its operations.

IFRS 7.33

Risk exposures and responses

The Group manages its exposure to key financial risks in accordance with its financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets while protecting future financial security. The main risks that could adversely affect the Group's financial assets, liabilities or future cash flows are market risks comprising: commodity price risk, cash flow interest rate risk and foreign currency risk; liquidity risk; and credit risk. Management reviews and agrees policies for managing each of these risks that are summarised below.

IFRS 7.33(a), (b)

IFRS 7.21A(a)

The Group's senior management oversees the management of financial risks. The Group's senior management is supported by a Financial Risk Committee that advises on financial risks and the appropriate financial risk governance framework for the Group. The Financial Risk Committee provides assurance to the Group's senior management that the Group's financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. Currently, the Group does not currently apply any form of hedge accounting.

The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

(a) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks: commodity price risk, interest rate risk and foreign currency risk. Financial instruments affected by market risk include loans and borrowings, deposits, trade receivables, trade payables, accrued liabilities and derivative financial instruments.

IFRS 7.33

The sensitivity analyses in the following sections relate to the positions as at 31 December 2021 and 2020, respectively.

IFRS 7.40

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed-to-floating interest rates on the debt and derivatives, and the proportion of financial instruments in foreign currencies are all constant. The sensitivity analyses are intended to illustrate the sensitivity to changes in market variables on the Group's financial instruments and show the impact on profit or loss and shareholders' equity, where applicable.

IFRS 7.40(b)

The analyses exclude the impact of movements in market variables on the carrying value of provisions.

The following assumptions have been made in calculating the sensitivity analyses:

- The statement of financial position sensitivity relates to derivatives and foreign currency-denominated trade receivables.
- The sensitivity of the relevant profit before tax item and/or equity is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 December 2021 and 31 December 2020.
- The impact on equity is the same as the impact on profit before tax.

7C. Financial instruments *continued*

7C.4 Financial instruments risk management objectives and policies *continued*

(a) Market risk *continued*

Commodity price risk

IFRS 7.33

The Group is exposed to the risk of fluctuations in prevailing market commodity prices on the mix of mineral products it produces which is mainly gold and copper which it sells into global markets. The market prices of gold and copper are the key drivers of the Group's capacity to generate cash flow. The Group is predominantly an unhedged producer to provide its shareholders with exposure to changes in the market price of gold and copper. The Group's Board of Directors has developed and enacted a risk management strategy for commodity price risk and its mitigation. The Group's policy is to manage these risks through the use of contract-based prices with customers and derivative commodity contracts and to keep between 20% and 40% of its production at fixed prices.

Commodity price sensitivity

The table below summarises the impact on profit before tax for changes in commodity prices on the fair value of derivative financial instruments and trade receivables (subject to provisional pricing). The impact on equity is the same as the impact on profit before income tax as these derivative financial instruments have not been designated as hedges and are classified as held-for-trading and are therefore fair valued through profit or loss.

The analysis is based on the assumption that the gold and copper prices move 15% with all other variables held constant. Reasonably possible movements in commodity prices were determined based on a review of the last two years' historical prices and economic forecasters' expectations.

IFRS 7.40(a)

	Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)	Effect on profit before tax for the year ended 31 December 2020 increase/(decrease)
	US$ million	US$ million
Increase/(decrease) in gold prices		
Gold +15% (2020: +15%)	(8)	(7)
Gold -15% (2020: -15%)	8	7
Increase/(decrease) in copper/ore prices		
Copper/ore +15% (2020: +15%)	(7)	(6)
Copper/ore -15% (2020: -15%)	7	6

Physical commodity contracts

The Group also enters into physical commodity contracts in the normal course of business. These contracts are not derivatives and are treated as executory contracts, which are recognised and measured at cost when the transactions occur (with the exception of those with QP clauses, which result in the related provisionally priced trade receivable being measured at fair value; refer to Note 5C.2(b) for more information).

Interest rate risk

IFRS 7.21A(a)
IFRS 7.22A

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's policy is to maintain between 10% and 45% of its borrowings at fixed rates of interest.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans affected, based on the last two years' historical rates and economic forecasters' expectations of the Group's profit before tax through the impact on floating rate borrowings and cash and cash equivalents (with all other variables held constant).

IFRS 7.40(a)

Increase/(decrease) in interest rate	Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)	Effect on profit before tax for the year ended 31 December 2020 increase/(decrease)
	US$ million	US$ million
+1.5%	(7)	(3)
-1.0%	1	4

7C. Financial instruments *continued*

7C.4 Financial instruments risk management objectives and policies *continued*

(a) Market risk *continued*

Foreign currency risk

IFRS 7.21A(a)
IFRS 7.22A

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenues or expenses are denominated in currencies other than the respective functional currencies). The Group manages this foreign currency risk by matching receipts and payments in the same currency and monitoring movements in exchange rates. Approximately 8% of the Group's sales are denominated in currencies other than the functional currencies, whereas 5% of costs are denominated in currencies other than the functional currencies of the entities in the Group.

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rate, with all other variables held constant, of the Group's profit before tax due to changes in the carrying value of monetary assets and liabilities at reporting date:

IFRS 7.40(a)

Increase/(decrease) in foreign exchange rate	Effect on profit before tax for the year ended 31 December 2021 increase/(decrease)	Effect on profit before tax for the year ended 31 December 2020 increase/(decrease)
	US$ million	US$ million
+5%	2	1
-5%	(2)	(1)

(b) Liquidity risk

IFRS 7.33
IFRS 7.39(c)

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Group monitors its risk of a shortage of funds by monitoring its debt rating and the maturity dates of existing debt and other payables.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. As at 31 December 2021, the Group had available US$27 million (2020: US$287 million) of undrawn committed borrowing facilities. The Group's policy is that not more than 35% of borrowings should mature in the next 12-month period. Of the Group's debt, 13% will mature in less than one year at 31 December 2021 (2020: 14%) based on the balances reflected in the financial statements.

Metalville Investors Service made no change to the Group's long-term credit rating of B+.

7C. Financial instruments *continued*

7C.4 Financial instruments risk management objectives and policies *continued*

(b) Liquidity risk *continued*

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

IFRS 7.39(a)
IFRS 7.B14

Year ended 31 December 2021	On demand US$ million	< 1 year US$ million	1-2 years US$ million	2-5 years US$ million	> 5 years US$ million	Total US$ million
Interest-bearing loans and borrowings	8	76	361	73	96	614
Lease liabilities	–	29	14	34	–	77
Accounts payable and accrued liabilities*	26	563	–	–	–	589
	34	**668**	**375**	**107**	**96**	**1,280**

IFRS 16.58

IFRS 7.39(a)
IFRS 7.B14

Year ended 31 December 2020	On demand US$ million	< 1 year US$ million	1-2 years US$ million	2-5 years US$ million	> 5 years US$ million	Total US$ million
Interest-bearing loans and borrowings	51	–	169	35	111	366
Lease liabilities	-	43	29	49	–	121
Accounts payable and accrued liabilities*	20	516	–	–	–	536
	71	**559**	**198**	**84**	**111**	**1,023**

* This excludes contract liabilities as they are not financial liabilities

Commentary

IFRS 16.58 requires disclosure of the maturity analysis of lease liabilities applying IFRS 7.39 and IFRS 7.B11 separately from the maturity analyses of other financial liabilities. As such, the Group presented a separate line for lease liabilities in the maturity analysis of its financial liabilities.

(c) Credit risk

IFRS 7.33
IFRS 7.35B

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments.

Trade and other receivables

IFRS 7.34(c)
IFRS 7.88

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. The Group trades only with recognised creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures, which are based on an extensive credit rating scorecard, short-term liquidity and financial position. Individual credit limits are defined in accordance with this assessment. In addition, outstanding receivable balances are regularly monitored on an ongoing basis, with the result that the Group's exposure to credit-impaired balances and bad debts is not significant.

At 31 December 2021, the Group had five customers (2020: six customers) that each owed the Group more than US$50 million each and accounted for approximately 71% (2020: 76%) of all receivables owing. There was one customer (2020: one customer) with a balance greater than US$100 million accounting for just over 17% (2020: 19%) of total accounts receivable.

IFRS 7.35F(c)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

IFRS 7.35F(e)
IFRS 7.35K

The maximum exposure to credit risk for trade receivables at the reporting date is the carrying value of each class of financial assets disclosed in Note 8B. The Group does not hold collateral as security. The letters of credit and other forms of credit insurance are considered integral part of trade receivables and considered in the calculation of impairment.

7C. Financial instruments *continued*

7C.4 Financial instruments risk management objectives and policies *continued*

(c) Credit risk *continued*

At 31 December 2021, 60% (2020: 65%) of the Group's trade receivables are covered by letters of credit and other forms of credit insurance. The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash, short-term investments, other and joint venture receivables and derivative financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group limits its counterparty credit risk on these assets by dealing only with financial institutions with credit ratings of at least A or equivalent.

Refer to Note 8B for details of the Group's credit risk exposure on the Group's trade receivables using a provision matrix.

Financial instruments and cash deposits

IFRS 7.33
IFRS 7.36
IFRS 7.B10(c)

Credit risk from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are reviewed by the Group's Board of Directors on an annual basis, and may be updated throughout the year subject to approval of the Group's Finance Committee. The limits are set to minimise the concentration of risks and therefore mitigate financial loss through a counterparty's potential failure to make payments.

The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 December 2021 and 2020 is the carrying amounts as per the statement of financial position.

7D. Changes in liabilities arising from financing activities

IAS 7.44A
IAS 7.44C

IAS 7.44B
IAS 7.44D

	1 January 2021	Cash flows	Business combination	Other	31 December 2021
	US$ million	US$ million	US$ million	US$ million	US$ million
Current interest-bearing loans and borrowings	90	(107)	–	125	**108**
Non-current interest-bearing loans and borrowings	386	217	57	(83)	**577**
Total liabilities from financing activities	**476**	**110**	**57**	**42**	**685**

IAS 7.44B
IAS 7.44D

	1 January 2020	Cash flows	Business combination	Other	31 December 2020
	US$ million	US$ million	US$ million	US$ million	US$ million
Current interest-bearing loans and borrowings	**51**	(113)	–	152	**90**
Non-current interest-bearing loans and borrowings	**347**	19	–	20	**386**
Total liabilities from financing activities	**398**	**(94)**	–	**172**	**476**

The 'Other' column includes the effect of reclassification of non-current portion of interest-bearing loans and borrowings to current due to the passage of time, the effect of accrued but not yet paid interest on interest-bearing loans and borrowings, and various other adjustments.

7D. Changes in liabilities arising from financing activities *continued*

Commentary

IAS 7.44A requires entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. To the extent necessary to satisfy this requirement, an entity must disclose the following changes in liabilities arising from financing activities:

- Changes from financing cash flows
- Changes arising from obtaining or losing control of subsidiaries or other businesses
- The effect of changes in foreign exchange rates
- Changes in fair values
- Other changes

The Group provided a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities, which include the changes identified in IAS 7.44B as applicable. This reconciliation provides a link to the amounts recognised in the statement of cash flows (IAS 7.44D).

An entity may provide the disclosure required by IAS 7.44A in combination with disclosures of changes in other assets and liabilities. However, it is required to disclose the changes in liabilities arising from financing activities separately from the changes on those other assets and liabilities (IAS 7.44E).The Group did not have any changes to leases during the period (i.e., additions, extensions and terminations). If an entity did have significant changes to leases during the period, they may consider disclosing these in a separate column.

There is no prescribed format for this disclosure, but Good Mining has selected a tabular format as it considered it the most efficient and meaningful way of meeting the requirements in IAS 7.44A and its objective, given the facts and circumstances.

7E. Dividends paid or proposed

	2021	2020	
	US$ million	**US$ million**	
Cash dividends declared and paid during the year:			
Interim dividend for 2021: US$0.1567 per share (2020: US$0.10 per share)	245	100	
Final dividend for 2020: US$0.11 per share (2019: US$0.07 per share)	105	40	
Total cash dividends paid in the year	350	140	*IAS 1.107*

	2021	2020	
Weighted average number of ordinary shares (number of shares – million)	1,564	958	
Dividend per ordinary share (US$ cent per share)	22.4	14.6	*IAS 1.107*
Proposed dividends on ordinary shares:			
Final cash dividend for 2021: US$0.15 per share (2020: US$0.11 per share) (US$ million)	235	105	*IAS 1.137(a)*

Proposed dividends on ordinary shares are subject to approval at the annual general meeting and are not recognised as a liability as at 31 December.

7F. Leases

IFRS 16.51
IFRS 16.52

7F.1 Group as a lessee

IFRS 16.59(a)
IFRS 16.59(c)

The Group has lease contracts for various items of mining equipment, motor vehicles and buildings used in its operations. Leases of mining equipment generally have lease terms between three and seven years, while motor vehicles and buildings generally have lease terms between three and five years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There is one lease contract that includes variable lease payments, which is further discussed below.

IFRS 16.60

The Group also has certain leases of assets with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the short-term lease and lease of low-value assets recognition exemptions for these leases.

Commentary

IFRS 16.52 requires lessees to disclose information in a single note or a separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. The Group provided most of the required IFRS 16 disclosures in this section of the financial statements. Cross-references are provided for certain required information outside of this section.

IFRS 16.54

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Mining equipment	Motor vehicles	Buildings	Total	
	US$ million	US$ million	US$ million	US$ million	
As at 1 January 2020	**82**	**30**	**43**	**155**	
Additions	–	–	–	–	*IFRS 16.53(h)*
Depreciation expense (Note 5B)	(14)	(15)	(14)	**(43)**	*IFRS 16.53(a)*
As at 31 December 2020	**68**	**15**	**29**	**112**	*IFRS 16.53(j)*
Additions	–	–	–	–	*IFRS 16.53(h)*
Depreciation expense (Note 5B)	(14)	(15)	(14)	**(43)**	*IFRS 16.53(a)*
As at 31 December 2021	**54**	**-**	**15**	**69**	*IFRS 16.53(j)*

IFRS 16.54

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the period:

	2021	2020	
	US$ million	US$ million	
As at 1 January	110	155	
Additions	–	–	
Accretion of interest	4	5	*IFRS 16.53(b)*
Payments	(43)	(50)	*IFRS 16.53(g)*
As at 31 December	**71**	**110**	
Current (Note 7C.1)	26	39	
Non-current (Note 7C.1)	45	71	

IFRS 16.58

The maturity analysis of lease liabilities is disclosed in Note 7C.4.

IFRS 16.54

The following are the amounts recognised in profit or loss:

	2021	2020	
	US$ million	US$ million	
Depreciation expense for right-of-use assets	43	43	*IFRS 16.53(a)*
Interest expense on lease liabilities	4	5	*IFRS 16.53(b)*
Expense relating to short-term leases (included in general and administrative expenses)	10	8	*IFRS 16.53(c)*
Expense relating to leases of low-value assets (included in general and administrative expenses)	15	–	*IFRS 16.53(d)*
Variable lease payments (included in cost of sales)	18	12	*IFRS 16.53(e)*
Total amount recognised in profit or loss	**90**	**68**	

7F. Leases *continued*

7F.1 Group as a lessee *continued*

The Group had total cash outflows for leases of US$93 million in 2021 (US$43 million in 2020). There were no non-cash additions to right-of-use assets and lease liabilities during the year. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 6F. Refer to Note 7D for the changes in liabilities arising from financing activities which include some of the cash outflows related to leases.

IFRS 16.53(g)
IFRS 16.59(b)(iv)
IAS 7.43

Commentary

IFRS 16.53 requires disclosure of the following information, which users of the financial statements have identified as being most useful to their analysis:

- Depreciation charge for right-of-use assets, split by class of underlying asset
- Interest expense on lease liabilities
- Short-term lease expense for such leases with a lease term greater than one month
- Low-value asset lease expense (except for portions related to short-term leases)
- Variable lease expense (i.e., for variable lease payments not included in the lease liability)
- Income from subleasing right-of-use assets
- Total cash outflow for leases
- Additions to right-of-use assets
- Gains and losses arising from sale and leaseback transactions
- Carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period (IFRS 16.54).

The standard requires disclosure of the total cash outflow for leases. The Group also included the cash outflow related to leases of low-value assets and short-term leases in the disclosure of the total cash outflow.

IFRS 16.55 requires disclosure of the amount of lease commitments for short-term leases when short-term lease commitments at the end of the reporting period are dissimilar to the same period's short-term lease expense (that is otherwise required to be disclosed). This disclosure requirement is not applicable to the Group.

IFRS 16.59 requires additional qualitative and quantitative information about a lessee's leasing activities necessary to meet the disclosure objective of the standard. This additional information may include, but is not limited to, information that helps users of the financial statements to assess:

- The nature of the lessee's leasing activities
- Future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  - Variable lease payments
  - Extension options and termination options
  - Residual value guarantees
  - Leases not yet commenced to which the lessee is committed
- Restrictions or covenants imposed by leases
- Sale and leaseback transactions

Additional disclosures relating to variable lease payments

- Disclosures of additional information relating to variable lease payments could include (IFRS 16.B49):
- The lessee's reasons for using variable lease payments and the prevalence of those payments
- The relative magnitude of variable lease payments to fixed payments
- Key variables upon which variable lease payments depend on how payments are expected to vary in response to changes in those key variables
- Other operational and financial effects of variable lease payments
- Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e., to provide a basis for users to assess the effect of leases on the financial position, financial performance, and cash flows of the lessee).
- The Group only has one lease with variable payments and has decided this additional disclosure is not necessary. Refer to *Good Group (International) Limited 2021 illustrative financial statements* for example disclosures.

7F. Leases *continued*

7F.2 Accounting policy – leases

IFRS 16.9

The Group assesses at contract inception, all arrangements to determine whether they are, or contain, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group is not a lessor in any transactions, it is only a lessee.

(a) Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(i) Right-of-use assets

IFRS 16.23
IFRS 16.24
IFRS 16.30
IFRS 16.32

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date when the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Mining equipment 3 to 7 years
- Motor vehicles and buildings 3 to 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

IFRS 16.33

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 6E.5 *Impairment of non-financial assets*.

Commentary

Under IFRS 16, the cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period (IFRS 16. 24(d)).

The Group's lease arrangements do not contain an obligation to dismantle and remove the underlying asset, restore the site on which it is located or restore the underlying asset to a specified condition.

(ii) Lease liabilities

IFRS 16.26
IFRS 16.27

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (and, in some instances, in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

IFRS 16.38(b)

IFRS 16.36
IFRS 16.39

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is generally not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see Note 7C.1).

7F. Leases *continued*

7F.2 Accounting policy – leases *continued*

(iii) Short-term leases and leases of low-value assets

IFRS 16.5
IFRS 16.6

The Group applies the short-term lease recognition exemption to its short-term leases of equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgements, estimates and assumptions

Identification of non-lease components

In addition to containing a lease, the Group's mining services arrangement involves the provision of additional services, including personnel cost, maintenance, drilling related activities and other items. These are considered to be non-lease components and the Group has elected to separate these from the lease components. Judgement is required to identify each of the lease and non-lease components. The consideration in the contract is then allocated between the lease and non-lease components on a relative stand-alone price basis. This requires the Group to estimate stand-alone prices for each lease and non-lease component.

Accounting for leases and joint operations

Where the Group participates in a joint operation, either as a lead operator or non-operator party, determining whether to recognise and how to measure a lease obligation involves judgement and requires identification of which entity has primary responsibility for the lease obligations entered into in relation to the joint operation's activities.

Where the joint operation (including all parties to that arrangement) has the right to control the use of the identified asset and has a primary obligation to make payments to the third party supplier, each joint operation participant (including Good Mining) would recognise its proportionate share of the lease-related balances. This may arise where all parties to an unincorporated joint operation sign the lease agreement, or the joint operation is some sort of entity or arrangement that can sign in its own name.

However, where Good Mining is the lead operator and is the sole signatory such that it is the one with the legal obligation to pay the third party supplier, it would recognise 100% of the lease-related balances on its balance sheet. Good Mining would then need to assess whether the arrangement with the non-operator parties (which is often governed by a joint operating agreement (JOA)) contains a sublease. This assessment would be based on the terms and conditions of each arrangement and may be impacted by the legal jurisdiction in which the joint arrangement operates. Regardless of whether there is a sublease or not, Good Mining, as the lead operator, would always continue to recognise 100% of the lease liability for as long as it remains a party to the arrangement with the third party supplier and has primary obligation to the lease payments.

Identifying in-substance fixed rates versus variable lease payments

The lease payments used to calculate the lease-related balances under IFRS 16 include fixed payments, in-substance fixed payments and variable payments based on an index or rate. Variable payments not based on an index or rate are excluded from the measurement lease liabilities and related assets. For one of the Group's drilling rig contracts, in addition to the fixed payments, there are payments that are contractually described as variable but are in-substance fixed payments because the contract terms require the payment of a fixed minimum amount that is unavoidable. The payments are expressed as a rate paid for each operating day, hour or fraction of an hour and can change depending on when and how the asset is being used. The types of rates that the Group may be charged under this arrangement include:

- **Full operating rate** – a rate charged when the rig is operating at full capacity with a full crew
- **Standby rate or cold-stack rate** – a rate charged when the Group unilaterally puts the rig on standby
- **Major maintenance rate** – a minimal rate charged when the lessor determines that maintenance needs to be performed and the rig is not available for use by the lessee
- **Inclement weather rate** – a 'zero rate' charged when weather makes it dangerous to operate the rig and, therefore, it is not available for use by the lessee.

7F. Leases continued

7F.2 Accounting policy – leases *continued*

Significant judgements, estimates and assumptions **continued**

Identifying in-substance fixed rates versus variable lease payments ***continued***

Therefore, the Group has had to apply judgement to determine to identify in-substance fixed payments, included in the lease payments used to calculate the lease-related balances. Other payments identified as variable not based on an index or rate, are excluded from recognition and measurement of the lease-related balances. The Group has assessed that while there is variability in the pricing, there is a minimum rate which is considered to be the lowest rate the Group would pay while the asset is available for use by the Group, which is the standby or cold-stack rate. The major maintenance and inclement weather rates do not represent the minimum as these are only payable when the asset is not available for use. The additional full operating rates represent variable lease payments.

Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in its leases. Therefore, it uses the relevant incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR, therefore, reflects what the Group would have to pay, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) and to make adjustments to reflect the terms and conditions of the lease (for example, when leases are not in a subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to consider certain contract and entity-specific judgements estimates (such as the lease term and a subsidiary's stand-alone credit rating).

Commentary

As described in Note 2C.1 the IASB issued *Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases* to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic.

The amendment was intended to apply until 30 June 2021, but as the impact of the pandemic is continuing, the IASB, on 31 March 2021, extended the period of the application of the practical expedient until 30 June 2022. Many lessors have provided rent concessions to lessees as a result of the pandemic. Rent concessions can include rent holidays or rent reductions for a period of time, possibly followed by increased rent payments in future periods. Applying the requirements of IFRS 16 for changes to lease payments, particularly assessing whether the rent concessions are lease modifications and applying the required accounting, could be practically difficult in the current environment. The objective of the amendment is to provide lessees that have been granted Covid-19 related rent concessions with practical relief, while still providing useful information about leases to users of the financial statements.

As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under
IFRS 16, if the change were not a lease modification. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic.

A lessee that applies the practical expedient discloses that it has applied the practical expedient to all rent concessions that meet the conditions for the practical expedient or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient. In addition, a lessee discloses the amount recognised in profit or loss to reflect changes in lease payments that arise from such rent concessions to which the lessee has applied the practical expedient.

Entities will need to assess whether the regulator in their jurisdiction allows the use of the relief and the date from which it is effective.

The Group did not have any leases impacted by the amendment.

Section 8: Working capital

This section provides additional information that the directors consider is most relevant in understanding the composition and management of the Group's working capital:

- Inventories (Note 8A)
- Trade and other receivables (Note 8B)
- Cash and short-term deposits (Note 8C)
- Accounts payable, contract liabilities and accrued liabilities (Note 8D)

8A. Inventories

	2021	2020	
8A.1 Inventory balances	**US$ million**	**US$ million**	*IAS 1.78(c)* *IAS 2.36(b)(c)*
At cost			
Gold bullion	9	7	
Copper concentrate	29	33	
Metal in circuit	28	21	
Ore stockpiles – current	45	36	
Materials and supplies	12	15	
Total current inventories	**123**	**112**	
Non-current inventories – ore stockpiles	**3**	**3**	
Total inventories at the lower of cost and net realisable value	**126**	**115**	

The portion of the ore stockpile that is to be processed more than 12 months from the reporting date is classified as non-current inventory.

8A.2 Accounting policy - inventories

IAS 2.36(a)
IAS 2.9
IAS 2.6

Gold bullion, gold and copper in concentrate, metal in circuit and ore stockpiles are physically measured or estimated and valued at the lower of cost or net realisable value. Net realisable value is the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

IAS 2.10

If the ore stockpile is not expected to be processed in 12 months after the reporting date, it is included in non-current assets and the net realisable value is calculated on a discounted cash flow basis.

IAS 2.27
IAS 2.14

Cost is determined by using the weighted-average method and comprises direct purchase costs and an appropriate portion of fixed and variable overhead costs, including depreciation and amortisation, incurred in converting materials into finished goods, based on the normal production capacity. The cost of production is allocated to joint products using a ratio of spot prices by volume at each month end. Separately identifiable costs of conversion of each metal are specifically allocated.

IAS 2.29

Materials and supplies are valued at the lower of cost or net realisable value. Any provision for obsolescence is determined by reference to specific items of stock. A regular review is undertaken to determine the extent of any provision for obsolescence.

Significant estimates and assumptions

Net realisable value tests are performed at each reporting date and represent the estimated future sales price of the product the entity expects to realise when the product is processed and sold, less estimated costs to complete production and bring the product to sale.

Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces is based on assay data, and the estimated recovery percentage is based on the expected processing method.

Stockpile tonnages are verified by periodic surveys.

8A. Inventories *continued*

8A.2 Accounting policy - inventories *continued*

Commentary

By-products and joint products

It is common for more than one product to be extracted from the same reserves (e.g., silver is often found together with gold and copper). In most cases, where more than one product is produced, there is a clear distinction between the main product and the by-product. IAS 2 *Inventories* prescribes that, when the costs of conversion of each product are not separately identifiable, they are allocated between the products on a rational and consistent basis. The allocation may be based, for example, on the relative sales value of each product either at the stage in the production process when the products become separately identifiable, or at the completion of production. Most by-products, by their nature, are immaterial. When this is the case, they are often initially measured at the net realisable value. The remaining costs, if recoverable, are attributed to the main product. As a result, the carrying amount of the main product is not materially different from its cost. IAS 2 does not require extensive disclosures in respect of by-products. However, if the amounts are material, disclosure of accounting policies applied to by-products and the line item in which revenues and the carrying amounts of by-products should be provided in the financial statements.

By-products with significant value should be accounted for as joint products. Joint products, by definition, are significant in value and require an entity to allocate, on a rational and consistent basis, the costs of conversion that are not separately identifiable to each product.

However, there are some entities that treat such by-product sales as a negative cost, i.e., by crediting these against cost of goods sold of the main product. This treatment would likely only be acceptable on the basis of materiality. It is important to note that the negative cost approach discussed in IAS 2, [IAS 2.14], only relates to the allocation of the costs of conversion between the main product and by-product and does not allow the revenue from a sale of by-products as a reduction of cost of goods sold (even if the sales are not significant).

If an entity determines the sale of by-products or scrap materials is in the course of its ordinary activities (even if they are not significant), the entity would recognise those sales as revenue from contracts with customers under IFRS 15. If an entity determines that such sales are not in its ordinary course of business, the entity would recognise those sales as either other income or other revenues (i.e., separate from revenue from contracts with customers) because they represent sales to non-customers.

Determining net realisable value (NRV)

IAS 2 provides limited guidance on how to determine net realisable value. The IFRS Interpretations Committee received a request for clarification on how to determine which costs should be included as part of the costs necessary to make the sale when determining the net realisable value in accordance with IAS 2. In June 2021, the Committee decided not to add the matter to its standard-setting agenda. The Committee observed that paragraph 28 of IAS 2 describes the objective of writing inventories down to their net realisable value which is to avoid inventories being carried 'in excess of amounts expected to be realised from their sale'. The Committee further observed that the requirement in paragraph 28 of IAS 2 does not allow an entity to limit such costs to only those that are incremental, thereby potentially excluding costs the entity must incur to sell its inventories but that are not incremental to a particular sale. Including only incremental costs could fail to achieve the objective set out in that paragraph of the standard. Judgement will be needed to determine which costs are necessary to make the sale.

Therefore, in allocating production costs to the low grade ore stockpile and in subsequently assessing net realisable value, an entity should consider the following:

- timing of sale: what is a reasonable and supportable assumption about the time it takes to sell;
- commodity prices: whether to use those at the reporting date or future commodity prices. The commodity price at the reporting date may not be representative of the price that can realistically be expected to prevail when the ore is expected to be processed. The assumptions as to the long-term commodity prices used in the estimate of the sales proceeds and the expected timing of realisation, should generally be consistent with those used in the Life of Mine Plan and other models that would be used for valuation and impairment purposes;
- costs of processing: these may change in the future because of inflation, technological changes and new environmental regulations;
- storage costs: specifically how these should be factored in; and
- time value of money: depending on how net realisable value is determined and what inputs are used, the time value of money may impact the calculation of net realisable value. IAS 2 is silent as to how to address the time value of money and does not consider the degree to which the use of future commodity prices may already reflect the time value of money.

Given the above, significant judgement will be involved and key estimates and assumptions made should be disclosed where material.

8B. Trade and other receivables

	2021 US$ million	2020 US$ million	
Trade receivables (not subject to provisional pricing) – amortised cost	423	454	*IFRS 15.116(a)*
Trade receivables (subject to provisional pricing) – fair value	130	105	*IFRS 15.116(a)*
Other receivables	48	51	
Joint arrangements	33	–	
Total trade and other receivables	**634**	**610**	
Allowance for expected credit losses	(6)	(6)	
Total trade and other receivables	**628**	**604**	

IAS 1.78(b)
IFRS 7.6

Refer Note 2D.1(a) for the accounting policy for trade and other receivables.

Trade receivables (not subject to provisional pricing) are non-interest-bearing and are generally on terms of 30 to 90 days.

Trade receivables (subject to provisional pricing) are non-interest bearing, but as discussed in Note 2D.1(a) above, are exposed to future commodity price movements over the QP and, hence, fail the SPPI test and are measured at fair value up until the date of settlement. These trade receivables are initially measured the amount which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP. Approximately 90% of the provisional invoice (based on the provisional price (calculated as the average price in the week prior to delivery)) is received in cash when the goods are loaded onto the ship, which reduces the initial receivable recognised under IFRS 15. The QPs can range between one and three months post shipment and final payment is due between 30-90 days from the end of the QP. Refer Note 7C.3 for details of fair value disclosures.

Joint arrangement receivables are payable within 90 days of the cash call.

Commentary

IFRS 15.116 requires the disclosure of the opening balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. The Group has presented the balances as at 1 January 2018 to comply with this requirement.

The Group disclosed its receivables arising from contracts with customers separately from other receivables. It will be necessary for entities that have receivables from non-IFRS 15 contracts to separate these balances for disclosure purposes. For example, an entity may have accounts receivable relating to leasing contracts that would need to be disclosed separately from accounts receivable related to contracts with customers.

Impairment of trade and other receivables

Joint arrangement receivables for the Group include an amount in respect of outstanding cash calls of US$29.7 million (2020: nil) receivable from the Cuprum joint venture partner, Red Copper Limited. The overdue cash calls are not considered materially impaired based on the creditworthiness of the counterparty. Management is currently pursuing payment of this amount.

Set out below is the movements in the allowance for expected credit losses of trade receivables (not subject to provisional pricing):

IFRS 7.35H

	2021 US$ million	2020 US$ million
At 1 January	6	5
Provision for expected credit losses (Note 5B)	6	4
Amounts written off	(3)	(1)
Unused amounts reversed	(3)	(2)
At 31 December	**6**	**6**

8B. Trade and other receivables *continued*

Set out below is the information about the credit risk exposure on the Group's trade receivables (not subject to provisional pricing) using a provision matrix.

IFRS 7.35M
IFRS 7.35N

31 December 2021

	Total	**Current**	**< 30 days**	**30–60 days**	**61–90 days**	**> 90 days**
	US$ million	**US$ million**	**US$ million**	**US$ million**	**US$ million**	**US$ million**
Expected credit loss rate		0.67%	0.94%	1.42%	5.55%	6.25%
Estimated total gross carrying amount at default	423	150	160	70	27	16
Expected credit loss	**6.0**	**1.0**	**1.5**	**1.0**	**1.5**	**1.0**

31 December 2020

	Total	**Current**	**< 30 days**	**30–60 days**	**61–90 days**	**> 90 days**
	US$ million	**US$ million**	**US$ million**	**US$ million**	**US$ million**	**US$ million**
Expected credit loss rate		0.70%	1.25%	2.98%	4.69%	8.33%
Estimated total gross carrying amount at default	454	287	100	42	16	9
Expected credit loss	**6.0**	**2.0**	**1.25**	**1.25**	**0.75**	**0.75**

Commentary

The disclosures above only relate to trade receivables (not subject to provisional pricing) carried at amortised cost. Other receivables are either not materially impaired (joint arrangements and other receivables) or are measured at fair value (trade receivables (subject to provisional pricing)).

IFRS 7.35H requires tabular disclosure of a reconciliation from the opening balance to the closing balance of the loss allowance by class of financial instrument. The Group has provided this required reconciliation for trade receivables (not subject to provisional pricing). IFRS 7.35I requires an entity to provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. However, it does not explicitly require a reconciliation of movements in the gross carrying amounts in a tabular format and the requirement could be addressed using a narrative explanation.

Significant judgements, estimates and assumptions

Provision for expected credit losses (ECLs) of trade receivables

IFRS 7.35G
IFRS 7.35F(c)

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (e.g., by geography, product type, customer type and/or rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year, which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

8B. Trade and other receivables *continued*

Commentary

Under IFRS 7.35G(b), an entity must disclose how forward-looking information has been incorporated in the determination of ECL, including the use of macroeconomic information. The Group did not provide detailed information on how the forecast economic conditions have been incorporated in the determination of ECL because the impact is not significant. Entities are expected to provide more detailed information if the forward-looking information has a significant impact in the calculation of ECL.

8C. Cash and short-term deposits

	2021	2020	
	US$ million	US$ million	
Cash at banks and on hand	26	111	
Short-term deposits	382	378	
Cash and cash equivalents	**408**	**489**	*IAS 7.6*

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The Group deposits cash surpluses only with major banks of high-quality credit standing.

IAS 7.45

For the purpose of consolidated statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	2021	2020
	US$ million	US$ million
Cash at banks and on hand	26	111
Short-term deposits	382	378
Cash and short-term deposits	408	489
Bank overdrafts (Note 7C.1)	(8)	(51)
Cash and cash equivalents	**400**	**438**

IAS 7.50

At 31 December 2021, the Group had available US$27 million (2020: US$287 million) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

IAS 7.48

The Group has US$50 million (2020: US$50 million) in restricted cash held at local banks as a result of a change in governmental regulation in 2010 that required a mandatory reserve in accordance with statutory requirements for certain rehabilitation provisions to be incurred at the end of mine life. The reserve is not available to finance the Group's day-to-day operations and, therefore, has been excluded from cash and cash equivalents for the purposes of the statement of cash flows. It has been disclosed as a non-current asset.

Commentary

The Group included its bank overdrafts as part of cash and cash equivalents. This is because these bank overdrafts are repayable on demand and form an integral part of the Group's cash management (IAS 7.8).

An entity would need to assess whether its banking arrangement is an integral part of its cash management. Cash management includes managing cash and cash equivalents for the purpose of meeting short-term commitments rather than for investment or other purposes. The Interpretations Committee concluded in June 2018, that if the balance of a banking arrangement does not often fluctuate from being negative to positive, then this indicates that the arrangement does not form an integral part of the entity's cash management and, instead represents a form of financing.

The amount of cash and cash equivalent balances that are not available for use by the Group should be disclosed, together with a commentary by management to explain the circumstances of the restriction. Examples include cash and cash equivalents held by a subsidiary operating under exchange controls or other legal restrictions that prevent their general use by the parent or other subsidiaries [IAS 7.49].

The nature of the restriction must be assessed to determine whether the balance is ineligible for inclusion in cash equivalents because the restriction results in the investment ceasing to be highly liquid or readily convertible. For example, where an entity covenants to maintain a minimum level of cash or deposits as security for certain short-term obligations, and provided that no amounts are required to be designated for that specific purpose, such balances could still be regarded as cash equivalents, albeit subject to restrictions, as part of a policy of managing resources to meet short-term commitments. However, an entity may be required to formally set aside cash, for example, by way of a deposit into an escrow account, as part of a specific project or transaction, such as the acquisition or construction of a property. In such circumstances, it is necessary to consider the terms and conditions relating to the account and the conditions relating to both the entity's and the counterparty's access to the funds in it to determine whether it is appropriate for the deposit to be classified in cash equivalents.

8D. Accounts payable, contract liabilities and accrued liabilities

	2021 US$ million	2020 US$ million	
			IAS 1.77
Trade payables	531	462	
Other payables	26	20	
Contract liabilities* (see Note 5C.2)	10	12	*IFRS 15.105*
Payables and accruals to a joint operations partner	32	54	
	599	**548**	

* The opening balance of contract liabilities at 1 January 2020 was $10 million. The movement in contract liabilities from one period to the next depends on the value of deferred revenue relating to freight/shipping services that are still in the process of being provided at period end, i.e., because a shipment of copper concentrate subject to CIF/CFR Incoterms is still on the water at period end.

IFRS 15.116(a)
IFRS 15.117
IFRS 15.118

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest-bearing and are normally settled on 60-day terms
- Other payables are non-interest-bearing and have an average term of six months
- Payables and accruals to a joint operations partner mainly represent joint expenses that were paid by the other joint operations partner, which are non-interest-bearing and are normally settled on 60-day terms

Section 9: Other

This section provides additional information about various other disclosures including some disclosures that the directors of the Group consider to be less significant to the users of the financial statements. These include:

- Provisions (Note 9A)
- Contingencies (Note 9B)
- Events after reporting date (Note 9C)
- Standards issued but not yet effective (Note 9D)

9A. Provisions

9A.1 Roll-forward

	Rehabilitation US$ million	Other US$ million	Total US$ million	
At 1 January 2021	**388**	**1**	**389**	*IAS 37.84(a)*
Acquisition of a subsidiary	65	20	85	*IAS 37.84(b)*
Arising during the year	230	–	230	*IAS 37.84(b)*
Write-back of unused provisions	(1)	–	(1)	*IAS 37.84(d)*
Disposals	(89)	–	(89)	*IAS 37.84(c)*
Unwinding of discount	27	–	27	*IAS 37.84(e)*
Utilisation	(2)	–	(2)	*IAS 37.84(c)*
At 31 December 2021	**618**	**21**	**639**	

9A.2 Balance composition

	Rehabilitation US$ million	Other US$ million	Total US$ million
Current 2021	17	12	29
Non-current 2021	601	9	610
	618	**21**	**639**
Current 2020	15	1	16
Non-current 2020	373	–	373
	388	**1**	**389**

9A. Provisions *continued*

9A.3 Description of provisions

(a) Rehabilitation provision

The Group makes full provision for the future cost of rehabilitating mine sites and related production facilities on a discounted basis at the time of developing the mines and installing and using those facilities.

The rehabilitation provision represents the present value of rehabilitation costs relating to mine sites, which are expected to be incurred up to 2031, which is when the producing mine properties are expected to cease operations. These provisions have been created based on the Group's internal estimates. Assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in technology to restore the mine sites. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary rehabilitation works required that will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mines cease to produce at economically viable rates. This, in turn, will depend upon future gold and copper prices, which are inherently uncertain.

The discount rate used in the calculation of the provision as at 31 December 2021 equalled 1.5% (2020: 2.0%).

Commentary

As part of disclosure effectiveness, a mining and metals entity may consider that information about rehabilitation provisions may be better suited in the section on invested capital (Section 6 in these financial statements). This will be a decision that each entity will need to make based upon its facts and circumstances.

(b) Other provisions

IFRS 3.B28-29

Other provisions mainly comprise provisions for litigation claims. Included in these provisions is a contingent liability recognised at a fair value of US$10 million on the acquisition of Oasis Minerals Limited. The claim is subject to legal arbitration and is only expected to be finalised in early 2022. This amount remained unchanged at the reporting date.

9A.4 Accounting policy – provisions

(a) General

IAS 37.14
IAS 37.53
IAS 37.54

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss and other comprehensive income net of any reimbursement.

IAS 37.45
IAS 37.47
IAS 37.60

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as part of finance costs in the statement of profit or loss and other comprehensive income.

9A. Provisions *continued*

9A.4 Accounting policy – provisions *continued*

(b) Rehabilitation provision

Mine rehabilitation costs will be incurred by the Group either while operating, or at the end of the operating life of, the Group's facilities and mine properties. The Group assesses its mine rehabilitation provision at each reporting date. The Group recognises a rehabilitation provision where it has a legal and constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. The nature of these restoration activities includes: dismantling and removing structures; rehabilitating mines and tailings dams; dismantling operating facilities; closing plant and waste sites; and restoring, reclaiming and revegetating affected areas.

IAS 37.14

The obligation generally arises when the asset is installed or the ground/environment is disturbed at the mining operation's location. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related mining assets to the extent that it was incurred as a result of the development/construction of the mine. Any rehabilitation obligations that arise through the production of inventory are recognised as part of the related inventory item. Additional disturbances that arise due to further development/construction at the mine are recognised as additions or charges to the corresponding assets and rehabilitation liability when they occur. Costs related to the restoration of site damage (subsequent to the start of commercial production) that is created on an ongoing basis during production are provided for at their net present values and recognised in profit or loss as extraction progresses.

IAS 37.17

IAS 16.16

IFRIC 1.5(a)

Changes in the estimated timing of rehabilitation or changes to the estimated future costs are dealt with prospectively by recognising an adjustment to the rehabilitation liability and a corresponding adjustment to the asset to which it relates, if the initial estimate was originally recognised as part of an asset measured in accordance with IAS 16.

IFRIC 1.2

Any reduction in the rehabilitation liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the statement of profit or loss and other comprehensive income.

IFRIC 1.5(a),(b)

If the change in estimate results in an increase in the rehabilitation liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, for mature mines, the estimate for the revised mine assets net of rehabilitation provisions exceeds the recoverable value, that portion of the increase is charged directly to expense.

IFRIC 1.5(c)

Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as part of finance costs.

IFRIC 1.8

For closed sites, changes to estimated costs are recognised immediately in the statement of profit or loss and other comprehensive income.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

Significant estimates and assumptions

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (4% (2020: 1.5%)), and changes in discount rates (1.5% (2020: 2%)). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

9A. Provisions *continued*

9A.4 Accounting policy – provisions *continued*

(c) Environmental expenditures and liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed as incurred.

Liabilities for environmental costs are recognised when an obligation to undertake clean-up activities is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognised is the present value of the estimated future expenditure.

IAS 37.37

Commentary

Changes to the provision

Where a reduction in a rehabilitation obligation is to be deducted from the cost of the asset, the cost of the asset is the written-down carrying value of the whole asset (comprising its construction costs and rehabilitation costs). It is not just the rehabilitation asset that was originally recognised. This view is based on the example and associated solution set out in IFRIC 1 *Changes in Existing Decommissioning, Restoration and Similar Liabilities*. The solution does not treat the rehabilitation element as a separate component of the asset. Accordingly, we believe that it would not be appropriate to recognise any gain until the carrying value of the whole asset is extinguished.

IFRIC 1 IE1-4

Deferred tax

Three alternative approaches are seen in practice when determining how to account for a deferred tax on the temporary differences that arise from the initial recognition of the decommissioning asset and liability should be recognised. These are, as follows:

Approach 1: The entity applies the initial recognition exemption of IAS 12.15 and IAS 12.24 and, hence, recognises neither the deferred income tax asset in relation to the temporary difference on the rehabilitation liability nor the corresponding deferred income tax liability in relation to the temporary difference on the rehabilitation asset. The initial recognition exemption applies to each separately recognised element in the statement of financial position with no subsequent recognition reassessment.

Approach 2: Consider the asset and the liability separately whereby the entity recognises: (1) a deferred income tax asset in relation to the temporary difference on the rehabilitation liability; and (2) a deferred income tax liability in relation to the temporary difference on the rehabilitation asset. On initial recognition, the deferred income tax asset and deferred income tax liability are equal and opposite, and the criteria for offsetting contained in IAS 12.71 and IAS 12.76 are met, so the net amount recognised in the financial statements is zero. However, subsequently, the rehabilitation asset will most likely be amortised at a different rate than the underlying rehabilitation liability, at which point, deferred tax is recognised on these subsequent changes such that a net deferred income tax asset or liability is recognised.

Approach 3: Regard the asset and the liability as in-substance linked to each other. The entity would consider any temporary differences on a net basis and recognise deferred tax on that net amount. In this approach, the non-deductible asset and the tax deductible liability are regarded as being economically the same as a tax deductible asset that is acquired on deferred terms (where the repayment of the loan does not normally give rise to tax). On this basis, the net carrying value of the asset and liability is zero on initial recognition, as is the tax base. There is therefore no temporary difference and the initial recognition exception does not apply. Deferred tax is recognised on subsequent temporary differences that arise when the net asset or liability changes from zero.

Given the divergence in practice, the IASB considered the issue and, in May 2021 it issued an amendment to IAS 12 entitled *Deferred Tax related to Assets and Liabilities arising from a Single Transaction: Amendments to IAS 12*. The amendment applies to annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

The amendment excludes from the scope of the initial recognition exception those transactions that give rise to equal taxable and deductible temporary differences, such as leases and rehabilitation obligations, and, instead, require an entity to recognise deferred tax related to these amounts. The amendment also clarifies that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognised in the financial statements (and interest expense) or to the related asset component (and interest expense). The exercise of judgement is important in determining whether any temporary differences exist on initial recognition of the asset and liability.

Notwithstanding that the amendment to IAS 12 could result in a change in accounting being required, we believe that any of the approaches currently applied in practice will continue to be acceptable until the amendments are mandatory.

9A. Provisions *continued*

IAS 8.10

9A.4 Accounting policy – provisions *continued*

(d) Greenhouse gas emissions

The Group receives free emission rights in certain countries as a result of the emission trading schemes of those countries. The rights are received on an annual basis and, in return, the Group is required to remit rights equal to its actual emissions. The Group has adopted the net liability approach to the emission rights granted. Therefore, a provision is recognised only when actual emissions exceed the emission rights granted and still held. The emission costs are recognised as other expenses.

Where emission rights are purchased from other parties, they are recorded at cost and treated as a reimbursement right, whereby they are matched to the emission liabilities and re-measured to fair value, and the changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Commentary

IAS 37 provides a choice of presenting expenditures to settle a provision either net of any reimbursement or on a gross basis. The Group has elected to present the expenses net of reimbursements. IFRIC 3 was withdrawn in June 2005 as the IASB is developing guidance on accounting for emission rights. In the absence of specific guidance, management must develop an accounting policy that is relevant and reliable. The Group has applied the net liability approach based on IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* paragraph 23. However, emission rights received for free could also be recognised as intangible assets at their fair value with all the disclosures required by IAS 38.

9B. Contingencies

IAS 37.86

At 31 December 2021, contingent liabilities amounting to US$79 million (2020: US$85 million) existed in respect of performance guarantees for committed exploration programmes. The amount of the contingency is uncertain due to the long-term nature of the programme.

9C. Events after the reporting date

IAS 10.21
IAS 10.10

On 20 January 2022, the Group performed its annual evaluation of reserves. The evaluation indicated that total reserves of the Aurum mine were 15 million ounces (according to the previous evaluation, performed in December 2021, reserves were 11 million ounces). The Group believes that the change in mineral reserves is a change in estimate under IAS 8 and the related impact on asset depreciation/amortisation and impairment is to be accounted for prospectively from the date the new information becomes available.

IAS 10.12

The directors, at their meeting on 27 January 2022, approved a proposal to be put before the annual general meeting of shareholders to be held on 19 February 2022, for the payment of a final dividend of US$235 million for the year ended 31 December 2021 (US$0.15 dividend per share) to all ordinary shareholders registered at 27 January 2022. The amount is not recognised as a liability at 31 December 2021.

9D. Standards issued but not yet effective

IAS 8.30
IAS 8.31(d)

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group’s financial statements that the Group reasonably expects will have an impact on its disclosures, financial position or performance when applied at a future date, are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

9D. Standards issued but not yet effective *continued*

Amendments to IAS 1: *Classification of Liabilities as Current or Non-current*
In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Reference to the Conceptual Framework – *Amendments to IFRS 3*
In May 2020, the IASB issued Amendments to IFRS 3 *Business Combinations - Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018 without significantly changing its requirements.

The Board also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

At the same time, the Board decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the Framework for the Preparation and Presentation of Financial Statements.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Property, Plant and Equipment: Proceeds before Intended Use – *Amendments to IAS 16*
In May 2020, the IASB issued *Property, Plant and Equipment — Proceeds before Intended Use*, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

Onerous Contracts – Costs of Fulfilling a Contract – *Amendments to IAS 37*
In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments.

9D. Standards issued but not yet effective *continued*

IFRS 9 *Financial Instruments* – Fees in the '10 per cent' test for derecognition of financial liabilities
As part of its 2018-2020 annual improvements to IFRS standards process, the IASB issued amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. The fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is not expected to have a material impact on the Group.

Definition of Accounting Estimates - Amendments to IAS 8
In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2
In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgements*, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures.

Commentary

IAS 8.30 requires disclosure of standards and interpretations that have been issued but are not yet effective. These disclosures are required to provide known or reasonably estimable information to enable users to assess the possible impact of the application of such IFRSs on an entity's financial statements. The Group has listed all standards and interpretations that it reasonably expects may have an impact on either its accounting policy, financial position or performance, presentation and/or disclosures (i.e., omitting those standards, interpretations and/or amendments that have no impact).

Refer to *Good Group (International) Limited 2021 illustrative financial statements* for more information on other standards and interpretations issued, but not yet effective, which are not applicable to the Good Mining Group but may impact your entity. It is worth noting that many regulators and various other bodies around the world have issued guidance on the level of disclosure in respect of the expected impact arising from "standards issued but not yet effective" as the effective dates of these new standards approach. Generally, these disclosures would need to become more detailed and entities will need to consider providing both qualitative and quantitative information as the effective dates get closer. Entities need to be aware of the guidance that may be relevant to their jurisdiction and take it into consideration when determining the extent of disclosures in the consolidated financial statements.

Appendix A – Consolidated statement of cash flows – direct method

for the year ended 31 December 2021

Commentary

IAS 7.18 allows entities to report cash flows from operating activities using either the direct or indirect methods. The Group presents cash flows using the indirect method. However, the statement of cash flows prepared using the direct method for operating activities is presented in this appendix for illustrative purposes.

	Notes	2021 US$ million	2020 US$ million	*IAS 1.10(d)* *IAS 1.51(c)* *IAS 1.51(d)(e)*
Operating activities				*IAS 7.10,18(a)*
Receipts from customers		3,831	2,508	
Payments to suppliers and employees		(1,081)	(982)	
Variable lease payments		(28)	(12)	
Short-term lease payments		(10)	(8)	
Low-value asset payments		(5)	-	
Income tax paid		(584)	(372)	*IAS 7.35*
Net cash flows from operating activities		**2,123**	**1,134**	
Investing activities				*IAS 7.10, 21*
Investment in exploration and evaluation assets	6A	(358)	(293)	*IAS 7.16(a)*
Expenditures on mine development	6B	(1,246)	(1,539)	*IAS 7.16(a)*
Expenditures on other intangible assets	6D	(5)	(4)	*IAS 7.16(a)*
Expenditures on property, plant and equipment	6C	(1)	(32)	*IAS 7.16(a)*
Acquisition of a subsidiary, net of cash acquired	4A	(439)	–	*IAS 7.39*
Proceeds on disposal of exploration and evaluation assets		23	–	*IAS 7.16(b)*
Proceeds on disposal of mine properties		65	110	*IAS 7.16(b)*
Proceeds on disposal of property, plant and equipment		23	12	*IAS 7.16(b)*
Finance income from investing activities		24	25	*IAS 7.31*
Net cash flows used in investing activities		**(1,914)**	**(1,721)**	
Financing activities				*IAS 7.10, 21*
Proceeds from issuance of shares	7B	–	728	*IAS 7.17(a)*
Proceeds from loans and borrowings	7D	331	–	*IAS 7.17(c)*
Payments of loans and borrowings	7D	(114)	(32)	*IAS 7.17(d)*
Payment of principal portion of lease liabilities	7F	(39)	(44)	*IAS 7.17(e)*
Interest paid		(68)	(18)	*IAS 7.31*
Dividends paid	7E	(350)	(140)	*IAS 7.31*
Net cash flows (used in)/from financing activities		**(240)**	**494**	
Net increase/(decrease) in cash and cash equivalents		(31)	(93)	
Cash and cash equivalents at 1 January	8C	**388**	**481**	
Cash and cash equivalents at 31 December	8C	**357**	**388**	*IAS 7.45*

Commentary

IAS 7.33 permits interest paid to be shown as operating or financing activities and interest received to be shown as operating or investing activities, as deemed relevant for the entity. The Group has elected to classify interest received and interest paid as cash flows from operating activities.

Appendix B – Additional illustrative IFRS 15 wording

Commentary

The main body of Good Mining only illustrates example wording with respect to the impact of IFRS 15 on the transactions that are relevant to the Group's transactions and nature of its business. This Appendix illustrates some additional wording that may be useful to consider for other types of transactions that mining and metals entities may encounter. These are illustrative only and entities should ensure their disclosures properly reflect the fact pattern of the transactions relevant to their own operations. They should also monitor developments to ensure this illustrative disclosure continues to be relevant.

For additional information on other potential IFRS 15 disclosures, readers should refer to *Good Group (International) Limited 2021 illustrative financial statements.*

5C. Revenue from contracts with customers

5C.2 Accounting policy – revenue from contracts with customers

(b) Gold and copper in concentrate (metal in concentrate) sales

For most gold and copper in concentrate (metal in concentrate) sales, the enforceable contract is each purchase order, which is an individual short-term contract. For one customer in Euroland, there is a long-term, five-year contract where the customer is required to purchase a minimum quantity each year, which has Free on Board (FOB) Incoterms and this represents the enforceable contract.

IFRS 15.119

For the Group's metal in concentrate sales not sold under CFR and CIF Incoterms, the performance obligations are the delivery of the concentrate. A proportion of the Group's metal in concentrate sales are sold under CFR or CIF Incoterms, whereby the Group is also responsible for providing freight/shipping services. In these situations, the freight/shipping services also represent separate performance obligations. Refer to Note 5C.2(c) for further discussion.

The majority of the Group's sales of metal in concentrate allow for price adjustments based on the market price at the end of the relevant QP stipulated in the contract. These are referred to as provisional pricing arrangements and are such that the selling price for metal in concentrate is based on prevailing spot prices on a specified future date after shipment to the customer. Adjustments to the sales price occur based on movements in quoted market prices up to the end of the QP. The period between provisional invoicing and the end of the QP can be between one and three months.

IFRS 15.125
IFRS 15.126(a)

Revenue is recognised when control passes to the customer, which occurs at a point in time when the metal in concentrate is physically transferred onto a vessel, train, conveyor or other delivery mechanism. The revenue is measured at the amount to which the Group expects to be entitled, being the estimate of the price expected to be received at the end of the QP, i.e., the forward price, and a corresponding trade receivable is recognised. For those arrangements subject to CIF/CFR shipping terms, a portion of the transaction price is allocated to the separate freight/shipping services provided – refer Note 5C.2(c) below for further discussion.

For these provisional pricing arrangements, any future changes that occur over the QP are embedded within the provisionally priced trade receivables and are, therefore, within the scope of IFRS 9 and not within the scope of IFRS 15. Given the exposure to the commodity price, these provisionally priced trade receivables will fail the cash flow characteristics test within IFRS 9 and will be required to be measured at fair value through profit or loss from initial recognition until the date of settlement. These subsequent changes in fair value are recognised on the face of statement of profit or loss and other comprehensive income in each period as part of revenue. Such amounts are then presented separately in the notes from revenue from contracts with customers as part of 'Other revenue'. Changes in fair value over, and until the end of, the QP, are estimated by reference to updated forward market prices for gold and copper as well as taking into account relevant other fair value considerations as set out in IFRS 13, including interest rate and credit risk adjustments. See Note 7C.3 for further discussion on fair value. Refer to Note 8B for details of payments terms for trade receivables.

IFRS 15.126(a)
IFRS 15.120
IFRS 15.126(b)
IFRS 15.122

As noted above, as the enforceable contract for most arrangements is the purchase order, the transaction price is determined at the date of each sale (i.e., for each separate contract). Therefore, there is no future variability within scope of IFRS 15 and no further remaining performance obligations under those contracts. For the customer in Euroland, as discussed above, this is a long-term contract and the nature of the pricing terms are such that the transaction price is determined depending on the timing of when the customer takes delivery of the copper concentrate, the future market price on and around the time of each shipment and the length of the QP. Given this, at contract inception, all consideration is considered variable, and will be recognised utilising the variable consideration allocation exception. This variable consideration is subject to constraint (see significant judgements and estimates for further discussion). Additionally, while there are remaining performance obligations at reporting period end, the transaction price allocated to these remaining performance obligations is not material.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

(b) Gold and copper in concentrate (metal in concentrate) sales *continued*

Commentary

Presentation of movements in provisionally priced sales

IFRS 15.113(a) requires revenue recognised from contracts with customers to be disclosed separately from other sources of revenue, unless presented separately in the statement of profit or loss and other comprehensive income. Some entities present the impact of provisional pricing outside of revenue. For example, Good Mining presents such amounts as part of 'Fair value gains/losses on provisionally priced trade receivables'. However, some entities may elect to present the impacts of provisional pricing as part of revenue on the face of the statement of profit or loss and other comprehensive income.

If an entity wanted to disclose provisional pricing adjustments as part of revenue on the face of the statement of profit or loss and other comprehensive income), it would need to show the impact of provisional pricing, or other items described as revenue that are not in the scope of IFRS 15, separately in the notes to the financial statements, e.g., as 'Other revenue'.

(d) Streaming transactions

Several years ago, the Group entered into a streaming arrangement linked to production for one of its copper/gold operations. In that arrangement, the Group received an upfront amount of US$300 million cash from an investor and in return, the investor received the right to purchase 100% of the future gold production for the life of the mine. In addition, the investor was required to pay the lower of US$400 per ounce or market price at the time of delivery.

This upfront amount is considered to be a partial prepayment for the future delivery of an unknown, but estimable, amount of gold ounces, with each ounce presenting a separate performance obligation. Upon receipt, the upfront amount is recognised as a contract liability. The upfront consideration is considered to represent variable consideration, on the basis that the portion of the upfront amount to be allocated to each future ounce will depend on the number of ounces estimated to remain in the mine. In addition, the transaction price is considered to contain a significant financing component, given the long term nature of the upfront payment and the period of time between the receipt of the upfront cash, and the satisfaction of the future performance obligations. This will result in the Group recognising an interest charge on the upfront amount and will increase the future revenue to be recognised.

Given this, when the underlying production profile of the mine changes and the reserves and resources are updated (typically in the fourth quarter of each year), the variable portion of the transaction price allocated to each ounce will need to be updated in accordance with the requirements in IFRS 15 relating to changes in variable transaction price. The change in transaction price per unit will therefore result in a retrospective adjustment to revenue in the period in which the change occurs, reflecting the updated number of ounces expected to be delivered under the streaming arrangement. There will also be a corresponding adjustment to the interest charge.

Commentary

Accounting for streaming arrangements

Mining exploration and development is a highly capital intensive business and different financing methods have arisen. At times, obtaining financing for these major projects may be difficult, particularly if equity markets are tight and loan financing is difficult to obtain. Some increasingly common structured transactions continue to emerge which involve the owner of the mineral interests, i.e., a mining entity (the producer), selling a specified volume of future production from a specified property to a third party 'investor' for cash. Such arrangements can be referred to as streaming arrangements.

A common example in the mining sector might be a precious metal streaming arrangement where a bulk commodity producer (e.g. a copper producer who has a mine that also produces precious metals as a by-product) enters into an arrangement with a streaming company (the investor). Here the producer receives an upfront cash payment and (usually) an ongoing predetermined per ounce payment for part or all of the by-product precious metal (the commodity) production – ordinarily gold and/or silver, which is traded on an active market. By entering into these contracts, the mining entity is able to access funding by monetising the non-core precious metal, while the investor receives the future production of precious metals without having to invest directly in, or operate, the mine.

These arrangements can take many forms and accounting for such arrangements can be highly complex. In many situations, there is no specific guidance for accounting for these types of arrangements under IFRS.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

(d) Streaming transactions *continued*

Commentary *continued*

Accounting for streaming arrangements *continued*

Generally, the accounting for these arrangements by the producer could be one of the following:

- **A financial liability (i.e., debt) in accordance with IFRS 9**. A key factor in determining whether the contract is a financial liability is whether the contract establishes an unavoidable contractual obligation for the producer to make payments in cash or another financial asset, [IAS 32.11, IAS 32.16(a)], that is, whether the arrangement has more of the characteristics of debt;
- **A sale of a mineral interest (under IAS 16 or IAS 38) and a contract to provide services such as extraction, refining, etc., in accordance with IFRS 15**. This would occur when the arrangement effectively transfers control over a portion of the mine from the producer to the investor and there is an obligation to provide future extraction services; or
- **A commodity contract, which is outside the scope of IFRS 9 and in the scope of IFRS 15**. This would occur when the arrangement is an executory contract to deliver an expected amount of the commodity in the future to the investor from the producer's own operation (i.e., it meets the 'own-use' exemption). If the commodity contract does not meet the own-use exemption, the arrangement will be in scope of IFRS 9

Whether the arrangement constitutes debt, a sale of mineral interest and a contract to provide services or a forward sale of a commodity, is subject to significant judgement.

In each classification, the producer must assess and determine whether the arrangement contains separable embedded derivatives. That is, the producer would need to determine whether the arrangement contains a component or terms which had the effect that some of the cash flows of the combined instrument (being the arrangement) vary in a similar way to a stand-alone derivative (i.e., an embedded derivative).

For both the producer and the investor, each arrangement will have very specific facts and circumstances that will need to be understood and assessed, as different accounting treatments may apply in different circumstances. Understanding the economic motivations and outcomes for both the producer and the investor and the substance of the arrangement are necessary to ensure a robust and balanced accounting conclusion can be reached. In many cases, the route to determining the classification will be a non-linear and iterative process.

Impact of IFRS 15

The potential implications of IFRS 15 need to be considered for transactions which are considered to be either a sale of a mineral interest with a contract to provide services or a commodity contract. Significant judgement is involved in assessing the accounting for these arrangements and will depend on the facts and circumstances of the transaction. The overall impact of IFRS 15 will depend on the nature of the arrangement and what happens to ounces over the life of the arrangement. The recognition of a significant financing component on the contract liability will result in higher interest expense and a higher contract liability in one period, but then a larger amount of revenue and a larger decrease in the contract liability in a subsequent period. Any material changes in the total number of ounces to be delivered under the arrangement, either up or down, will then impact the nature and quantum of the retrospective revenue adjustments to be recognised in the periods in which the ounces change.

In addition, the following IFRS 15 disclosures will be required with respect to:

- Contract liabilities
- The impact of the significant financing components
- Variable consideration and how this is estimated and constrained
- The impacts relating to subsequent retrospective adjustments to revenue made in later periods arising due to updating the number of ounces expected to be delivered under the streaming arrangement
- The transaction price allocated to unsatisfied or partially unsatisfied performance obligations

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

(d) Streaming transactions *continued*

Commentary *continued*

Accounting for streaming arrangements *continued*

(a) Sale of a mineral interest with a contract to provide services

When the nature of the arrangement indicates that the investor's investment is more akin to an equity interest in the project (rather than debt), this may indicate that the producer has essentially sold an interest in a property to the investor in return for the advance. In such a situation, the arrangement would likely be considered (fully or partially) as a sale of a mineral interest. In some instances, some of the upfront payment may also relate to an extraction services contract representing the producer's obligation to extract the investor's share of the future production.

To apply this accounting, an entity would have to be able to demonstrate: that the criteria in relation to the sale of an asset in IAS 16 and IAS 38 have been satisfied; that the investor bears the risks and economic benefits of ownership related to the output and control over a portion of the property (a mineral interest); and that it agrees to pay for a portion or all of the production costs of extracting and/or refining its new mineral interest to the producer. Some of the relevant risks include:

- Production risk (which party bears the risk the project will be unable to produce output or will have a production outage)
- Resource risk (which party bears the risk the project has insufficient reserves to repay the investor)
- Price risk (which party bears the risk the price of the output will fluctuate)

If this is possible, IFRS 15 would indicate that part of this arrangement is outside scope of IFRS 15 and will need to be accounted for in accordance with the applicable IFRS. Consequently, the amount paid by the investor will need to be allocated between the sale of the mineral interest and the provision of future extraction services.

(i) Sale of mineral interest

While a portion relates to the sale of a non-financial asset (e.g., an interest in a mining project), IFRS 15 may still impact these arrangements. This is because the requirements for the recognition and measurement of a gain or loss on the transfer of some non-financial assets that are not the output of an entity's ordinary operations (e.g., property, plant and equipment in the scope of IAS 16), refer to the requirements of IFRS 15 (see EY's *International GAAP 2022* publication, Chapter 27 at 2.6.3, for more detail).

Specifically, an entity needs to:

- Determine the date of disposal and, therefore, the date of derecognition (i.e., the date control transfers to the acquirer)
- Measure the consideration to be included in the calculation of the gain or loss arising from disposal including any variable consideration requirements
- Recognise any subsequent changes to the estimated amount of consideration

Mineral rights and mineral reserves (and, hence, the associated capitalised costs) are outside the scope of both IAS 16 and IAS 38. However, in selecting an accounting policy for the disposal of these assets, in practice, most entities look to the principles of the two standards. Therefore, these requirements are likely to be applied by analogy to arrangements in which an entity sells all (or part) of its mining properties or oil and gas properties and some of the consideration comprises a royalty-based component.

(ii) Future extraction services

For the portion allocated to the future extraction services, the following provisions of IFRS 15 will need to be considered:

- The identification of performance obligations, i.e., future extraction services
- The determination of the transaction price and whether it contains a significant financing component
- The allocation of the transaction price to those performance obligations and how subsequent changes to the transaction price should be allocated
- Whether the performance obligations are satisfied over time or at a point in time

Given the period over which these extraction services are to be provided may extend for quite some time into the future and/or may change (particularly if they relate to the remaining life of the mine or field), this may lead to some complexity in the accounting.

5C. Revenue from contracts with customers *continued*

5C.2 Accounting policy – revenue from contracts with customers *continued*

(d) Streaming transactions *continued*

Commentary *continued*

Accounting for streaming arrangements *continued*

(b) Commodity contract – forward sale of future production

A producer and an investor may agree to enter such an arrangement where both parties have an expectation of the amount of the commodity to be delivered under the contract at inception (for example, based on the reserves) and that there may or may not be additional resources. On the basis that the reserves will be delivered under the contract (and the contract cannot be net settled in cash), the mining company or oil and gas company has effectively pre-sold its future production and the investor has made an upfront payment/advance which would be considered a deposit for some or all of the commodity volumes to be delivered at a future date.

In this case, the arrangement is a commodity contract that falls outside the scope of IFRS 9, but only if the contract will always be settled through the physical delivery of the commodity which has been extracted by the producer as part of its own operations (i.e., it meets the 'own-use exemption' discussed at 13.1 below). [IAS 32.8, IFRS 9.2.4].

To determine if the own-use exemption applies and continues to apply, the key tests are whether the contract will always be settled through the physical delivery of a commodity (that is, not in cash and would not be considered to be capable of net settlement in cash), and that the commodity will always be extracted by the producer as part of its own operations. This means that there is no prospect of the producer settling part, or the entire advance, by delivering a different commodity or purchasing the commodity on the open market or from a third party.

The issues to be considered under IFRS 15 will be the same as those relating to the provision of future extraction services (see (a) above).

Appendix C – Financial reporting considerations relating to Covid-19

Commentary

Examples of financial reporting considerations an entity may need to consider related to Covid-19 are included in the table below.

Potential accounting and disclosure requirements	Considerations
IAS 1 *Presentation of Financial Statements*	IAS 1 requires management, when preparing financial statements, to make an assessment of an entity's ability to continue as a going concern, and whether the going concern assumption is appropriate which may be impacted by Covid-19. Given the unpredictability of the potential impact of the pandemic, there may be material uncertainties that cast significant doubt on the entity's ability to operate on a going concern basis. When the entity prepares the financial statements, it is required to disclose any material uncertainties in the financial statements in order to make clear to readers that the going concern assumption used by management is subject to such material uncertainties.
IAS 2 *Inventories*	Decisions made in response to the pandemic could lead entities to reassess the cost of their inventories. Reduced demand may lead entities to write down their inventories to NRV and determining NRV may require the use of significant judgement. Entities should carefully consider whether additional disclosures are needed to assist users of the financial statements to understand the impact of the pandemic on inventories.
IAS 10 *Events after the Reporting Period*	Entities need to ensure that effective processes are in place to identify and disclose material events after the reporting period which could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.
IAS 12 *Income Taxes*	A range of economic stimulus packages were announced by governments around the world. Government responses to the pandemic have included income tax concessions and other rebates. Entities need to consider the impacts of these legislative changes and stimulus packages on their accounting for income taxes. Entities need to exercise judgement in determining how the receipt of a tax credit should be accounted for, either as a reduction in tax liability, or as the receipt of a government grant, when it is structured as a cash payment or has other indicators of a grant such as non-tax related conditions being attached to it.
IAS 20 *Government grants*	Many countries' governments, agents or similar bodies introduced relevant measures to assist entities in response to the pandemic. These measures include direct subsidies, tax exemptions, tax reductions and credits, extended expiry period of unused tax losses, reduction of public levies, rental reductions or deferrals and low-interest loans. Whilst the benefit of a low-interest loan would be accounted for under IFRS 9 and IAS 20, not all of these measures are accounted for as government grants. For example, a reduction of income tax is accounted for under IAS 12 and rental reductions or deferrals may be accounted for under IFRS 16. The measurement, presentation and disclosure of grants should also be considered.

Appendix C – Financial reporting considerations relating to Covid-19 *continued*

Potential accounting and disclosure requirements	Considerations
IAS 36 *Impairment of Assets* - assessment of non-financial assets	As a result of the pandemic, there may be both external and internal sources of information, such as the fall in stock and commodity prices, decrease in market interest rates, etc., indicating that an asset may be impaired. An entity must also consider the extent to which updates to its assessment are needed to ensure it reflects the most recent facts and circumstances. Further, if an impairment test is required, there may be significant challenges in determining the recoverable amount that is based on value in use when preparing the forecast or budget for future cash flows. In some circumstances, an expected cash flow approach based on probability-weighted scenarios may be more appropriate to reflect the current uncertainty rather than a single best estimate when estimating value in use. Entities should carefully consider the conditions of any government grant in order to assess whether the inclusion of such cash flows in the recoverable amount is based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the cash generating unit (CGU). The reversal of impairment losses and disclosures, including the need for sensitivities also need to be considered.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Insurance recoveries)	An entity may experience a loss related to the pandemic. For example, as a result of the shutdown of its processing facilities as required by the local government, an entity may continue to incur expenses for staff costs, rent and property taxes. Entities often enter into insurance policies to reduce or mitigate the risk of loss arising from business interruption or other events. The accounting for insurance claims will differ based on a variety of factors, including the nature of the claim, the amount of proceeds (or anticipated proceeds) and the timing of the loss and corresponding insurance recovery. In addition, any accounting for insurance proceeds will be affected by the evaluation of coverage for that specific type of loss in a given situation, as well as an analysis of the ability of an insurer to satisfy a claim.
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* (Onerous contract provisions)	In assessing the unavoidable costs of meeting the obligations under a contract at the reporting date, entities, especially those with non-standardised contract terms, need to carefully identify and quantify any compensation or penalties arising from failure to fulfil it.
IFRS 2 *Share-based payment*	The ongoing uncertainty related to the pandemic has resulted in a significant decline in business activity and share prices. Accordingly, the share-based payment expense for awards that contain a non-market performance condition is based on the best available estimate of the number of awards that are expected to vest and an entity is required to revise that estimate, if necessary, if subsequent information indicates that the number of awards expected to vest differs from previous estimates. Other areas to consider include: modifications and cancellations, valuation and disclosures.
IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*	The pandemic and the related government measures may have a direct impact on the accounting for financial instruments. Entities may have obtained additional financing, amended the terms of existing debt agreements or obtained waivers if they no longer satisfied debt covenants. In such cases, they will need to consider the guidance provided in IFRS 9 to determine whether any changes to existing contractual arrangements represented a substantial modification or, potentially, a contract extinguishment, which would have accounting implications in each case. Furthermore, entities may need to determine whether a breach of covenants will require non-current liabilities to be reclassified as current liabilities in their financial statements. Other areas to consider include: the normal purchase or sale exception; asset classification and business model assessment; contract modifications; hedge accounting; expected credit loss assessment; and disclosures.

Appendix C – Financial reporting considerations relating to Covid-19 *continued*

Potential accounting and disclosure requirements	Considerations
IFRS 13 *Fair Value Measurement*	IFRS 13 provides relevant guidance on fair value measurement of assets and liabilities in markets that have experienced significant volatilities or reduction in volume or activity, which are particularly relevant in the current environment. The application of this guidance to arrive at a reasonable estimate of fair value measurement requires significant management judgement and hinges on the robustness of the entity's fair value measurement determination and review processes. In certain cases, the changes to the existing valuation techniques and valuation adjustments required in response to the current market conditions may warrant assistance from external valuation specialists who possess the necessary expertise, experience and market knowledge. The fair value is a market-based measurement, not an entity-specific measurement, and the reporting entity's intention to hold an asset in a market downturn is not relevant. Providing transparency over the techniques, key assumptions and inputs used in determining fair value, including the sensitivities by providing disclosures required by IFRS 13, is an integral part of fair value measurement and is key to enhancing the usefulness of financial reporting in this unprecedented time.
IFRS 15 *Revenue from Contracts with Customers*	The pandemic could affect various aspects of an entity's revenue accounting under IFRS 15. Refer to our publication, *Applying IFRS: A closer look at IFRS 15, the revenue recognition standard (Updated October 2021),* which includes more information about each of the following topics: variable consideration; contract modification and terminations; collectability and extended payment terms; customer incentives and disclosures.
IFRS 16 *Leases*	Entities agreeing to a change to a lease arrangement need to consider all relevant facts and circumstances to evaluate whether such a change was contemplated in the original contract or is a lease modification. There are many different forms of rent concessions obtained by lessees. Both lessees and lessors need to evaluate the details of the rent concession granted carefully to determine an appropriate accounting approach. It is possible for more than one approach to be acceptable. However, the accounting is required to be consistently applied to contracts with similar characteristics and in similar circumstances. Lessees also need to consider the specific covid-rent concession amendments made to IFRS 16.
Other financial statements disclosure requirements	Entities need to consider the magnitude of the disruptions to their businesses caused by the pandemic and adequately disclose the information about those assets and liabilities that are subject to significant estimation uncertainty, in order to provide users with a better understanding of the financial impact.
Alternate performance measures (APMs)	Entities must carefully consider the requirements in IAS 1 if they are considering introducing pandemic-related APMs. In the current environment, the comparability of pandemic -related APMs among entities will be a major challenge without a generally accepted way to objectively define and structure them. Depending on their specific facts and circumstances, entities may find it less controversial to provide a separate disclosure explaining the impact of the pandemic, rather than introducing a new APM or adjusting their APMs.
Other accounting estimates	In addition to the above, the following are some of the other key accounting estimates required to be made by management under IFRS. These estimates generally include management's assumptions about the future recoverability of an asset: impairment charge of investments in associates and joint ventures accounted for in accordance with the equity method under IAS 28 and remaining useful life and residual value of property, plant and equipment, intangible assets and right-of-use assets under IAS 16, and IAS 38 and IFRS 16, respectively.

Appendix D – Financial reporting considerations relating to climate-related matters

Commentary

Examples of accounting and disclosure requirements an entity may need to consider related to climate-related matters are included in the table below.

Potential Accounting Standards Impacted	Considerations
IAS 1 *Presentation of Financial Statements*	IAS 1 requires entities to disclose information, for instance, climate-related matters, not specifically required by IFRS and not presented elsewhere, but relevant to an understanding of the financial statements. In particular, disclosures to consider include significant estimates and judgements and material uncertainties if they might cast significant doubt upon an entity's ability to continue as a going concern. Information pertaining to climate-related matters will be relevant if investors could reasonably expect that it will have a significant impact on the entity and, therefore, influence their investment decisions.
IAS 2 *Inventories*	Entities may find that climate-related matters cause inventories to become obsolete, selling prices to decline or costs to complete or sell to increase and, thus, may need to write them down to net realisable value.
IAS 12 *Income Taxes*	Climate-related matters may affect an entity's estimate of future taxable profits and may result in the entity being unable to recognise deferred tax assets and/or being required to derecognise deferred tax assets that were previously recognised.
IAS 16 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*	Climate-related matters may lead to a change in expenditures to adapt business activities. An entity will need to determine whether these expenditures satisfy the definition of an asset and, thus, can be recognised as either property, plant and equipment or as an intangible asset. Both IAS 16 and IAS 38 require entities to review the estimated residual values and expected useful lives of assets at least annually. Climate-related matters may impact both of these estimates. Estimated residual values and expected useful lives, and changes to them, will also require disclosure.
IAS 36 *Impairment of Assets*	The carrying value of an entity's assets or cash generating units (CGUs) (including goodwill) may be overstated if the impairment calculations do not take into account the impact of climate-related matters. Entities are required to assess whether there is any indication of impairment in each reporting period. Exposure to climate-related matters could be an indicator that an asset (or a group of assets) is impaired. IAS 36 requires the recoverable amount, if estimated using value in use, to be based on reasonable and supportable assumptions that represent management's best estimate of the range of future economic conditions. This requires entities to consider whether climate-related matters affect those assumptions. For value-in-use calculations, IAS 36 also requires future cash flows to be estimated for an asset in its current condition, so entities will need to exclude any estimated cash flows expected to arise from enhancing the asset's performance. When recoverable amount is estimated based on fair value less costs of disposal, an entity will need to consider market participants' views of potential climate related legislation that may affect the fair value measurement of the respective assets and CGUs. Disclosure of key assumptions used to measure recoverable amount, as well as information related to reasonably possible changes in those assumptions, is required in specific circumstances. Climate-related matters may impact what is considered to be reasonably possible changes.

Appendix D – Financial reporting considerations relating to climate-related matters *continued*

Potential Accounting Standards Impacted	Considerations
IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and IFRIC 21 *Levies*	IAS 37 requires disclosure of the nature of a provision or contingent liability and an indication of the uncertainties about the amount or timing of any related outflows of economic benefits. Climate-related matters may impact provisions recognised under IAS 37 due to levies imposed for failing to meet climate-related targets, remediation of environmental damage, contracts that may lose revenue or increase costs due to climate-related legislation becoming onerous, or restructurings required to achieve climate-related targets.
IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosure*	Climate-related matters may be relevant in the calculation of expected credit losses if, for example, they impact the range of potential future economic scenarios or assessment of significant increases in credit risk. IFRS 7 requires entities to disclose the nature and extent of risks arising from financial instruments and how the entity manages them. For holders of equity investments, it may be necessary to disclose their exposure to climate-related risks when disclosing concentrations of market risk.
IFRS 13 *Fair Value Measurement*	Market participants' views of potential climate-related matters, including legislation, may affect the fair value measurement of assets and liabilities in the financial statements. Where relevant, climate-related matters may also affect the disclosure of fair value measurements, particularly those categorised within Level 3 of the fair value hierarchy. IFRS 13 requires disclosure of unobservable inputs used in fair value measurements. Those inputs should reflect the assumptions that market participants would use, including assumptions about climate-related risk.

Appendix E – Information in other illustrative financial statements available

IFRS are illustrated across our various illustrative financial statements, as follows:

		Good Mining	**Good Group**	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Insurance	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Bank	Good Petroleum
	International Financial Reporting Standards (IFRS)										
IFRS 1	*First-time Adoption of International Financial Reporting Standards*					✓					✓
IFRS 2	*Share-based Payment*		✓	✓	✓	✓	✓		✓		
IFRS 3	*Business Combinations*	✓	✓	✓	✓	✓	✓		✓	✓	✓
IFRS 4	*Insurance Contracts*						✓				
IFRS 5	*Non-current Assets Held for Sale and Discontinued Operations*		✓	✓	✓	✓			✓	✓	
IFRS 6	*Exploration for and Evaluation of Mineral Resources*	✓									✓
IFRS 7	*Financial Instruments: Disclosures*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 8	*Operating Segments*	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IFRS 9	*Financial Instruments*	✓	✓	✓	✓			✓		✓	
IFRS 10	*Consolidated Financial Statements*	✓	✓	✓	✓		✓			✓	✓
IFRS 11	*Joint Arrangements*	✓	✓	✓	✓						✓
IFRS 12	*Disclosure of Interests in Other Entities*	✓	✓	✓			✓			✓	✓
IFRS 13	*Fair Value Measurement*	✓	✓	✓	✓		✓			✓	✓
IFRS 14	*Regulatory Deferral Accounts*										
IFRS 15	*Revenue from Contracts with Customers*	✓	✓	✓	✓			✓			
IFRS 16	*Leases*	✓	✓		✓						
IFRS 17	*Insurance contracts*										
	International Accounting Standards (IAS)										
IAS 1	*Presentation of Financial Statements*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 2	*Inventories*	✓	✓		✓	✓			✓		✓
IAS 7	*Statement of Cash Flows*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*	✓	✓		✓	✓	✓	✓	✓		✓
IAS 10	*Events after the Reporting Period*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 12	*Income Taxes*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 16	*Property, Plant and Equipment*	✓	✓			✓	✓		✓	✓	✓
IAS 19	*Employee Benefits*	✓	✓		✓	✓	✓			✓	✓
IAS 20	*Accounting for Government Grants and Disclosure of Government Assistance*		✓		✓	✓					
IAS 21	*The Effects of Changes in Foreign Exchange Rates*	✓	✓		✓	✓	✓	✓	✓	✓	✓

Appendix E – Information in other illustrative financial statements available *continued*

		Good Mining	**Good Group**	Good Group -Alternative Format	Good Group Interim	Good First-time Adopter	Good Insurance	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Bank	Good Petroleum
	International Accounting Standards (IAS) *continued*										
IAS 23	*Borrowing Costs*	✓	✓		✓	✓	✓		✓	✓	✓
IAS 24	*Related Party Disclosures*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 27	*Separate Financial Statements*										
IAS 28	*Investments in Associates and Joint Ventures*	✓	✓		✓	✓	✓		✓	✓	✓
IAS 29	*Financial Reporting in Hyperinflationary Economies*										
IAS 32	*Financial Instruments: Presentation*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 33	*Earnings per Share*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 34	*Interim Financial Reporting*				✓						
IAS 36	*Impairment of Assets*	✓	✓		✓	✓	✓		✓	✓	✓
IAS 37	*Provisions, Contingent Liabilities and Contingent Assets*	✓	✓		✓	✓	✓	✓	✓	✓	✓
IAS 38	*Intangible Assets*	✓	✓		✓	✓	✓		✓	✓	✓
IAS 39	*Financial Instruments: Recognition and Measurement*						✓				
IAS 40	*Investment Property*		✓		✓	✓	✓		✓		
IAS 41	*Agriculture*										
	Interpretations										
IFRIC 1	*Changes in Existing Decommissioning, Restoration and Similar Liabilities*	✓	✓		✓	✓					✓
IFRIC 2	*Members' Shares in Co–operative Entities and Similar Instruments*										
IFRIC 5	*Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds*	✓			✓						✓
IFRIC 6	*Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment*		✓		✓	✓					
IFRIC 7	*Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies*										
IFRIC 10	*Interim Financial Reporting and Impairment*		✓		✓						
IFRIC 12	*Service Concession Arrangements*										
IFRIC 14	*IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*										
IFRIC 16	*Hedges of a Net Investment in a Foreign Operation*		✓		✓	✓					
IFRIC 17	*Distributions of Non-cash Assets to Owners*					✓					

Appendix E - Information in other illustrative financial statements available *continued*

		Good Mining	**Good Group**	Good Group –Alternative Format	Good Group Interim	Good First-time Adopter	Good Insurance	Good Investment Fund (Equity and Liability)	Good Real Estate	Good Bank	Good Petroleum
	Interpretations *continued*										
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*										
IFRIC 20	*Stripping Costs in the Production Phase of a Surface Mine*	✓									
IFRIC 21	*Levies*		✓		✓					✓	
IFRIC 22	*Foreign Currency Transactions and Advance Consideration*		✓								
IFRIC 23	*Uncertainty over Income Tax Treatments*	✓	✓								
SIC 7	*Introduction of the Euro*										
SIC 10	*Government Assistance – No Specific Relation to Operating Activities*										
SIC 25	*Income Taxes – Changes in the Tax Status of an Entity or its Shareholders*					✓					
SIC 29	*Service Concession Arrangements: Disclosures*										
SIC 32	*Intangible Assets – Web Site Costs*										

✓ This standard or interpretation is incorporated into these illustrative financial statements.

Glossary

A glossary of mining specific terminology and abbreviations used in the publication:

Bullion	Metal in bars, ingots or other uncoined form.
By-product	A secondary metal or mineral product recovered from the milling process, which was not intended to be the primary exploration or development target.
Carried interest	An agreement by which an entity that contracts to operate a mineral property and, therefore, agrees to incur exploration or development costs (the carrying party) is entitled to recover the costs incurred (and usually an amount in addition to actual costs incurred) before the entity that originally owned the mineral interest (the carried party) is entitled to share in revenues from production.
Carried party	The party for whom funds are advanced in a carried interest arrangement.
Carrying party	The party advancing funds in a carried interest agreement.
Concentrate	The result of the milling process in which crushed ore is subjected to floatation or chemical reagents to form a concentrate of the metal. This residual metal in concentrate becomes the raw material for smelting.
Contained ounces	Represents ounces in the ground prior to reduction of ounces not able to be recovered in the applicable extraction process.
Development	Work performed in order to open a mineral deposit. For example, in an underground mine, this may include shaft sinking, crosscutting and drifting. In an open pit mine, this includes the removal of overburden.
Exploration	Prospecting, sampling, mapping and other work involved in searching for minerals.
Farm out and farm in	An agreement by which the owner of operating rights in a mineral property (the farmor) transfers a part of that interest to a second party (the farmee) in return for the latter's payment of all of the costs, or only specified costs, to explore the property and, perhaps, to carry out part or all of the development of the property if reserves are found.
Grade	The amount of metal in each tonne of ore expressed as troy ounces per tonne or grams per tonne for precious metals and expressed as a percentage for most other metals.
JORC Code	Joint Ore Reserves Committee Code. The purpose of the JORC Code is to provide a minimum standard for reporting of exploration results, Mineral Resources and Ore Reserves in Australasia.
Metal in circuit	Metal, which at balance date, is in the production process, and can be separately identified.
Mill	Processing facility where ore is finely ground and undergoes physical or chemical treatment to extract the metals.
Open pit	A mine where minerals are extracted entirely from the surface.
Ore	Mineral bearing rock which contain economically recoverable reserves.
Ore reserve	An ore reserve is the economically mineable part of a measured and/or indicated mineral resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environment, social and governmental factors. These assessments demonstrate at the time of reporting that the extraction could reasonably be justified. Ore reserves are sub-divided in order of increasing confidence into probable ore reserves and proved ore reserves.
Overburden	Overburden represents the waste rock which must be removed from a mine in order to extract mineral bearing rock (ore).
Quotational period	Period after the physical shipment of goods during which the price and grade of minerals sold is subject to change due to fluctuations in commodity prices and also upon testing by the counterparty of the mineral content.
(Mineral) resource	A mineral deposit from which valuable metals may be recovered. On completion of a successful feasibility study, the resource will generate a reserve.

Glossary *continued*

Royalty	A portion of the proceeds from production, usually before deducting operating expenses, payable to a party having an interest in a lease.
Run of mine	Material from a mine that has not been crushed or screened
SAMREC	South African Code for Reporting of Mineral Resources and Mineral Reserves, South African Mineral Resource Committee
SOFR	Secured Overnight Financing Rate
Stripping	Removal of overburden or waste rock overlying an ore body in preparation for mining by open pit methods. Expressed as the total number of tonnes mined or to be mined for each tonne or ounce of gold.
Tailings	Material that remains after all economically and technically recoverable precious metals have been removed from the ore during processing.
Take-or-pay contracts	An agreement between a buyer and seller in which the buyer will still pay some amount even if the product or service is not provided. If the purchaser does not take the minimum quantity, payment is required for that minimum quantity at the contract price. Normally, deficiency amounts can be made up in future years if purchases are in excess of minimum amounts.
NI 43-101	Canadian CIM Definition Standards on Mineral Resources and Mineral Reserves, Canadian Institute of Mining, Metallurgy and Petroleum

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