

CI Resources Limited

Financial Report

For the financial year ended 30 June 2019

CI Resources Limited ACN 006 788 754

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CI RESOURCES LIMITED

Chairman's Letter

I am pleased to present the 2018/19 Annual Report for CI Resources Limited.

FINANCIAL PERFORMANCE

This past financial year was a challenging year, with market conditions further weakening from the year prior. Many external factors including the “trade wars” between China and USA and African Swine Fever have materially impacted demand and price for agricultural product from our region, and as a result, we have experienced reduced demand for our Rock Phosphate product that is a key fertilizer ingredient.

Against the backdrop of this weak market, the Company has been able to record a net profit after tax of \$8.7M. The Managing Director in his report outlines our strategic response to these challenges over recent years, including a restructure of the business in 2018, which have enabled the Company to maintain a reasonable profit in these difficult conditions.

DIVERSIFICATION STRATEGY

The Company's diversification strategy over the past 5 years has also strengthened its position, and ability to weather this softening market. CI Maintenance Services (CIMS) and Indian Ocean Oil continue to perform well, and I am pleased to advise that CIMS has now secured a new 3 year contract with the Department of Home Affairs for Facilities Management Services for all of the Detention Centre assets on Christmas Island.

In addition, the Company has finalized an investment in a Biological Fertilizer company based in New Zealand, Pacific Biofert Fertilizers (PBF). PBF manufacture and distribute a product called BioPhos, that uses a patented biological process to enhance phosphate solubility. This product is sold as an organic alternative to traditional chemical enhanced fertilizers. CI Resources through its operating entity Phosphate Resources has taken a 50% interest in PBF. This opportunity represents a further diversification into value added and technically advanced phosphate products.

CI Resources, is also considering an investment in a West African Phosphate mining opportunity which would further assist the Company in diversifying its Phosphate offering, enabling it to enter into different markets.

DIVIDENDS

CI Resources has maintained a dividend policy of providing consistent dividends over the past 5 years. Most recently, CIR provided an interim dividend of 1.5 cents. In addition to the interim dividend, I am pleased to announce that the Board has approved a final fully franked dividend of 1.5 cent per share taking the total dividends declared for the 2018/19 financial year to 3 cents. The record date for payment is 1st October 2019 with payment to be made on 25 October 2019.

FUTURE MINING

Despite the current downturn in our markets, and its impact on our results, the Company is confident that there is a positive medium-term outlook for our business and the Christmas Island operations. The growing global population and resultant increased demand for high quality food production leaves the Company well-positioned as a key fertilizer supplier supporting our customers to enhance both agricultural yields and quality.

The Company understands its importance to the Christmas Island community and the reliance of Phosphate Mining for economic stability. We contribute both directly and indirectly almost 50% of the Island's Gross Regional Product. The Company is now working closely with the Commonwealth, and participating in an EPBC Strategic Assessment for Christmas Island. This aims to provide the community, and current and prospective businesses with a clear plan that will identify sustainable economic development opportunities for the Island, including future mining opportunities.

Based upon our ongoing estimation and review of indicated and inferred resources available to the Company and with our best judgements on current commercial parameters it is reasonable to expect we can sustain viable mining operations on Christmas Island through to the late 2020's.

CI RESOURCES LIMITED

Chairman's Letter

FUTURE

The Board of CI Resources is satisfied that the Company remains in a robust financial position. Further steps have been taken over the past year to realise investment and diversification opportunities which will only strengthen the long term viability of the Company.

The Company is expecting the soft conditions to continue over the next 12 months however we retain full confidence in our Leadership team, to navigate the Company through these headwinds and continue to deliver on our growth and diversification strategy and in turn create sustainable and long-term value for our shareholders.

I finally take this opportunity on behalf of the Board to thank our shareholders, employees, managers and executives for their contributions to a successful outcome in challenging circumstances.

A handwritten signature in black ink, appearing to be 'David Somerville', with a stylized flourish at the end.

David Somerville
Chairman
28 August 2019

CI RESOURCES LIMITED

Managing Director's Report

I am pleased to provide my Managing Director's report for CI Resources for the financial year ending 30 June 2019.

MARKET CONDITIONS

CI Resources and its main operating entity Phosphate Resources (PRL) faced significant headwinds in the financial year ending 30 June 2019 as a result of softening conditions in its key phosphate markets of South East Asia.

Our main customers are agricultural producers (producing food products and biofuels) based in Malaysia and Indonesia and their markets have performed poorly over the past two years. As a result, fertilizer application has reduced, directly impacting demand for Christmas Island Rock Phosphate.

CI Resources expects these conditions to remain for the medium term, however, the long term outlook for these commodities, as confirmed by the recent World Bank Commodities Market Outlook Report, looks positive with growth expected globally in the use of bio fuels, and a continued move towards greater sustainability of plantations.

FINANCIAL PERFORMANCE AND PRODUCTION OVERVIEW

In the context of these subdued conditions, the consolidated result was recorded as a profit after tax for FY 2019 of some \$8.7M, compared to the prior year of \$21.1M.

Group sales of Phosphate, including external trading, decreased to 486,000 tonnes compared to 643,000 in the prior year.

A restructure of the PRL mine operations in 2017/18 has delivered cost savings in the order of \$3 Million enabling the mine to weather the slower conditions experienced in 2019.

In addition, CI Resources has invested \$12M in capital on Christmas Island over the past 2 years upgrading infrastructure, introducing new automation, and making improvements in our production process. Pleasingly, these projects have resulted in 20% improvement in production efficiencies.

We are continuing to review our operational structure for efficiencies and flexibility to weather the challenging market conditions over the short to medium term.

CI MAINTENANCE SERVICES

The Company's diversification strategy has also continued to deliver positive results. Most recently wholly-owned subsidiary Christmas Island Maintenance Services (CIMS) was awarded the Contract for the provision of Staff Accommodation, Concierge and Facilities Management Services for the Commonwealth Detention Centre assets on Christmas Island.

This new contract, effective from 1 July 2019, covers the North West Point Facility (previously managed by Serco). The term of the contract is for three years, with two 12-month options for extensions.

This is a wonderful result for CIMS and the Christmas Island Community! This contract will provide continued employment opportunities for locals and contractors over its term while helping deliver on our diversification strategy.

OUR PLACE IN THE CHRISTMAS ISLAND COMMUNITY

Next year marks 30 years since the Company reopened phosphate mining operations on Christmas Island in 1990. For well over a generation, the Company has been a key source of economic activity for Christmas Island, providing jobs and supporting the island's rich diverse cultures as well as providing good returns for shareholders.

CI RESOURCES LIMITED

Managing Director's Report

I am proud to have been part of this history, and am pleased that CI Resources under my leadership continues to support the local community.

In the past financial year, the Company contributed almost \$200,000 to the local community and supported a range of organisations, events, and cultural activities. This includes supporting a grassroots Rugby Club called the CI Robbers, support for local school programs, providing infrastructure to the local day care, and supporting numerous cultural celebrations.

The importance of our company to the local community has been amplified by the closure of the detention centres on Christmas Island. A recent Social and Economic Impact Study conducted by the University of Western Australia showed that 47% of the island's gross regional product is generated (directly and indirectly) by the company, and provides fully half of the jobs on the island.

PRL remains committed to the local community while maintaining a sustainable and viable business on Christmas Island.

THE YEAR AHEAD

I am anticipating the year ahead to remain challenging. In the face of these conditions there is strong evidence of industry initiatives and initiatives from the Malaysian and Indonesian governments to support the industry and tackle the current market conditions, leading me to a much more positive assessment of our market in the medium to long term.

However, in the short term, CI Resources is employing a number of strategies to assist the Company through this low market, and put it in a position of strength for when conditions improve. The work undertaken to date to unlock operational efficiencies both in terms of cost, and production output provides a strong foundation for further gains we aim to achieve going forward to meet the volatile market conditions.

The Company has also taken steps to diversify its product offering in Malaysia, enabling it to access new markets. Additionally, as flagged in the Chairman's report we are in the process of unlocking a number of investment opportunities, further strengthening the group and reducing the reliance on earnings from one source.

Despite the challenging outlook over the short term, I am excited about the opportunities that exist for CI Resources. With a continued strong presence on Christmas Island, and the opportunity to realise strategic investments in the coming 12 months, the Company looks set to grow into a fully diversified, and multi-faceted company.

In closing I would thank the Board members, executives, senior managers, shareholders and all employees of our group for their continued efforts and support.



LAI Ah Hong
Managing Director
28 August 2019

CI RESOURCES LIMITED

Corporate directory

Directors

Mr David Somerville – Chairman
Mr Lai Ah Hong
Dato' Sri Tee Lip Sin
Mr Tee Lip Jen
Mr Adrian Gurgone
Dato' Sri Kamaruddin bin Mohammed
Mr Clive Brown

Share register

Computershare Investor Services Pty Ltd
Level 2 Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Telephone +61 8 9323 2000
Facsimile +61 8 9323 2033

Auditor

Ernst & Young
11 Mounts Bay Road
Perth WA 6000

Stock exchange listings

CI Resources Limited shares are
listed on the Australian Securities Exchange
Ordinary fully paid shares (ASX code: CII)

Principal registered office in Australia

6 Thorogood Street, Burswood
Western Australia 6100

Telephone +61 8 6250 4900
Email info@ciresources.com.au
Website www.ciresources.com.au

Bankers

Westpac Banking Corporation
109 St George's Terrace
Perth, Western Australia 6000

Solicitors

Steinepreis Paganin Lawyers
Level 4 Next Building
16 Milligan Street
Perth WA 6000

CI RESOURCES LIMITED

Directors' report

The Directors of CI Resources Limited (the Company) present their report together with the financial statements of the Group comprising of the Company and its subsidiaries (together referred to as the Group or CI Resources) for the financial year ended 30 June 2019 and the auditor's report thereon.

DIRECTORS

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated. Where applicable, all directorships held in listed public companies over the last three years have been detailed below.

Names, qualification, experience and special responsibilities

David Somerville *Chairman – Non-executive* (Appointed 28 November 2008)

Experience and expertise

David Somerville holds a Bachelor of Business degree from Curtin University and a Master of Business Administration from Deakin University, he is an Associate member of CPA Australia and a Fellow of the Australian Institute of Management.

Mr Somerville has an accounting background having been a senior partner in a large Western Australian accounting practice, before establishing a financial services company which listed on the Australian Securities Exchange in 2007. He has over 25 years experiences in a corporate capacity across a number of companies and a number of industry sectors including financial, resources and property development.

Mr Somerville is the Chairman of the Investment Committee and a member of the Audit & Risk Management Committee.

Other directorships

David Somerville is Executive Chairman of Questus Ltd, an ASX Listed company since 22 October 2007.

Lai Ah Hong *Managing Director* (Appointed 9 March 2015)

Experience and expertise

Mr Lai has been the key person in driving the success of this business from its inception (with a capital of less than \$5M) to where it is today. He has an extensive knowledge of the phosphate industry and keen sense of business opportunities whenever they may arise on Christmas Island and elsewhere.

He was a founding director of Phosphate Resources Limited in 1991.

Mr Lai is a member of the Investment Committee.

Other directorships

Mr Lai held no other directorships of ASX listed companies during the last three years.

Dato' Sri Tee Lip Sin *Director – Executive director* (Appointed 1 September 2015)

Experience and expertise

Dato' Sri Tee Lip Sin holds a Bachelor of Arts in Business Administration (Human Resources Management) from the University of Wales, an Associate Diploma in Commerce from Curtin University Australia and also a post-graduate Executive Diploma in Plantation Management from the University Malaya.

He has been involved in palm oil milling and management of palm oil plantations since 1995. Currently, he sits on the board of a number of private companies, and is also the Executive Director for the Prosper Group Of Companies which holds seven palm oil mills and 60,000 acres of palm oil plantations. He also has experience in operating 35,000 acres of plantation in Indonesia. Dato' Sri Tee Lip Sin was appointed Executive Director of Phosphate Resources (Malaysia) Sdn Bhd and Phosphate Resources (Singapore) Pte Ltd, both wholly owned subsidiaries of CI Resources, effective from 1 July 2015.

Dato' Sri Tee Lip Sin is a member of the Investment Committee.

Other directorships

Dato' Sri Tee Lip Sin held no other directorships of ASX listed companies during the last three years.

CI RESOURCES LIMITED

Directors' report

Tee Lip Jen *Director – Non-executive* (Appointed 18 March 2011)

Experience and expertise

Mr Tee Lip Jen holds a Bachelor of Mechanical Engineering from the Royal Melbourne Institute of Technology (RMIT). Since graduating from Australia, Lip Jen started his career as a Process Engineer in the manufacturing industry for 2 years before expanding his experience as a Project Engineer in a refinery plant specialising in producing downstream palm oil products.

He is currently the Assistant Chief Engineer in charge of overseeing engineering and production activities in ten palm oil mills with an estimated production output of 410,000 metric tonnes of crude palm oil per year. Apart from managing the daily activities in palm oil mills, he is also in charge of overseeing three palm oil plantation estates located in Negeri Sembilan, Malaysia with an estimated acreage of 3,400 acres.

Mr Tee Lip Jen is a member of the Audit & Risk Management Committee, Investment Committee and Remuneration & Nominations Committee.

Other directorships

Mr Tee Lip Jen held no other directorships of ASX listed companies during the last three years.

Adrian Gurgone *Director – Non-executive* (Appointed 18 March 2011)

Experience and expertise

Mr Gurgone is an experienced Chartered Accountant and MBA with significant experience in reporting to boards. In senior roles with Deloitte Consulting along with a UK top-tier consulting firm, he has advised multinational and mid-cap organisations across a variety of industries globally. In 2007 Adrian established a boutique management consultancy and investment firm which has grown quickly to service several ASX listed organisations, in addition to federal government and not for profit agencies.

His experience encompasses financial and business analysis, risk management and corporate governance across a range of industries including mining and resources. Adrian has also assisted several boards in Australia and overseas in improving organisational performance and in capital allocation.

Mr Gurgone is the Chairman of the Audit & Risk Management Committee and is a member of the Remuneration & Nominations Committee.

Other directorships

Mr Gurgone held no other directorships of ASX listed companies during the last three years.

Dato' Sri Kamaruddin bin Mohammed *Director – Non-executive* (Appointed 17 January 2013)

Experience and expertise

Dato' Sri Kamaruddin is a business and finance graduate and a Senior Fellow of Financial Services Institute of Australasia. He has had an extensive business career with Pelaburan Mara Berhad (formerly known as Amanah Saham Mara Berhad) retiring as Group Managing Director in 2008.

He has had considerable experience with the palm oil industry and is currently chairman of the Malaysian listed palm oil group Far East Holdings Berhad. He is also the Chairman of Pascorp Paper Industries Berhad. He is a Director of Amanah Saham Pahang Berhad. Dato' Sri Kamaruddin was appointed Chairman of Cheekah-Kemayan Plantations Sdn Bhd effective from 1 July 2015.

Dato' Sri Kamaruddin is Chairman of the Remuneration & Nominations Committee and is a member of the Audit & Risk Management Committee.

Other directorships

Dato' Sri Kamaruddin held no other directorships of ASX listed companies during the last three years.

Clive Brown *Director – Executive* (Appointed 9 March 2015)

Mr Brown is the former Minister for State Development, Small Business and Tourism in Western Australia as well as holding a range of shadow portfolios including community development, justice, multicultural and ethnic affairs, commerce and trade. After leaving Parliament he worked as a consultant to a range of large and small

CI RESOURCES LIMITED

Directors' report

mining companies and chaired major reviews into mining occupational health and safety, youth training and vocational education.

He was previously a director of Phosphate Resources Ltd and Non-Executive Chairman of Phosphate Resources Limited. He was appointed Executive Chairman of Phosphate Resources Limited, effective from 1 July 2015.

Mr Brown is a member of the Remuneration & Nominations Committee.

Other directorships

Mr Brown held no other directorships of ASX listed companies during the last three years.

Directors' interests in shares and options

As at the date of this report the interests of the Directors in the shares and options of the Company were:

	Ordinary Shares		Options over Ordinary Shares	
	Direct	Indirect	Direct	Indirect
Mr David Somerville	-	-	-	-
Mr Lai Ah Hong	-	4,235,442	-	-
Dato' Sri Tee Lip Sin	783,786	33,630,388	-	-
Mr Tee Lip Jen	1,229,150	-	-	-
Mr Adrian Gurgone	-	-	-	-
Dato'Sri Kamaruddin bin Mohammed	-	150,000	-	-
Mr Clive Brown	-	-	-	-

Retirement, election and continuation in office of directors

In accordance with the Constitution, Mr Adrian Gurgone and Mr Lip Jen Tee will retire, in rotation, as directors at the Annual General Meeting to be held in November 2019 and, being eligible, will offer themselves for re-election.

COMPANY SECRETARIES

Elizabeth Lee - B Bus, FGIA, Grad.Dip. Corp. Gov. ASX Listed Entities *Company Secretary*

Ms Lee has over 20 years experience in the areas of corporate governance and company secretarial functions. Prior to joining CI Resources Ltd, Ms Lee held company secretarial positions for Phosphate Resources Limited, Macmahon Holdings Limited, Corporate Compliance Partners and Lend Lease Primelife Limited. Elizabeth also performed contract company secretarial roles with Macquarie Bank Limited and Austock Group Limited.

Ms Lee holds a Bachelor of Business majoring in Finance and Business Law from Edith Cowan University, a Graduate Diploma in Corporate Governance from Governance Institute of Australia, a Graduate Diploma in Corporate Governance for ASX Listed Entities from Kaplan Financial Institute and is a Fellow member of the Governance Institute of Australia.

Principal activities

The principal activities during the year of entities within the consolidated entity were:

- mining, processing and sale of phosphate rock, phosphate dust and chalk;
- providing earthmoving, fuel pilotage, maintenance and stevedoring services to other Christmas Island organizations and
- operating a palm oil estate, processing and sale of palm oil products.

CI RESOURCES LIMITED

Directors' report

Review and results of operations

A summary of consolidated revenues and results is set out below:

	Results 2019 \$'000s
Revenue	135,772
Profit before income tax expense	13,188
Income tax expense	(4,517)
Net Profit after income tax expense	8,671

Earnings per share	2019 Cents	2018 Cents
Basic earnings per share	7.50	18.30

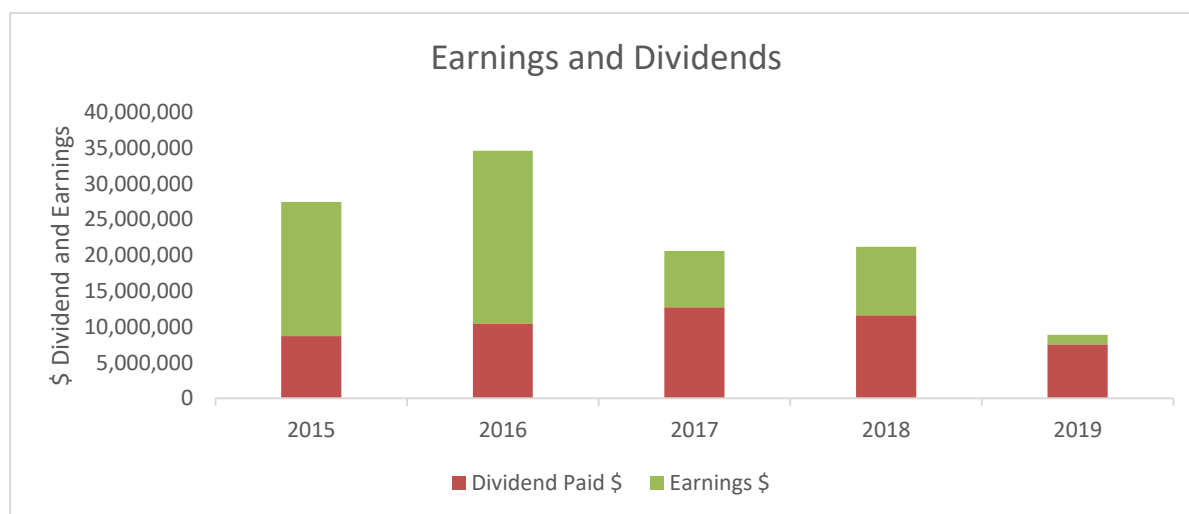
Dividends

Dividends totaling 6.5 cent per share have been paid during the year ended 30 June 2019. The Directors recommend the payment of a final dividend of 1.5 cent per share in respect of the year ended 30 June 2019.

Below is information on the Consolidated Entity's performance for the previous five financial years and for the current year ended 30 June 2019.

	2015	2016	2017	2018	2019
Basic earnings per share (cents)	23.73	29.93	17.81	18.30	7.50
Dividends per share (cents)	7.5	9.0	11.0	10.0	6.5
Share price (cents)	110	233	150	175	144

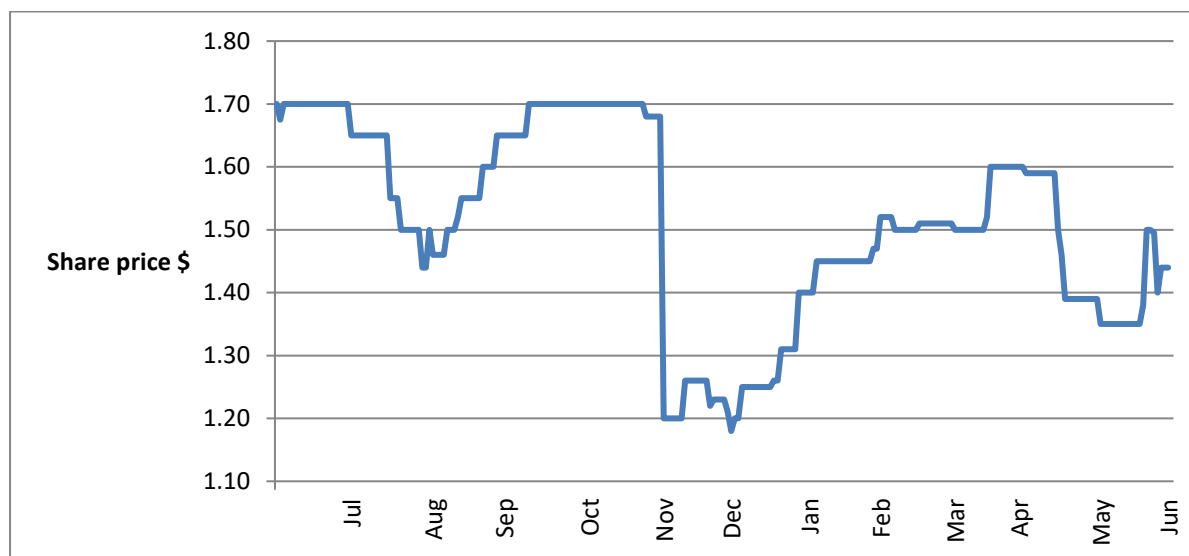
Below is a graph showing the Consolidated Entity's earnings and dividends for the previous five financial years and for the current year ended 30 June 2019.



CI RESOURCES LIMITED

Directors' report

The Company's share price performance shown in the below graph is a reflection of the Company's performance during the financial year ended 30 June 2019.



Financial Position

At the end of the financial period the consolidated entity had net cash balances of \$39.73 million (2018: \$51.24 million) and net assets of \$195.31 million (2018: \$196.67 million).

Total liabilities amounted to \$57.70 million (2018: \$47.39 million), being trade and other creditors, provisions and borrowings.

Significant changes in the state of affairs

There was no significant change in the state of affairs of the Company or its controlled entities during the financial year other than that referred to below and in the financial statements or notes thereto.

Significant events after the balance date

Subsequent to year end, PRL acquired a 50% share in Pacific Biofert Limited. Other than this, there are no matters or circumstances that have arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (a) the consolidated entity's operations in future financial years, or
- (b) the results of those operations in future financial years, or
- (c) the consolidated entity's state of affairs in future financial years.

Likely developments and expected results

Based upon our ongoing estimation and review of indicated and inferred resources available to the Company and with our best judgements on current commercial parameters it is reasonable to expect we can sustain viable mining operations on Christmas Island through to the late 2020's and that the palm oil business will continue to provide reasonable returns for the foreseeable future.

CI RESOURCES LIMITED

Directors' report

Additional information on likely developments in the operations of the consolidated entity and the expected results of those operations have not been included in this report because the Directors believe that it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation and performance

The Consolidated Entity's holds various licenses regulating its mining and exploration activities on Christmas Island and also holds environmental licences from the operation of a palm oil mill issued by Malaysian Government.

Licenses issued by the Commonwealth Government of Australia and Malaysian Government include general environmental conditions, air pollution control conditions and water control conditions. These conditions regulate the management of mining waste and restoration, dust, liquid chemical storage and water monitoring.

There have been no significant known breaches of the Consolidated Entity's licenses.

Shares options

There were no options over ordinary shares and no ordinary shares of CI Resources Limited issued during the period ended 30 June 2019 on the exercise of options.

Indemnification and insurance of directors and officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring the Directors of the Group, the company secretaries and all Executive officers of the Group and of any related body corporate against a liability incurred as such a Director, Secretary or Executive officer to the extent permitted by the Corporations Act 2001. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors and officers liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract. The Group has not otherwise, during or since the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer of the Group or of any related body corporate against a liability incurred by an officer.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

CI RESOURCES LIMITED

Directors' report

Meetings of directors

The number of meetings of the Company's board of directors held during the year ended 30 June 2019 and the number of meetings attended by each director were:

	Directors' Meeting		Audit & Risk Management Committee		Investment Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B	A	B
Mr David Somerville	6	6	4	4	6	6	-	-
Mr Lai Ah Hong	6	6	-	-	6	6	-	-
Dato' Sri Tee Lip Sin	6	6	-	-	6	6	-	-
Mr Tee Lip Jen	6	6	4	4	6	6	2	2
Mr Adrian Gurgone	6	6	4	4	-	-	2	2
Dato' Sri Kamaruddin	6	5	4	4	-	-	2	2
Mr Clive Brown	6	6	-	-	-	-	2	2

A – Number of meetings held during the time the Director held office during the year.

B – Number of meetings attended.

The CI Resources Board has established an Audit & Risk Management, Remuneration & Nomination and Investment Committees.

Audit & Risk Management Committee

The role of the Audit & Risk Management Committee is to oversee the Group's financial reporting, setting the risk parameters of the Group and overseeing the Group's systems of internal control and its risk management framework.

The members of the Audit & Risk Management Committee are Mr. Adrian Gurgone (Chair), Dato' Sri Kamaruddin, Mr David Somerville and Mr Tee Lip Jen.

Investment Committee

The role of the Investment Committee is to assist the Board in fulfilling its responsibilities in evaluating investment opportunities. In fulfilling this purpose, the Committee will review the investment opportunities and make recommendations to the Board.

The members of the Investment Committee are Mr David Somerville (Chair), Mr Lai Ah Hong, Mr Tee Lip Jen and Dato' Sri Tee Lip Sin.

Remuneration & Nomination Committee

The CI Resources Board is responsible for ensuring that the remuneration arrangements for the Group are aligned with the overall business strategy and shareholders' interests. The role of the Remuneration & Nomination Committee is to advise the Board on Director and Executive remuneration. The Committee makes recommendations to the Board on Executive remuneration arrangements, including where appropriate, all awards under the Long Term Incentive (LTI) plan and approved the targets and level of the Short Term Incentive (STI) pool.

The members of the Remuneration & Nomination Committee are Dato' Sri Kamaruddin (Chair), Mr. Adrian Gurgone, Mr Clive Brown and Mr Tee Lip Jen.

A copy of the charter of the Audit & Risk Management, Remuneration & Nomination and Investment Committee are available on the corporate governance page on the Company's website @ www.ciresources.com.au.

CI RESOURCES LIMITED

Directors' report

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the Company under the *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. The Company is an entity to which the instrument applies.

Non-audit services

No non-audit services were provided by the Auditors during the year ended 30 June 2019.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 21.

Auditor

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001.

CI RESOURCES LIMITED

Directors' report

Remuneration report (Audited)

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information in this section has been audited as required by section 308(3c) of the Corporations Act 2001.

A Principles used to determine the nature and amount of remuneration

In order to maintain and attract directors to facilitate the efficient and effective management of the Consolidated Entity's operations, the board established a Remuneration and Nominations Committee on 9 March 2015 which reviews the remuneration of directors on an annual basis and makes recommendations to the Board.

Aside from the discretionary bonus disclosed in the remuneration report, no other link exists, at this stage in the Company's development, between financial performance, shareholder wealth and the remuneration of Directors and Key Management Personnel.

Non-executive directors

Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of the directors. Non-executive directors' fees and payments are reviewed annually by the Remuneration & Nominations Committee and the committee makes recommendations to the Board. The Board also ensures non-executive directors' fees and payments are appropriate and in line with the market as determined by comparison with companies of a similar size. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

Directors' fees

The current base remuneration was last reviewed on 26 June 2019. Directors' remuneration is inclusive of committee fees.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The total maximum currently stands at \$880,000.

Remuneration packages may contain the following key elements:

- Director's fees
- Consultancy fees
- Post-employment benefits – superannuation
- Performance bonuses
- Other non-cash benefits

CI RESOURCES LIMITED

Directors' report

Remuneration report (Audited) (continued)

The directors are also remunerated for any additional services they render the Company and such services are carried out under normal commercial terms and conditions. Engagement and payment for such services are approved by the other directors with no interest in the engagement of such services.

Executive remuneration

The objective of the Consolidated Entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward. The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency
- capital management.

The Consolidated Entity has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- focuses on exploration success as the creation of shareholder value and returns
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards
- provides recognition for contribution.

The executive pay and reward framework has the following components:

- Fixed remuneration (base salary, superannuation & other non-monetary benefits)
- Variable Remuneration (incentives through participation in bonus arrangements)

The combination of these components comprises the executive's total remuneration.

Fixed Remuneration

- *Base salary*

Structured as a total employment cost package which may be delivered as a combination of cash and prescribed non-financial benefits at the executives' discretion.

Executives are offered a competitive base pay that comprises the fixed component of pay and rewards. Base pay for senior executives is reviewed annually to ensure the executive's pay is competitive with the market.

- *Non-monetary benefits*

Executives may receive benefits including memberships, car allowances and reasonable entertainment.

- *Retirement benefits*

Directors and employees are permitted to nominate a superannuation fund of their choice to receive superannuation contributions.

Retirement allowances for directors

There is no provision for retirement allowances for non-executive directors.

CI RESOURCES LIMITED

Directors' report

Remuneration report (Audited) (continued)

Variable Remuneration

Executives are paid a bonus subsequent to the financial year end based on the profit of the Group for the previous year.

B Details of remuneration

During the financial year to 30 June 2019 the directors and key management personnel of the Company were:

Directors of CI Resources Limited

Mr David Somerville – *Non-executive Chairman*
 Mr Lai Ah Hong – *Managing Director*
 Dato' Sri Tee Lip Sin – *Executive director*
 Mr Tee Lip Jen – *Non-executive director*
 Mr Adrian Gurgone – *Non-executive director*
 Dato' Sri Kamaruddin bin Mohammed – *Non-executive director*
 Mr Clive Brown – *Executive director*

Other key management personnel of CI Resources Limited

Ms Elizabeth Lee – *Company Secretary*
 Mr Darren Gold – *Group Chief Financial Officer*

Details of the remuneration of the directors and the key management personnel of the Group are set out in the following tables.

2019	Short-term benefits				Post-employment benefits		
Name	Cash fees and consulting \$	Bonus \$	Non-monetary benefits \$	Other \$	Superannuation \$	Total \$	Total Performance related
<i>Directors of CI Resources Limited</i>							
Mr David Somerville	162,466	-	10,000	-	18,684	191,150	-
Dato’ Sri Tee Lip Sin	204,708	-	-	-	-	204,708	-
Mr Tee Lip Jen	120,000	-	-	-	-	120,000	-
Mr Adrian Gurgone	115,387	-	-	-	15,763	131,150	-
Dato' Sri Kamaruddin bin Mohammed	142,300	-	-	-	-	142,300	-
Lai Ah Hong	634,348	255,005	88,105	-	102,276	1,079,734	23.6%
Clive Brown	165,208	-	3,270	-	24,792	193,270	-
<i>Other key management personnel</i>							
Cosec & Bookkeeping Contract Services Pty Ltd (Elizabeth Lee – Company Secretary)	52,680	-	-	-	-	52,680	-
Darren Gold	311,947	100,000	18,344	-	47,374	477,665	20.9%
Total	1,909,044	355,005	119,719	-	208,889	2,592,657	

CI RESOURCES LIMITED

Directors' report

Remuneration report (Audited) (continued)

2018	Short-term benefits				Post-employment benefits		
Name	Cash fees and consulting \$	Bonus \$	Non-monetary benefits \$	Other* \$	Superannuation \$	Total \$	Total Performance related
<i>Directors of CI Resources Limited</i>							
Mr David Somerville	162,466	-	-	-	18,684	181,150	-
Dato' Sri Tee Lip Sin	148,676	20,894	-	-	-	169,570	12.3%
Mr Tee Lip Jen	120,000	-	10,000	-	-	130,000	-
Mr Adrian Gurgone	113,150	-	3,664	-	18,000	134,814	-
Dato' Sri Kamaruddin bin Mohammed	142,300	-	-	-	-	142,300	-
Lai Ah Hong	609,420	171,844	93,166	114,490	89,845	1,078,765	15.9%
Clive Brown	167,494	20,000	8,165	-	24,471	220,130	9.1%
<i>Other key management personnel</i>							
Cosec & Bookkeeping Contract Services Pty Ltd (Elizabeth Lee – Company Secretary)	38,565	-	-	-	-	38,565	-
Darren Gold	275,000	100,000	14,231	-	43,125	432,356	23.1%
Total	1,777,071	312,738	129,226	114,490	194,125	2,527,650	-

* Cash out of a portion of leave entitlements

Options provided as remuneration and shares issued on exercise of such options

There were no options issued to key management personnel for the financial years ended 30 June 2019 and 30 June 2018.

Option holdings

No key management personnel held options over ordinary shares in the Group during the current year ended 30 June 2019 (2018: Nil)

Shareholdings

The numbers of shares in the Company held during the financial year by each director and the key management personnel of the consolidated entity, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2019	Balance at the start of the period	Changes during the period	Balance at the end of the period
Name			
<i>Directors of CI Resources Limited</i>			
Mr David Somerville	-	-	-
Dato' Sri Tee Lip Sin	34,379,968	34,206	34,414,174
Mr Tee Lip Jen	1,229,150	-	1,229,150
Mr Adrian Gurgone	-	-	-
Dato' Sri Kamaruddin bin Mohammed	150,000	-	150,000
Mr Lai Ah Hong	4,235,442	-	4,235,442
Mr Clive Brown	-	-	-
<i>Other key management personnel</i>			
Ms Elizabeth Lee	-	-	-
Mr Darren Gold	-	-	-

CI RESOURCES LIMITED

Directors' report

Remuneration report (Audited) (continued)

2018 Name	Balance at the start of the period	Changes during the period	Balance at the end of the period
Directors of CI Resources Limited			
Mr David Somerville	-	-	-
Dato' Sri Tee Lip Sin	34,379,968	-	34,379,968
Mr Tee Lip Jen	1,229,150	-	1,229,150
Mr Adrian Gurgone	-	-	-
Dato' Sri Kamaruddin bin Mohammed	150,000	-	150,000
Mr Lai Ah Hong	4,235,442	-	4,235,442
Mr Clive Brown	-	-	-
Other key management personnel			
Ms Elizabeth Lee	-	-	-
Mr Darren Gold	-	-	-

Remuneration and other terms of employment for the directors are not formalised in service agreements.

The agreement for the Company Secretary of CI Resources Limited provides for the provision of consulting fees.

Major provisions of the agreements relating to remuneration are set out below:

Cosec & Bookkeeping Contract Services Pty Ltd - Company Secretary

- Term of agreement – For a period of 2 years plus 1 year, expiring on 30 August 2020.
- Base fee of \$3,150 per month for the provision of company secretarial services and an hourly rate of \$180 per hour for additional work outside the scope of this contract.

D Share-based compensation

There were no share based payments to directors or other key management personnel during this or the previous financial year.

E Additional information

Loans to directors and executives

There are no loans to directors or executives.

Other transactions with key management personnel

- Mr Lai Ah Hong is the owner of property MQ 717 on Christmas Island leased to Phosphate Resources Ltd for three years ending 10 April 2021. Mr Lai Ah Hong received a total rent of \$27,607 during the year (2018: \$28,080).
- Mr Lai Ah Hong is the owner of property 86 Unit B, Block 790 Lam Lok Road, Drumsite, Christmas Island leased to CI Maintenance Services Pty Ltd. Mr Lai Ah Hong received a total rent of \$24,206 during the year (2018: \$23,053).
- Mr Chan Khye Meng is the sole proprietor of Meng Chong trading based on Christmas Island. Meng Chong Trading provided goods for office amenities totalling \$6,851 (2018: \$7,230) during the year.

Shares under option

There are no unissued ordinary shares of CI Resources Limited under option at the date of this report.

- End of Audited Remuneration Report -

CI RESOURCES LIMITED

Directors' report

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.

A black ink signature, appearing to be 'DS', written in a stylized, cursive manner.

David Somerville
Chairman

A blue ink signature, appearing to be 'Lai Ah Hong', written in a stylized, cursive manner.

Lai Ah Hong
Managing Director

Perth, Western Australia
28 August 2019



**Building a better
working world**

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of CI Resources Limited

As lead auditor for the audit of CI Resources Limited for the financial year ended 30 June 2019, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of CI Resources Limited and the entities it controlled during the financial year.

Ernst & Young

Darryn Hall
Partner
28 August 2019

CI RESOURCES LIMITED

Corporate Governance Disclosures

CI Resources Limited (CI Resources or the Company) has interests in phosphate assets in Australia and palm oil plantations in Malaysia. The Company is committed to protecting and enhancing shareholder value and adopting best practice governance policies and practices.

The Corporate Governance Statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the ASX Corporate Governance Principles and Recommendations released by the ASX Corporate Governance Council (third edition).

The following summarizes the eight recommended ASX Principles of Good Governance and the Company's policies and procedures against each of the principles. Where a recommendation has not been followed, this is clearly stated along with an explanation for the departure.

Principle 1 – Lay solid foundations for management and oversight

The Board currently consists of seven Directors of whom, four are non-independent directors. The Board and the Company act within a statutory framework – principally the *Corporations Act* and also the Constitution of the Company. Subject to this statutory framework, the Board has the authority and the responsibility to perform the functions, determine the policies and control the affairs of CI Resources Limited in accordance with the Board Charter published on the Company website.

The Directors are aware of their responsibilities and obligations to protect shareholder's funds. Due care is taken to explain both the positive and negative aspects in all reports to highlight the inherent risks involved in the phosphate and palm oil plantations industry. The Board must ensure that the Company acts in accordance with prudent commercial principles and satisfies shareholders – consistent with maximising the Company's long term value.

The Board of Directors determines the strategic direction of the Company by regularly monitoring and evaluating the performance and status of each of the Company's projects and activities. No formal evaluation of Board members took place this financial year.

To assist it in carrying out its responsibilities, the Board had three Board Committees each chaired by an Independent Director as at 30 June 2019:

- Audit & Risk Management Committee;
- Remuneration & Nomination Committee; and
- Investment Committee

The Board has delegated the day to day management of CI Resources and its business to the Managing Director. The Managing Director is supported in this function by Senior Executives with responsibilities as delegated by the Managing Director. Each of the Senior Executive has a formal job description and employment contract which describes their term of office, duties, rights and responsibilities and entitlements on termination. Formal performance evaluation of Senior Executives is conducted annually.

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

A copy of the Committees Charters can be found on the CI Resources website (www.ciresources.com.au)

Diversity Policy

CI Resources Limited recognises the value contributed to the organisation by employing people with varying skills, cultural backgrounds, ethnicity and experience. The Company believes its diverse workforce is the key to its continued growth, improved productivity and performance.

We actively value and embrace the diversity of our employees and are committed to creating an inclusive workplace where everyone is treated equally and fairly, and where discrimination, harassment and inequity are not tolerated.

CI RESOURCES LIMITED

Corporate Governance Disclosures

75% of the Company's employees are from Chinese and Malay descent.

As at 30 June 2019 the Company has 22% females in employment and 13% of the Board and Company Secretaries are female. 29% of the Group's managers are female.

A copy of the Diversity Policy can be found on the CI Resources website (www.ciresources.com.au)

Principle 2 – Structure the board to add value

The Board comprises of a Non-executive Independent Chairman, three Executive Directors and three Non-Executive Directors (of whom 2 are Independent).

The Board is satisfied that the current mix of independent and non-independent Directors is in the best interests of the Company and ensures that the Company has available the requisite levels of skill and experience in both the phosphate and palm oil sectors.

Full details of the Company's Board of Directors and their relevant experience and skills are detailed within the Directors' Report. The Company's Constitution requires that one third of the members of the Board retire by rotation each year but they are eligible for re-election.

Any new Director appointed holds office only until the next general meeting and is then eligible for re-election.

The Board will ensure that any such person to be appointed as a Director possesses an appropriate level of qualifications, expertise and experience. The Remuneration and Nomination Committee review the board composition annually to ensure it continues to have the right balance of skills, experience, independence and knowledge to discharge its responsibilities.

Under the Remuneration and Nomination Committee Charter, the Committee must have at least three members who are non-executive directors with a majority of whom are independent directors. The Chair of the Board must not be the Chair of the Committee.

Key terms and conditions relating to the appointment of non-executive directors are set out in a formal letter of appointment.

Principle 3 – Act ethically and responsibly

The Board place great emphasis on ethics and integrity in all its business dealings and the Board considers the business practices and ethics exercised by individual board members and key executives to be of the highest standards.

The Board, being committed to the highest standards of ethical business conduct has adopted a formal Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities. The Code is subject to ongoing review to ensure that the Company's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the following key principles:

- ◆ acting with honesty and integrity
- ◆ abiding by laws and regulations
- ◆ respecting confidentiality and handling information in a proper manner
- ◆ maintaining the highest standards of professional behaviour
- ◆ avoiding conflicts of interest
- ◆ striving to be a good corporate citizen and to achieve community respect.

CI Resources Limited also has a number of specific policies on various legal and ethical issues. These policies are designed to foster and maintain ethical business conduct within the Company, and govern such things as workplace and human resources practices, handling of confidential information, insider trading, risk management

CI RESOURCES LIMITED

Corporate Governance Disclosures

and legal compliance.

A formal Securities Trading Policy has been adopted, lodged and released to the market. This is to ensure compliance with the “insider trading” provisions of the Corporations Act by directors and executive staff who may be in possession of sensitive information concerning the Company’s affairs, prior to release to the market.

In addition, the Board has guidelines dealing with disclosure of interests by Directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any Director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

A copy of the Corporate Code of Conduct and the Securities Trading Policy can be found on the CI Resources website.

Principle 4 – Safeguard integrity in financial reporting

The Board has established an Audit & Risk Management Committee (ARC). The ARC’s primary function is to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, including the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The ARC is responsible for the appointment of the external auditors of the Company, and will time to time review the scope, performance and fees of those external auditors. The Company has retained Ernst & Young as its auditors. The Ernst & Young partner managing the external audit will attend the 2019 AGM and be available to respond to shareholder’s questions relating to external audit.

The ARC is responsible for engaging independent audit consultants to carry out an internal audit program across designated operational functions.

Under the Audit & Risk Management Committee Charter, the Committee must have at least three members, who are non-executive directors with a majority of independent directors. The Committee members must have basic knowledge of finance and accounting practices. The Chair of the Board must not be the Chair of the Committee.

A copy of the Audit & Risk Management Charter can be found on the CI Resources website.

(www.ciresources.com.au)

Principle 5 – Make timely and balanced disclosure

The Company complied with all disclosure requirements to ensure that it manages the disclosure of price sensitive information effectively and in accordance with the requirements as set out by regulatory bodies. All market disclosures are approved by the Board.

The Chairman and Company Secretary are authorised to communicate with shareholders and the market in relation to Board approved disclosures. The Chairman and Company Secretary are responsible for ensuring compliance with the continuous disclosure to the Australian Securities Exchange, analysts, broker, shareholders, the media and the public.

A copy of the Continuous Disclosure Policy can be found on the CI Resources website. (www.ciresources.com.au)

Principle 6 – Respect the rights of shareholders

The Company has a positive strategy to communicate with shareholders and actively promote shareholder involvement in the Company. It aims to continue to increase and improve the information available to shareholders on its website. All Company announcements, presentations to analysts and other significant briefings are posted on the Company’s website after release to the Australian Securities Exchange.

(www.ciresources.com.au)

CI RESOURCES LIMITED

Corporate Governance Disclosures

In addition the Company encourages shareholders to register with the Share Registry to receive communications electronically.

CI Resources encourages and welcomes shareholder participation at general meetings with the AGM being the major forum for shareholders to ask questions about the performance of the Company and to provide feedback.

Principle 7 – Recognise and manage risk

Please refer to details of the Audit & Risk Management Committee under Principle 4.

The Audit & Risk Management Committee oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system.

The Christmas Island operations are carried on in an environmentally sensitive area and accordingly operations are carefully monitored to ensure compliance with approved Environmental Management Plans developed in accordance with legislative requirements.

The Company maintains and reviews annually comprehensive Public Liability and "All Risks" insurance policies for all its business and operational activities.

The Board has received assurance from the Managing Director and the Group Chief Financial Officer that, the directors' declaration provided in accordance with section 295A of the *Corporations Act*, is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8 – Remunerate fairly and responsibly

The Board has established the Remuneration & Nomination Committee. The Committee operates under a formal Remuneration & Investment Committee Charter which is published on the Company's website. The role of the Committee is to review and assist the Board to determine and review compensation arrangements for the Directors, the Managing Director, and Senior Executives. The Directors fees are determined by the Company in general meetings and other consulting services are remunerated at levels agreed by the Board of Directors. Access is available to the Company's auditors and senior managers, and the ability to consult independent experts when necessary.

In relation to non-executive directors, there are presently no schemes for termination or retirement benefits, other than statutory superannuation.

The Board recognises that the interests of all stakeholders will be best served when the Company, its directors and staff adhere to highest standards of business ethics and comply with the law.

Other than disclosed above, during the Consolidated Entity's financial period the Company has complied with the ASX Principles and Recommendations.

CI Resources Limited

Financial report – For the financial year ended 30 June 2019

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CI Resources Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

6 Thorogood Street
Burswood, Western Australia 6100

A description of the nature of the consolidated entity's operations and its principal activities is included in the directors' report, which is not part of this financial report.

The financial report was authorised for issue by the directors on 28 August 2019. The consolidated entity has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the consolidated entity. All press releases, financial reports and other information are available on our website: www.ciresources.com.au

For queries in relation to our reporting please call +61 8 6250 4900 or e-mail info@ciresources.com.au

CI RESOURCES LIMITED

Consolidated Statement of Comprehensive Income For the financial year ended 30 June 2019

	Notes	2019 \$'000s	2018 \$'000s
Revenue	4(a)	135,772	167,593
Cost of sales	4(b)	(110,377)	(131,700)
Gross Profit		25,395	35,893
Other income	4(c)	1,119	8,857
Other expenses	4(d)	(12,608)	(15,996)
Finance costs	4(e)	(645)	(300)
Change in fair value of biological asset		(73)	(43)
Profit before income tax		13,188	28,411
Income tax expense	5	(4,517)	(7,259)
Profit for the period after income tax		8,671	21,152
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net currency translation differences		1,425	6,421
Total other comprehensive income that may be reclassified subsequently to profit or loss		1,425	6,421
<i>Items that will not be reclassified to profit or loss in subsequent periods:</i>			
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income		(3,951)	-
Total other comprehensive income that cannot be reclassified subsequently to profit or loss		(3,951)	-
Total comprehensive income for the year		6,145	27,573
Profit is attributable to:			
Members of CI Resources Limited		8,671	21,152
		8,671	21,152
Total comprehensive income for the year is attributable to:			
Members of CI Resources Limited		6,145	27,573
		6,145	27,573
Earnings per share for profit attributable to the ordinary equity holders of the parent:			
Basic earnings per share	6	7.50 cents	18.30 cents
Diluted earnings per share		7.50 cents	18.30 cents

CI RESOURCES LIMITED

Consolidated Statement of Financial Position As at 30 June 2019

	Notes	2019 \$'000s	2018 \$'000s
Current assets			
Cash and cash equivalents	7	39,726	51,243
Term deposits		7,331	10,918
Trade and other receivables	8	28,586	44,147
Inventories	9	36,233	23,341
Biological asset	13(a)	125	194
Forward exchange contract receivable	27	48	-
Prepayments		102	334
Income tax receivable		3	2,310
Total current assets		112,154	132,487
Non-current assets			
Other financial assets	10	32,350	7,284
Property, plant & equipment	11	85,235	80,586
Goodwill	12	7,158	7,158
Biological assets	13(b)	6,153	6,670
Deferred tax assets	5	9,952	9,882
Total non-current assets		140,848	111,580
Total assets		253,002	244,067
Current liabilities			
Trade and other payables	15	13,289	13,933
Borrowings	16	1,417	13
Forward exchange contract payable	27	-	256
Provisions	17	5,019	5,762
Total current liabilities		19,725	19,964
Non-current liabilities			
Borrowings	16	11,853	41
Deferred tax liabilities	5	7,416	8,943
Provisions	17	18,702	18,445
Total non-current liabilities		37,971	27,429
Total liabilities		57,696	47,393
Net assets		195,306	196,674
Equity			
Contributed equity	18	72,160	72,160
Reserves	19	9,003	11,529
Retained earnings	20	114,143	112,985
Total equity		195,306	196,674

CI RESOURCES LIMITED

Consolidated Statements of Changes in Equity For the financial year ended 30 June 2019

	Contributed Equity \$'000s	Foreign Currency Translation Reserve \$'000s	Fair Value Reserve \$'000s	Discount on Acquisition of NCI \$'000s	Retained Earnings \$'000s	Total \$'000s
1 July 2018	72,160	3,030	-	8,499	112,985	196,674
Profit for the year	-	-	-	-	8,671	8,671
Other comprehensive income for the year	-	1,425	(3,951)	-	-	(2,526)
Total comprehensive income for the year	-	1,425	(3,951)	-	8,671	6,145
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid	-	-	-	-	(7,513)	(7,513)
30 June 2019	72,160	4,455	(3,951)	8,499	114,143	195,306
1 July 2017	72,160	(3,391)	-	8,499	103,391	180,659
Profit for the year	-	-	-	-	21,152	21,152
Other comprehensive income for the year	-	6,421	-	-	-	6,421
Total comprehensive income for the year	-	6,421	-	-	21,152	27,573
<i>Transactions with owners in their capacity as owners:</i>						
Dividends paid	-	-	-	-	(11,558)	(11,558)
30 June 2018	72,160	3,030	-	8,499	112,985	196,674

CI RESOURCES LIMITED

Consolidated Statement of Cash Flows For the financial year ended 30 June 2019

	Note	2019 \$'000s	2018 \$'000s
Cash flows from operating activities			
Receipts from customers		150,380	162,529
Payments to suppliers and employees (inclusive of goods and services tax)		(130,084)	(126,094)
Interest received		952	927
Borrowing costs		(219)	-
Income taxes paid		(4,090)	(8,612)
Net cash flows from operating activities	26	16,939	28,750
Cash flows from investing activities			
Movement in term deposits		2,139	4,374
Purchase of financial instruments		(27,542)	-
Proceeds from sale of property, plant and equipment		25	52
Purchase of property, plant and equipment		(9,603)	(8,886)
Net cash flows used in investing activities		(34,981)	(4,460)
Cash flows from financing activities			
Repayment of borrowings		(488)	(6)
Proceeds of borrowings		13,773	-
Dividends paid		(7,513)	(11,558)
Net cash flows used in financing activities		5,772	(11,564)
Net (decrease) / increase in cash and cash equivalents held		(12,270)	12,726
Cash and cash equivalents at the beginning of the financial year		51,243	37,038
Impact of foreign exchange		753	1,479
Cash and cash equivalents at the end of the financial year	7	39,726	51,243

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

1. Corporate Information

This financial report of CI Resources Limited ('Company') for the year ended 30 June 2019 comprises the Company and its subsidiaries ('Group'). The financial report of CI Resources Limited for the year ended 30 June 2019 was authorised for issue in accordance with a resolution of the directors on 28 August 2019.

The separate financial statements of the parent entity, CI Resources Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

CI Resources Limited is a for profit company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to the financial year ended 30 June 2019, unless otherwise stated.

Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The financial report has been prepared on a historical cost basis except for biological assets and certain financial instruments, which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Company is an entity to which the legislative instrument applies.

The financial report covers the Consolidated Entity of CI Resources Limited and its controlled entities and has been prepared on an accruals basis.

(a) Compliance with IFRS

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board.

(b) New accounting standards and interpretations

(i) Changes in accounting policy

The accounting policies adopted in the preparation of the year-end report are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2018, except for the adoption of new and amended Accounting Standards and Interpretations effective 1 July 2018 and adopted for the current financial year ended 30 June 2019, including:

- AASB 9 Financial Instruments, and relevant amending standards
- AASB 15 Revenue from Contracts with Customers, and relevant amending standards
- AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

Except for AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers', the adoption of other amending Standards did not have any impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Notes to the financial statements
For the year ended 30 June 2019

AASB 9 Financial Instruments (“AASB 9”)

AASB 9 replaces parts of AASB 139 *Financial Instruments: Recognition and Measurement* (“AASB 139”) for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

The Group has applied AASB 9 retrospectively, with the initial application date of 1 July 2018. In accordance with the transitional provisions in AASB 9, comparative figures have not been restated.

AASB 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of AASB 9 did not have a material impact on the Group’s consolidated financial statements and did not result in any adjustment to the opening balance of retained earnings as at 1 July 2018.

AASB 9 largely retains the existing requirements of AASB 139 for the classification and measurement of financial liabilities, however, it eliminates the previous AASB 139 categories for financial assets held to maturity, receivables and available for sale. Under AASB 9, on initial recognition a financial asset is classified as measured at:

- a. Amortised cost;
- b. Fair Value through Other Comprehensive Income (“FVOCI”) – debt investment;
- c. FVOCI – equity investment; or
- d. Fair Value through Profit or Loss (“FVTPL”)

The classification of financial assets under AASB 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price in accordance to AASB 15) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

For financial assets measured at amortised cost, these assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Any gain or loss on derecognition is recognised in profit or loss.

Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

As of 30 June 2018, the Company’s financial instruments consist of cash and cash equivalents, other financial assets consisting mainly of term deposits, capital notes, derivative instruments, trade and other receivables and trade and other payables.

Class of financial instrument presented in the statement of financial position	Original measurement category under AASB 139	New measurement category under AASB 9	Carrying value as at 1 July 2019 before adoption of AASB 9	Value as at 1 July 2018 (\$’000s)
Cash and cash equivalents	Loans and receivables	Financial assets at amortised cost	51,243	51,243
Other financial assets-capital notes	Available for sale financial assets	Financial assets at fair value through profit or loss	965	965
Other financial assets	Loans and receivables	Financial assets at amortised cost	17,237	17,237
Trade and other receivables	Loans and receivables	Financial assets at amortised cost	44,147	44,147
Trade and other payables	Financial liability at amortised cost	Financial liability at amortised cost	13,933	13,933

The change in classification has not resulted in any re-measurement adjustment at 1 July 2018.

Notes to the financial statements
For the year ended 30 June 2019

Impairment of financial assets

In relation to the financial assets carried at amortised cost, AASB 9 requires an expected credit loss model to be applied as opposed to an incurred credit loss model under AASB 139. The expected credit loss model requires the Group to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial asset. In particular, AASB 9 requires the Group to measure the loss allowance at an amount equal to lifetime expected credit loss ("ECL") if the credit risk on the instrument has increased significantly since initial recognition. On the other hand, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group is required to measure the loss allowance for that financial instrument at an amount equal to the ECL within the next 12 months.

The Group considers an event of default has occurred when external sources indicate that the debtor is unlikely to pay its creditors, including the Group. A financial asset is credit impaired when there is evidence that the counterparty is in significant financial difficulty or a breach of contract, such as a default. The Group writes off a financial asset when there is information indicating the counterparty is in severe financial difficulty and there is no realistic prospect of recovery.

As at 1 July 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information.

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has credit rating and risk management policies in place, the change to a forward-looking expected credit loss approach did not have a material impact on the amounts recognised in the financial statements.

With respect to the Group's cash balances, on demand and term deposits and other financial assets, other than immaterial petty cash at 1 July 2018, no material adjustments were required on adoption of the ECL approach. These balances were assessed as having low probability of default as they are either on demand or have relatively short maturity dates and it is the Group's policy that these balances are held with reputable financial institutions with high credit ratings.

The accounting policy of the Group on financial instruments is disclosed in more detail in note 2(k).

AASB 15 Revenue from Contracts with Customers (AASB 15)

The Group has adopted AASB 15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provisions in AASB 15 the standard has been applied using the modified retrospective approach.

AASB 15 supersedes AASB 118 *Revenue*, AASB 111 *Construction Contracts* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers.

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services.

Revenue from phosphate sales

Each phosphate shipment is governed by a sales contract with a customer, including spot sales and medium term supply agreements with the transaction price on a per tonne basis. Revenue from the sale of phosphate is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product. There were no changes identified with respect to the timing of revenue recognition in relation to phosphate sales, as control transfers to customers at the date of completion of the loading of the product, which is consistent with the point in time when risks and rewards passed under AASB 118.

For the Groups phosphate sales made on a Cost and Freight basis, the Group is responsible for providing freight/shipping services after the date the Group transfers control of the phosphate to its customer. This is considered as a separate performance obligation under AASB 15 which is satisfied at a different point in time from

Notes to the financial statements For the year ended 30 June 2019

the phosphate sales. Therefore, some of the transaction price that was previously all allocated to the phosphate sales under AASB 118 is now required to be allocated to these new performance obligations. The Group, therefore has a separate performance obligation for freight/shipping services which are provided solely to facilitate the sale of the phosphate it produces. Revenue for freight/shipping is recognised over the same time as the shipping occurs. However given the nature of the shipping profile, most of these services are complete in the same reporting period that control of the underlying phosphate passes to the customer and therefore has no material impact upon the adoption of AASB 15.

Revenue from sale of palm oil products

Each palm oil sale is governed by a sales contract with a customer. Revenue from the sale of palm oil products is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product. There were no changes identified with respect to the timing of revenue recognition in relation to palm oil products, as control transfers to customers at the date of completion of the loading of the product, which is consistent with the point in time when risks and rewards passed under AASB 118.

Revenue from sale fuel oil products

Each fuel oil sale is governed by a sales contract with a customer, including long term supply arrangements and point of sale bowser sales. Revenue from the sale of fuel products is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product. There were no changes identified with respect to the timing of revenue recognition in relation to sale of fuel oil products, as control transfers to customers at the date of completion of the bowser sales, which is consistent with the point in time when risks and rewards passed under AASB 118.

Revenue from service contracts

Revenue from services contracts is governed by a long term contract with a customer. These activities tend to be substantially the same with the same pattern of transfer to the customer. Where this is the case, which is the majority of the services contracts, these services are taken to be one performance obligation and the total transaction price is allocated to the performance obligation identified.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. Customers are typically invoiced monthly for an amount that is calculated on either a schedule of rates or a cost plus basis. For these contracts, the transaction price determined is an estimate of this variable consideration. Therefore there is no material impact from the adoption of AASB 15 for these service contracts.

Customers are typically invoiced on a monthly basis and invoices are paid on normal commercial terms.

Significant Financing Component

Using the practical expedient in AASB 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer or the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

Customers are typically invoiced on a monthly basis and invoices are paid on normal commercial terms.

The accounting policy of the Group on revenue from contracts with customers is disclosed in more detail in note 2(r).

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

ii) New and amended Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2019 are outlined in the table below:

Accounting Standard & Interpretations	
Title:	AASB 16 Leases
Application Date of standard:	1 January 2019
Application date for Group:	1 July 2019
Summary: AASB 16 requires lessees to account for all leases under a single onbalance sheet model in a similar way to finance leases under AASB 117 Leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting is substantially unchanged from today's accounting under AASB 117. Lessors will continue to classify all leases using the same classification principle as in AASB 117 and distinguish between two types of leases: operating and finance leases.	
Impact on Group Financial Report: The Group will adopt AASB 16 using the modified retrospective method, recognising right of use assets equivalent to the lease liability at transition. The Group will elect to use the exemptions allowed for lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The timing of recognition of costs will be brought forward as a result of higher interest expense in the earlier years of the leases. The Group will elect to apply the standard to contracts that were previously identified as leases applying AASB 117 and AASB Interpretation 4. The Group will therefore not apply the standard to contracts that were not previously identified as containing a lease applying AASB 117 and AASB Interpretation 4. The Group expects to recognize a lease liability and corresponding right-of-use asset similar to that as disclosed in the minimum lease payments of operating leases.	
Title:	AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
Application Date of standard:	1 January 2019
Application date for Group:	1 July 2019
Summary: The amendments clarify certain requirements in: ▶ AASB 3 <i>Business Combinations</i> and AASB 11 <i>Joint Arrangements</i> - previously held interest in a joint operation ▶ AASB 112 <i>Income Taxes</i> - income tax consequences of payments on financial instruments classified as equity ▶ AASB 123 <i>Borrowing Costs</i> - borrowing costs eligible for capitalisation.	
Impact on Group Financial Report: It is not expected that this will have a material impact on the Group.	

Notes to the financial statements
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Title:	AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation
Application Date of standard:	1 January 2019
Application date for Group:	1 July 2019
Summary: This Standard amends AASB 9 <i>Financial Instruments</i> to permit entities to measure at amortised cost or fair value through other comprehensive income particular financial assets that would otherwise have contractual cash flows that are solely payments of principal and interest but do not meet that condition only as a result of a prepayment feature. This is subject to meeting other conditions, such as the nature of the business model relevant to the financial asset. Otherwise, the financial assets would be measured at fair value through profit or loss. The Standard also clarifies in the Basis for Conclusion that, under AASB 9, gains and losses arising on modifications of financial liabilities that do not result in derecognition should be recognised in profit or loss.	
Impact on Group Financial Report: It is not expected that this will have a material impact on the Group.	
Title:	AASB Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>, and relevant amending standards
Application Date of standard:	1 January 2019
Application date for Group:	1 July 2019
Summary: The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 <i>Income Taxes</i> when there is uncertainty over income tax treatments. The Interpretation specifically addresses the following: • Whether an entity considers uncertain tax treatments separately • The assumptions an entity makes about the examination of tax treatments by taxation authorities • How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates • How an entity considers changes in facts and circumstances.	
Impact on Group Financial Report: It is not expected that this will have a material impact on the Group.	

Title:	AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business
Application Date of standard:	1 January 2020
Application date for Group:	1 July 2020
Summary: The Standard amends the definition of a business in AASB 3 <i>Business Combinations</i> . The amendments clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test.	
Impact on Group Financial Report: It is not expected that this will have a material impact on the Group.	
Title:	AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material
Application Date of standard:	1 January 2020
Application date for Group:	1 July 2020
Summary: This Standard amends AASB 101 <i>Presentation of Financial Statements</i> and AAS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i> to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The amendments clarify that materiality will depend on the nature or magnitude of information. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.	
Impact on Group Financial Report: It is not expected that this will have a material impact on the Group.	

Notes to the financial statements
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Title:	<i>Conceptual Framework for Financial Reporting</i>
Application Date of standard:	1 January 2020
Application date for Group:	1 July 2020
Summary: The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. It is arranged in eight chapters, as follows: • Chapter 1 – The objective of financial reporting • Chapter 2 – Qualitative characteristics of useful financial information • Chapter 3 – Financial statements and the reporting entity • Chapter 4 – The elements of financial statements • Chapter 5 – Recognition and derecognition • Chapter 6 – Measurement • Chapter 7 – Presentation and disclosure • Chapter 8 – Concepts of capital and capital maintenance <i>Amendments to References to the Conceptual Framework in IFRS Standards</i> has also been issued, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The changes to the Conceptual Framework may affect the application of IFRS in situations where no standard applies to a particular transaction or event. In addition, relief has been provided in applying IFRS 3 and developing accounting policies for regulatory account balances using IAS 8, such that entities must continue to apply the definitions of an asset and a liability (and supporting concepts) in the 2010 Conceptual Framework, and not the definitions in the revised Conceptual Framework.	
Impact on Group Financial Report: The Group has not yet assessed the impact.	

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of CI Resources Limited (“company” or “parent entity”) as at 30 June 2019 and the results of its subsidiaries for the financial year then ended.

CI Resources Limited and its subsidiaries together are referred to in this financial report as the Group or Consolidated Entity. Subsidiaries are all those entities over which the Group has exposed, or has rights to variable return from its involvement in the subsidiary and has the ability to affect those return through its control.

Control is achieved 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:

- 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. Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group 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

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 consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

**Notes to the financial statements
For the year ended 30 June 2019**

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, 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.

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

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.

Investments in subsidiaries held by CI Resources Limited are accounted for at cost in the separate financial statements of the parent entity less any impairment charges. Dividends received from subsidiaries are recorded as a component of other revenues in the separate income statement of the parent entity, and do not impact the recorded cost of the investment. Upon receipt of dividend payments from subsidiaries, the parent will assess whether any indicators of impairment of the carrying value of the investment in the subsidiary exist. Where such indicators exist, to the extent that the carrying value of the investment exceeds its recoverable amount, an impairment loss is recognised.

(d) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or are substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets or liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be recognised directly in equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Group offsets deferred tax assets and deferred 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 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 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.

Notes to the financial statements
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(e) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of mining stocks includes direct materials, direct labour, transportation costs and variable and fixed overhead costs relating to mining activities. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(f) Property, plant and equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property

Freehold land and buildings are measured at cost less accumulated depreciation on buildings.

Plant and equipment

Plant and equipment are measured on the cost basis less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by the directors to ensure it is not in excess of the recoverable amount from these assets

The cost of fixed assets constructed within the Group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Construction in progress is stated at cost, net of accumulated impairment losses, if any.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land are depreciated on a straight line or diminishing balance basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciation assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Leasehold and strata title properties	Shorter of the lease and 2%
Plant and equipment under lease:	
- the shorter of the lease term and life span	20 – 30%
Plant and equipment	5 – 40%
Mine properties	Life of mine

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

**Notes to the financial statements
For the year ended 30 June 2019**

(g) Mining tenements and exploration expenditure

Costs incurred during exploration and evaluation activities related to an area of interest are accumulated at cost.

Such costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area of interest, or alternatively its sale, or where activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active operations are continuing.

Accumulated costs in relation to abandoned areas of interest are written off in full in the year in which the decision to abandon the area is made.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

(h) Mine properties

Costs incurred prior to the startup of operations or mining assets acquired are accumulated at cost. Such costs are only carried forward to the extent that they are expected to be recouped through the successful exploitation of the known reserves.

Impairment

The carrying amount of mine properties is reviewed annually by the directors to ensure it is not in excess of the recoverable amount of these assets.

(i) Decommissioning

Estimated decommissioning expenditure is recognised as a provision 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.

If the effect of the time value of money is material, the amounts are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged to the income statement in each accounting period, and is disclosed as a financing costs.

Other changes in the measurement of an existing decommissioning obligation that result from changes in the estimated timing or amount of future costs, or a change in the discount rate, are recognised as an adjustment to the decommissioning asset.

(j) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

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Lease payments of operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(k) Financial instruments

Policy applied prior to 1 July 2018 (before adoption of AASB 9)

Recognition

Financial instruments are initially measured at fair value, which includes transaction costs, when the contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Trade receivables

Trade receivables, which generally have 30 to 150 day terms, were carried at nominal amounts due less an allowance for any uncollectible amounts. An allowance for doubtful debts was made when there was objective evidence that the Group would not be able to collect the debts. Bad debts were written-off when identified.

Financial liabilities

Trade payables and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the consolidated entity provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non-current assets and carried at amortised cost. Loans and receivables are included in receivables in the statement of financial position.

Impairment

The Consolidated Entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired

Derivative financial instruments

Derivative financial instruments are used by the Group to provide an economic hedge of exposures to exchange rates. The consolidated entity does not apply hedge accounting and accordingly all fair value movements on derivative financial instruments are recognised in the statement of comprehensive income.

Derivative financial instruments are stated at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. The resulting gain or loss is recognised in profit or loss immediately.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Policy applied post to 1 July 2018 (after adoption of AASB 9)

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.

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Financial Assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. 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 are measured at the transaction price determined under AASB 15.

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.

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.

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

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

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. 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 includes trade receivables and term deposits.

Financial assets at fair value through OCI (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

Notes to the financial statements
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For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Group elected to classify irrevocably its listed equity investment under this category.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. 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 are not solely payments of principal and interest are 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 the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

Derecognition

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
- 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.

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

Notes to the financial statements For the year ended 30 June 2019

transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

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

- Disclosures for significant assumptions
- Trade receivables

The Group recognises an allowance for expected credit losses (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 effective interest rate.

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).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs 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.

The Group considers 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.

Financial liabilities

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.

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, loans and borrowings.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

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 AASB 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss

Notes to the financial statements
For the year ended 30 June 2019

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss 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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. 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 the statement of profit or loss.

Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks. The consolidated entity does not apply hedge accounting and such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

(I) Impairment of non-financial assets

At each reporting date, the company assesses whether there is any indication that an asset may be impaired.

Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows based on management's forecasts are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or 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 recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

**Notes to the financial statements
For the year ended 30 June 2019**

(m) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to the identifiable net assets at the date of acquisition.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment losses recognised for goodwill are not subsequently reversed.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred.

Development costs are capitalised only when technical feasibility studies indicate that the project will deliver future economic benefits and these benefits can be measured reliably. Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

(n) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the group's entities is determined by reference to the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

Group companies

The financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

- Assets and liabilities are translated at year-end exchange rates prevailing at that reporting date.
- Income and expenses are translated at average exchange rates for the period.

Exchange differences arising on translation of foreign operations are transferred directly to the group's foreign currency translation reserve in the balance sheet. These differences are recognised in the income statement in the period in which the operation is disposed.

Notes to the financial statements
For the year ended 30 June 2019

(o) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet. The carrying values of term deposits represent the fair values.

(p) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified based on the information provided to the chief operating decision makers — being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the products and services
- Nature of the production processes
- Type or class of customer for the products and services
- Methods used to distribute the products or provide the services, and if applicable
- Nature of the regulatory environment

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately.

However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for unallocated segments.

(q) Business Combination

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 non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests 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.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Notes to the financial statements
For the year ended 30 June 2019

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with AASB 9 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses 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 profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. 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 that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

(r) Revenue

Revenue from contract with customers

The Group is in the business of:

- Mining, processing and sale of phosphate rock, phosphate dust and chalk;
- Supply of fuel and oil products to other Christmas Island entities;
- Providing maintenance, fuel pilotage and stevedoring services to other Christmas Island entities; and
- Operating a palm oil estate, processing and sale of palm oil products

Policy applied prior to 1 July 2018 (before adoption of AASB 15)

Sale of goods

Revenue was recognised when there has been a passing of the significant risks and rewards of ownership, which means the following:

- The product was in a form suitable for delivery and no further processing was required by or on behalf of the consolidated entity;
- The quantity and quality of the product can be determined with reasonable accuracy;
- The product has been despatched to the customer and was no longer under the physical control of the consolidated entity;
- The selling price can be measured reliably;
- It was probable that the economic benefits associated with the transaction will flow to the consolidated entity; and
- The costs incurred, or expected to be incurred, in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services was recognised by reference to the stage of completion of the contract.

Notes to the financial statements
For the year ended 30 June 2019

Policy applied from 1 July 2018 (post adoption of AASB 15)

Revenue from phosphate sales

Each phosphate shipment is governed by a sales contract with a customer, including spot sales and medium term supply agreements with the transaction price on a per tonne basis. Revenue from the sale of phosphate is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product.

For the Group's phosphate sales made on a Cost and Freight basis, the Group is responsible for providing freight/shipping services after the date the Group transfers control of the phosphate to its customer. This is considered as a separate performance obligation under AASB 15 which are satisfied at a different point in time from the phosphate sales. Therefore, some of the transaction price that was previously all allocated to the phosphate sales under AASB 118 is now required to be allocated to these new performance obligations. The Group, therefore has a separate performance obligation for freight/shipping services which are provided solely to facilitate the sale of the phosphate it produces. Revenue for freight/shipping is recognized over the same time as the shipping occurs.

Revenue from sale of palm oil products

Each palm oil sale is governed by a sales contract with a customer. Revenue from the sale of palm oil products is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product.

Revenue from sale of palm oil and fuel oil products

Each fuel oil sale is governed by a sales contract with a customer, including long term supply arrangements and point of sale bowser sales. Revenue from the sale of fuel products is recognised at a point in time when the control of the asset is transferred to the customer which is typically upon completion of the loading of the product.

Revenue from service contracts

Revenue from services contracts is governed by a long term contract with a customer. These activities tend to be substantially the same with the same pattern of transfer to the customer. Where this is the case, which is the majority of the services contracts, these services are taken to be one performance obligation and the total transaction price is allocated to the performance obligation identified.

Performance obligations are fulfilled over time as the Group largely enhances assets which the customer controls. Customers are typically invoiced monthly for an amount that is calculated on either a schedule of rates or a cost plus basis. For these contracts, the transaction price determined as an estimate of this variable consideration.

Interest income

Revenue is recognised as the interest accrues using the effective interest rate method (which was the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset).

Dividends

Revenue is recognised when the right to receive a dividend has been established.

(s) Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

**Notes to the financial statements
For the year ended 30 June 2019**

(t) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees up until balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(u) Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are expensed during the period in which they are incurred.

(w) Bearer plants & Plantation development costs

Bearer plants are measured at cost, less any subsequent accumulated depreciation and impairment. Prior to maturity, the costs of bearer plants includes the cost of direct materials, direct labour and other costs directly attributable to the bearer plants reaching maturity. Post maturity, maintenance costs on bearer plants are expensed as incurred.

Plantation costs

Costs incurred on land clearing are capitalised as plantation development costs and is amortised over the economic useful life of the asset (25 years). Costs on the concession lease with a term of 60 years are capitalised and amortised over the remaining term of lease.

Depreciation

Mature bearer plants are subject to depreciation on a straight line basis over their estimated useful lives. The useful life of a bearer plant is estimated at 25 years.

The carrying amount of bearer plants is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets.

(x) Biological assets

Biological assets consist of agricultural produce growing on bearer plants at reporting date.

Biological assets are measured at their fair value less estimated point of sale costs at the point of harvest. The movement in fair value less estimated point of sale costs of biological assets are included in the statement of comprehensive income in the year they arise.

(y) Term deposit

Term deposits which have a maturity of less than twelve months are shown in current assets. Term deposits which are held to fund employee benefits stated and demolition costs are shown in non current assets.

**Notes to the financial statements
For the year ended 30 June 2019**

(z) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australia Taxation Office.

(aa) Provision for dividend

The Group recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Group. As per corporate laws in Australia, a dissolution is authorized when it is approved by the shareholders. A corresponding amount is recognized directly in equity.

(ab) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, 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 associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

Notes to the financial statements
For the year ended 30 June 2019

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(ac) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(ad) Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(ae) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the consolidated entity, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the financial statements
For the year ended 30 June 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

- (a) In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements.

Assessment of mine life on Christmas Island

The financial statements have been prepared on the basis that the resource supports continued operations through to the late 2020's based on the current market parameters and expectations.

Determination of mineral resources

The Group's estimation of its mineral resources was prepared by or under the supervision of Competent Persons as defined in the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves 2004 (the 'JORC code').

There are numerous uncertainties inherent in estimating mineral resources and assumptions that are valid at the time of estimation may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates or production costs may change the economic status of resources and may, ultimately, result in the resources being restated. Such changes in resources could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning.

Revenue from contracts with customers

For the Group's CFR customers, the Group is responsible for providing freight/shipping services. Whilst the Group does not actually provide nor operate the vessels, the Group has determined that it is the principle in these arrangements because it controls the specified services before they are provided to the customer. Revenue for freight/shipping is recognized over the same time as the shipping occurs.

Where performance obligations are satisfied over time, revenue is recognised in the consolidated income statement by reference to the progress towards complete satisfaction of each performance obligation.

- (b) The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Provision for expected credit losses of trade receivables

For trade receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience which are based on days past due, adjusted for forward-looking factors specific to the debtors and the economic environment. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate.

Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment if there is any indication that the carrying amount may not be recoverable. Where a review for impairment is conducted, the recoverable amount is assessed by reference to the higher of 'value in use' (being the net present value of expected future cash flows of the relevant cash generating unit) and 'fair value less costs to sell'.

**Notes to the financial statements
For the year ended 30 June 2019**

In determining value in use, future cash flows are based on:

- Estimates of the quantities of ore reserves and mineral resources;
- Future production levels;
- Future commodity prices and foreign exchange rates; and
- Future cash costs of production and capital expenditure.

Variations to the expected future cash flows, and the timing thereof, could result in significant changes to any impairment losses recognised, if any, which could in turn impact future financial results.

Impairment of Goodwill

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Assumptions are made regarding post tax discount rates applied to cash flow projections. The cash flows are based on the financial budget approved by management for the upcoming year and assumptions are made regarding the inflation rates for the following 4 years and a terminal value.

Provisions for decommissioning costs

Decommissioning costs are a normal consequence of mining and the majority of this expenditure is incurred at the end of a mine's life. In determining an appropriate level of provision consideration is given to the expected future costs to be incurred, the timing of these expected future costs (largely dependent on the life of the mine), the appropriateness of the discount rate and the estimated future level of inflation.

The ultimate cost of decommissioning is uncertain and costs can vary in response to many factors including changes to the relevant legal requirements or the emergence of new decommissioning techniques. The expected timing of expenditure can also change, for example in response to changes in reserves or to production rates.

Changes to any of the estimates could result in significant changes to the level of provisioning required, which would in turn impact future financial results.

Fair value of biological assets

The fair value of biological assets, being the agricultural produce growing on bearer plants at reporting date are measured at their fair value less estimated point of sale costs at the point of harvest. In determining the fair value at reporting date a number of judgements are used in estimating the inputs to the fair value less estimated point of sales costs. Refer note 13 for significant assumptions.

Deferred Tax Asset

The deferred tax asset will only be obtained if:

- (a) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (b) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (c) no changes in tax legislation adversely affect the consolidation entity in realising the benefit.

The deferred tax assets are considered to be probable of being fully recovered, as it is believed that the entity will have future taxable income to fully utilise the tax benefit. Refer note 5.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

	2019 \$'000s	2018 \$'000s
4. Revenue and expenses		
a) Revenue		
<i>Revenue from contracts with customer</i>		
Phosphate sales	72,794	94,407
Palm oil sales	37,961	46,133
Fuel sales	15,232	16,365
Rendering of services	8,833	9,761
<i>Total revenue from contracts with customers</i>	<u>134,820</u>	<u>166,666</u>
<i>Other revenue</i>		
Finance revenue-interest	952	927
<i>Total other revenue</i>	<u>952</u>	<u>927</u>
	135,772	167,593
b) Cost of sales		
Production costs	87,574	105,256
Shipping & marketing	16,068	20,150
Depreciation	6,735	6,294
	<u>110,377</u>	<u>131,700</u>
c) Other income		
Net gain on disposal of assets	14	-
Net foreign exchange gains	1,048	3,040
Insurance claim	-	5,817
Other	57	-
	<u>1,119</u>	<u>8,857</u>
d) Other expenses		
Administration	11,357	13,027
Operating lease expense	541	520
Net loss on disposal of assets	-	29
Impairment of identifiable asset	-	1,300
Expected credit loss/bad debt expense	39	34
Redundancy expense	555	981
Depreciation	116	105
	<u>12,608</u>	<u>15,996</u>
e) Finance costs		
Accretion on decommissioning provision	408	300
Interest expense	237	-
	<u>645</u>	<u>300</u>
f) Employee benefits expense	<u>25,690</u>	<u>26,759</u>

Employee benefits expense comprises salaries and wages, superannuation, employee bonus and travel airfares together with accruals for employee entitlements such as annual leave, long service leave, redundancy and sick leave expensed during the year. Included in employee benefits expense is a superannuation expense of \$2,068,000.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

5. Income tax

	2019	2018
	\$'000s	\$'000s
The major components of income tax are:		
Statement of Comprehensive Income		
<i>Current income tax</i>		
Current income tax charge	4,865	7,700
Adjustments in respect of current income tax of previous years	1,249	(313)
<i>Deferred income tax</i>		
Relating to origination and reversal of temporary differences	(452)	1,430
Adjustments in respect of deferred tax of previous years	(1,145)	(1,558)
Income tax expense reported in the Statement of Comprehensive Income	4,517	7,259

A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting profit before income tax	13,188	28,411
At the Group's statutory income tax rate of 30% (2018: 30%)	3,956	8,523
Income/expenditure not allowable for income tax purposes:		
Add:		
- Adjustments in respect of current income tax of previous years	1,249	(313)
- Prior year adjustment in respect of temporary difference	(1,145)	(1,558)
- Effect of partial tax exemption and tax relief	-	(37)
- Assessable income for income tax purposes	6	26
- Expenditure not allowable for income tax purposes	545	871
- Deferred tax asset not brought to account	151	143
- Recoupment of previously unrecognised deferred tax asset	-	(41)
- Differences due to exchange rates applied to temporary differences and changes in tax rates	41	(55)
- Difference in global tax rates	(286)	(300)
Aggregate income tax expense	4,517	7,259

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

	<i>Statement of Financial Position</i>		<i>Statement of Comprehensive Income</i>	
	2019	2018	2019	2018
	\$'000s	\$'000s	\$'000s	\$'000s
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
<i>Deferred tax liabilities</i>				
Inventories	(1,865)	(1,831)	(34)	148
Property, plant and equipment	(5,536)	(7,115)	1,579	(691)
Receivables	(15)	3	(18)	18
Gross deferred income tax liabilities	(7,416)	(8,943)		
<i>Deferred tax assets</i>				
Other payables and provisions	9,215	8,937	278	1,503
Property, plant and equipment	482	629	(147)	(187)
Other financial assets	(350)	(455)	105	(718)
Inventories	203	423	(220)	24
Investments	1	9	(8)	9
Receivables	317	317	-	-
Tax losses	84	22	62	22
Gross deferred income tax assets	9,952	9,882		
Deferred tax income/(expense)			1,597	128

CI Resources Limited and its wholly owned controlled entities have not entered into a tax consolidation agreement.

6. Earnings per share

	2019 Cents	2018 Cents
Basic and diluted earnings per share	7.50	18.30

	2019 Number	2018 Number
Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted earnings per share.	115,581,107	115,581,107

	2019 \$'000s	2018 \$'000s
Profit used in calculating basic and diluted losses per share		
Net profit	8,671	21,152

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

There are no instruments (e.g. share options) excluded from the calculation of diluted earnings per share that could potentially dilute basic earnings per share in the future because they are antidilutive for either of the periods presented.

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

2019	2018
\$'000s	\$'000s

7. Cash and cash equivalents

Cash at bank and on hand	39,726	51,243
	39,726	51,243

8. Trade and other receivables

Trade debtors	27,758	43,403
Other receivables	828	744
	28,586	44,147

Trade debtors are non-interest bearing and are generally on 30-150 day terms. As at 30 June 2019, no trade receivables were considered impaired (2018: nil). Subsequent to year end \$1.4 million relating to past due but not impaired balances have been collected.

For trade and other receivables, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime expected credit losses. The Group has established a provision matrix that is based on the Group's historical credit loss experience for customer groups, adjusted for forward-looking factors specific to the debtors, industry payment profiles and the economic environment. As at 30 June 2019, the Group has calculated the ECL based on lifetime expected credit losses and noted these are not material.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables disclosed in this note.

As at 30 June, the ageing analysis of trade receivables is, as follows:

	Total	Current	Days past due			
			< 30 days	30-60 days	61-90 days	> 91 Days
	\$000	\$000	\$000	\$000	\$000	\$000
2019	27,758	23,402	989	751	476	2,140
2018	43,403	37,457	2,611	425	219	2,691

9. Inventories

	2019	2018
	\$'000s	\$'000s
Consumable materials and stores	5,485	5,234
Goods in transit	7,071	5,636
Finished goods	23,677	12,471
	36,233	23,341

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

10. Other Financial Assets

	2019	2018
	\$'000s	\$'000s
Trust fund term deposit-measures at amortised cost	7,767	6,319
Capital notes-measured at FVTPL	992	965
Equity shares-measured at FVOCI	190	-
Listed shares-measured at FVOCI	23,401	-
	32,350	7,284

Under the terms of the current Workplace Agreement between the Union of Christmas Island Workers and Phosphate Resources Limited a trust fund term deposit to meet employee entitlements is maintained. This trust fund may only be used to meet employee entitlements but may be drawn down as they arise. The trust fund term deposit currently stands at \$5,428,000 (2018: \$3,823,000). The interest earned on the term deposit of \$104,610 (2018: \$131,948) has been added to the term deposit.

11. Property, Plant & equipment

	2019	2018
	\$'000s	\$'000s
<i>Leasehold Land</i>		
At cost	33,799	32,897
Accumulated depreciation	(4,586)	(3,890)
	29,213	29,007
<i>Leasehold buildings</i>		
At cost	10,281	9,497
Accumulated depreciation	(1,270)	(913)
	9,011	8,584
<i>Land and buildings</i>		
At cost	15,089	14,327
Accumulated depreciation	(4,284)	(3,540)
	10,805	10,787
<i>Strata title properties</i>		
At cost	1,694	1,608
Accumulated depreciation	(438)	(397)
	1,256	1,211
<i>Plant and equipment</i>		
At cost	97,956	87,386
Accumulated depreciation and impairment	(67,318)	(64,318)
	30,638	23,068
<i>Plant and equipment under lease</i>		
At cost	493	480
Accumulated depreciation	(372)	(327)
	121	153
<i>Construction in progress</i>	4,191	7,776
<i>Total property, plant and equipment</i>		
At cost	163,503	153,971
Accumulated depreciation and impairment	(78,268)	(73,385)
Net carrying amount	85,235	80,586

Reconciliations

Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the current financial year.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

	2019 \$'000s	2018 '000s
<i>Leasehold Land</i>		
Carrying amount at beginning	29,007	26,722
Additions	-	-
Depreciation expense	(580)	(542)
Foreign exchange difference	786	2,827
	<u>29,213</u>	<u>29,007</u>
<i>Leasehold buildings</i>		
Carrying amount at beginning	8,584	7,463
Transfer from construction in progress	498	233
Additions	17	385
Disposals	-	-
Depreciation expense	(327)	(277)
Foreign exchange difference	239	780
	<u>9,011</u>	<u>8,584</u>
<i>Land and buildings</i>		
Carrying amount at beginning	10,787	8,957
Transfer from construction in progress	764	2,573
Disposals	-	-
Depreciation expense	(746)	(743)
	<u>10,805</u>	<u>10,787</u>
<i>Strata title properties</i>		
Carrying amount at beginning	1,211	1,180
Depreciation expense	(18)	(17)
Foreign exchange difference	63	48
	<u>1,256</u>	<u>1,211</u>
<i>Plant and equipment</i>		
Carrying amount at beginning	23,068	18,982
Transfer from construction in progress	11,837	7,815
Additions	88	1,326
Impairment	-	(1,300)
Disposals	(11)	(81)
Depreciation expense	(4,456)	(4,143)
Foreign exchange difference	112	469
	<u>30,638</u>	<u>23,068</u>
<i>Plant and equipment under lease</i>		
Carrying amount at beginning	153	170
Additions	-	-
Depreciation expense	(36)	(34)
Foreign exchange difference	4	17
	<u>121</u>	<u>153</u>
<i>Construction in progress</i>		
Carrying amount at beginning	7,776	9,945
Additions	9,498	8,452
Disposal	-	-
Transfers	(13,099)	(10,621)
Foreign exchange difference	16	-
	<u>4,191</u>	<u>7,776</u>

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

12. Goodwill

	2019 \$'000s	2018 \$'000s
Carrying amount at the beginning	7,158	7,158
Impairment	-	-
Impact of foreign exchange	-	-
	7,158	7,158

Goodwill acquired through business combination has been allocated to the Palm Oil Cash Generating Unit ("CGU"), which is also a reporting and operating segment for impairment testing. The net carrying amount of Goodwill at 30 June 2019 was \$7,158,000 (2018: \$7,158,000) which includes an accumulated impairment charge of nil during the year (2018: nil).

The recoverable amount of the Farming CGU has been determined using a value in use calculation using cash flow projections. The post-tax discount rates applied to cash flow projections is 8.75% (2018: 9.5%) and the cash flows are based on the financial budget approved by management for the upcoming year and applying an inflation rate of 2.3% p.a (2018: 2.7%) for the following 4 years and a terminal value.

With regard to the assessments of the value in use of the Farming CGU, management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

13. Biological Assets

The Group grows oil palm plants to produce palm oil. The plantation is located in Malaysia. The Group is exposed to risks in respect of agricultural activity. During the year a total of 27,210 metric tonnes of fruit was produced.

The primary risk associated with this activity occurs due to the length of time between expending cash on planting and trees reaching production so that cash can be received from the sale of palm oil to third parties. The Group's strategy to manage this risk is to stage the replanting (20-30 year replanting cycle) to reduce the effect on the cash flow.

(a) Biological assets

	2019 \$'000s	2018 \$'000s
Carrying amount at beginning of period	194	217
Production costs	2,027	2,059
Harvested during the period	(2,085)	(2,164)
Fair value adjustment	(73)	(43)
Effect of foreign exchange	62	125
Carrying amount at end of period	125	194

Biological assets consist of agricultural produce growing on bearer plants at reporting date. The fair value of biological assets, being the agricultural produce growing on bearer plants at reporting date are measured at their fair value less estimated point of sale costs at the point of harvest.

In determining the fair value at reporting date the following judgements were applied:

	2019	2018
CPO ¹ Price (RM ² per tonne)	1,886	2,294
PK ³ Price (RM per tonne)	1,091	1,743
Extraction rate (CPO)	19.25%	19.00%
Extraction rate (PK)	6.00%	6.00%

1. Crude Palm Oil
2. Malaysian Ringgit
3. Palm Kernel

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

An estimation of the quantum of fruit on trees and oil content was based on actual harvests post reporting date.

With regard to the estimation of the fair value of the biological asset, it has been classified as a level 3 in the fair value hierarchy being based on inputs that are not based on observable data. Management believes that no reasonably possible change in any of the above key assumptions would cause a material change in the fair value of the biological asset.

(b) Bearer plants (property, plant & equipment)

	2019	2018
	\$'000s	\$'000s
Carrying amount at beginning of period	6,670	6,641
Depreciation	(688)	(643)
Effect of foreign exchange	171	672
Carrying amount at end of period	6,153	6,670

14. Investments in controlled entities

CI Resources Limited owns 100% of Phosphate Resources Limited which is incorporated in Australia.

(a) Information relating to subsidiaries

Information relating to controlled entities is set out below:

Name	Principal Activities	Country of Incorporation	% Equity interest	
			2019 %	2018 %
- Phosphate Resources Ltd	Mining	Australia	100	100
- CI Maintenance Services Pty Ltd (i)	Maintenance Services	Australia	100	100
- Phosphate Resources Properties Pty Ltd (i)	Properties	Australia	100	100
- Indian Ocean Stevedores Pty Ltd (i)	Stevedoring Services	Australia	100	100
- Phosphate Resources (Singapore) Pte Ltd (i)	Shipping Services	Singapore	100	100
- Indian Ocean Oil Company Pty Ltd (i)	Fuel Services	Australia	100	100
- Phosphate Resources Laos Pty Ltd (i)	Dormant	Australia	100	100
- Phosphate Resources Plantations Pty Ltd (i)	Dormant	Australia	100	100
- Phosphate Resources (Malaysia) Sdn Bhd (i)	Marketing Services	Malaysia	100	100
- Cheekah-Kemayan Plantation Sdn Bhd (i)	Palm Oil Estate, Milling and Sales	Malaysia	100	100

(i) These companies are wholly owned subsidiaries of Phosphate Resources Limited

15. Trade and other payables

	2019	2018
	\$'000s	\$'000s
Trade payables	13,289	13,933

Trade creditors are non-interest bearing and are normally settled on 30-60 terms.

The carrying value of trade and other payables approximates the fair value thereof.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

16. Interest bearing loans and borrowings

	Notes	2019 \$'000s	2018 \$'000s
Current			
Lease liabilities	24	13	13
Bank borrowings	16(a)	1,404	-
		<u>1,417</u>	<u>13</u>
Non-current			
Lease liabilities	24	29	41
Bank borrowings	16(a)	11,824	-
		<u>11,853</u>	<u>41</u>
		2019	2018
		\$'000s	\$'000s
(a) Movement in bank borrowings			
Opening balance at the beginning of the financial year		-	-
Drawdown		13,773	-
Repayment		(488)	-
Foreign currency exchange (gain)/loss		(57)	-
Closing balance at the end of the financial year		<u>13,228</u>	<u>-</u>

(b) Fair value and interest rate risk

The carrying amount of the borrowings approximates their fair value as the borrowings are at floating interest rates which move in accordance with market rates. Details regarding interest rate risk and liquidity risk are disclosed in Note 28.

(c) Bank borrowings

The bank borrowing relates to a 5 year term loan which is secured by an all monies security held over properties in Cheekah Kemayan Plantations Sdn Bhd. Interest is payable at a rate of 1% per annum above the bank's cost of funds. The term loan is repayable in 60 monthly instalments.

(d) Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	2019 \$'000s	2018 \$'000s
Total facilities	17,028	500
Facilities utilised at reporting date	13,774	-
Facilities unused at reporting date	<u>3,254</u>	<u>500</u>

17. Provisions

		2019 \$'000s	2018 \$'000s
Current			
Employee entitlements		5,019	5,762
		<u>5,019</u>	<u>5,762</u>
Non-current			
Redundancy	(a)	6,326	6,325
Employee entitlements		1,070	1,222
		<u>7,396</u>	<u>7,547</u>
Decommissioning	(b)	11,306	10,898
		<u>18,702</u>	<u>18,445</u>

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

(a) *Provision for redundancy*

The amounts employees are entitled to receive if made redundant in accordance with their employment agreements are fully provided. The redundancy provision was increased by a net amount of \$1,000 during the year ended 30 June 2019 (2018: decrease \$1,835,000).

(b) *Provision for decommissioning*

Based on the Mining Lease Agreement between the Commonwealth Government and Phosphate Resources Limited a provision for decommissioning has been recognised for costs associated with:

- Demolition of all improvements specified for the removal of all debris resulting from demolition, removal of plant and equipment and leaving the leased land in a safe, clean and tidy condition at the expiry of the lease.

Estimates of the decommissioning obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. In determining the decommissioning provision, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to demolition of such mines in the future.

	2019 \$'000s	2018 \$'000s
(c) <i>Movement in provisions</i>		
<i>Provision for decommissioning:</i>		
Carrying amount at the beginning of the financial year	10,898	9,298
Increase in provision	108	1,300
Change in net present value of provision:		
- (Credited)/Debited to profit or loss	300	300
Carrying amount at the end of the financial year	11,306	10,898

18. Contributed equity

		Number of Shares	\$'000s
(a) Share capital			
Ordinary shares – fully paid		115,581,107	72,160
Movements in ordinary share capital			
Date	Details	Number of shares	\$'000s
1 July 2018	Opening balance	115,581,107	72,160
	Movement	-	-
30 June 2018/1 July 2018	Closing balance/Opening balance	115,581,107	72,160
	Movement	-	-
30 June 2019	Closing balance	115,581,107	72,160

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Dividends

Dividends totaling 6.5 cents per share (2018: 10 cents per share) have been paid during the year.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

19. Reserves

	2019	2018
	\$'000s	\$'000s
Foreign exchange translation reserve	4,455	3,030
Fair value reserve	(3,951)	-
Acquisition reserve	8,499	8,499
	9,003	11,529

Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

Fair value reserve

Fair value differences arising from financial instruments classified as Fair Value through Other Comprehensive Income (FVOCI) under AASB 9 are taken to this reserve.

Acquisition reserve

Any gain or loss arising on acquisition of non-controlling interest of subsidiaries is recognized in this reserve.

Movements in reserves

	2019	2018
	\$'000s	\$'000s
<i>Foreign exchange translation reserve</i>		
Balance at the beginning of the year	3,030	(3,391)
Foreign exchange on translation of financial report	1,425	6,421
Balance at the end of the period	4,455	3,030

	2019	2018
	\$'000s	\$'000s
<i>Fair value reserve</i>		
Balance at the beginning of the year	-	-
Movement for the year	(3,951)	-
Balance at the end of the period	(3,951)	-

	2019	2018
	\$'000s	\$'000s
<i>Non-controlling interest acquisition reserve</i>		
Balance at the beginning of the year	8,499	8,499
Movement for the year	-	-
Balance at the end of the period	8,499	8,499

20. Retained earnings

	2019	2018
	\$'000s	\$'000s
Accumulated profit at the beginning of the year	112,985	103,391
Net profit attributable to members of CI Resources Limited	8,671	21,152
Dividends paid	(7,513)	(11,558)
Accumulated profit at the end of the financial year	114,143	112,985

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

21. Key management personnel disclosures

(a) Key management personnel compensation

	2019 \$'000s	2018 \$'000s
Short term employee benefits	2,384	2,334
Post employment benefits	209	194
	<u>2,593</u>	<u>2,528</u>

(b) Loans to key management personnel

There are no loans made to directors or other key management personnel of CI Resources Limited.

(c) Other transactions with key management personnel

- (i) Mr Lai Ah Hong is the owner of property MQ 717 on Christmas Island leased to Phosphate Resources Ltd for three years ending 10 April 2021. Mr Lai Ah Hong received a total rent of \$27,607 during the year (2018: \$28,080).
- (ii) Mr Lai Ah Hong is the owner of property 86 Unit B, Block 790 Lam Lok Road, Drumsite, Christmas Island leased to CI Maintenance Services Pty Ltd. Mr Lai Ah Hong received a total rent of \$24,206 during the year (2018: \$23,053).
- (iii) Mr Chan Khye Meng is the sole proprietor of Meng Chong trading based on Christmas Island. Meng Chong Trading provided goods for office amenities totalling \$6,851 (2018: \$7,230) during the year.

22. Remuneration of auditors

	2019 \$'000s	2018 \$'000s
Amounts received or due and receivable by EY (Australia) for:		
- audit of the financial report of the parent entity and the consolidated entity	157	168
- review of the half year financial report of the consolidated entity	30	30
	<u>187</u>	<u>198</u>
Amounts received or due and receivable by related practices of EY (Australia) for the audit of the financial statements	78	63
	<u>78</u>	<u>63</u>
Amounts received or due and receivable by auditors other than EY for:		
- an audit or review of the financial report of a controlled entity	-	-
	<u>265</u>	<u>261</u>

23. Contingent liabilities

There are no contingent assets or liabilities as at the date of this report.

24. Commitments for expenditure

	2019 \$'000s	2018 \$'000s
(a) Lease expenditure commitments		
Operating leases		
- not later than one year	485	595
- later than one year and not later than five years	144	429
- total minimum payments	<u>629</u>	<u>1,024</u>

Operating leases are entered into as a means of providing residential accommodation, office premises and office equipment.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

Finance leases

	2019		2018	
	Minimum Lease Payments \$'000s	Present Value of Lease Payments \$'000s	Minimum Lease Payments \$'000s	Present Value of Lease Payments \$'000s
CONSOLIDATED				
Within one year	15	13	15	13
After one year but not more than five years	30	29	44	41
Total minimum lease payments	45	42	59	54
Less amounts representing future finance charges	(3)	-	(5)	-
Present value of minimum lease payments	42	42	54	54

Finance leases are entered into as a means of financing the acquisition of plant and equipment.

- (a) The Company provides a guarantee and indemnity to the Commonwealth Government of Australia (Commonwealth) to ensure the performance of Indian Ocean Oil Company Pty Ltd's obligations under the terms of a 20 year fuel lease arrangement.
- (b) The Company has committed to undertake various environmental management targets and objectives as detailed in the Christmas Island Phosphates Environmental Management Plan.
- (c) The Company has provided a bank guarantee of \$2 million to the Commonwealth Government under the terms of the Mining Lease Agreement.
- (d) The Company has capital commitments of \$1,135 million (2018: \$1,187 million) for items of plant on order but not yet delivered.

25. Related party transactions

Directors and other key management personnel

Disclosures relating to directors and other key management personnel are set out in note 21.

Controlling entities

The ultimate parent entity in the group is CI Resources Limited.

Ownership interests in related parties

Interests held in related parties are set out in note 14.

Notes to the financial statements
For the year ended 30 June 2019

26. Reconciliation of profit after income tax to net cash outflow from operating activities

	2019	2018
	\$'000s	\$'000s
Operating profit after income tax	8,671	21,152
<i>Adjustment for non-cash items</i>		
Accretion of decommissioning provision	408	300
Net loss/(gain) on disposal of assets	(14)	29
Change in fair value of biological assets	73	43
Impairment of identifiable asset	-	1,300
Depreciation	6,851	6,399
Unrealised foreign exchange (gain) / loss	(1,531)	(864)
<i>Change in operating assets and liabilities</i>		
(Increase)/decrease in trade and other receivables	15,561	2,371
Movement in deferred tax balances	(1,597)	(128)
(Increase)/decrease in inventories	(12,892)	(4,200)
Increase/(decrease) in trade creditors and accruals	(644)	3,943
Increase/(decrease) in provisions	(486)	(1,131)
(Increase)/decrease in prepayments	232	(298)
(Increase)/decrease in tax receivable	2,307	(166)
Net cash inflow from operating activities	16,939	28,750

27 Financial Instruments

The Directors have concluded that the fair value of financial assets and financial liabilities are not materially different to carrying values. The methods and assumptions used to estimate the fair value of financial instruments were:

- Receivables/payables - Due to the short term nature of these financial rights and obligations, and/or market interest received/paid, their carrying values are estimated to represent their fair values.
- Derivatives - The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
- Finance lease liability - The fair value is the present value of minimum lease payments.
- Bank loan - All the bank loans of the Group are interest bearing with floating interest rates which move in accordance with the market interest rates. Therefore the fair value of the bank loans approximates their carrying value.
- Term deposits - The carrying values of term deposits represent the fair values.
- Capital notes - These investments are fair valued by reference to published bid prices.
- Listed shares – These investments are designated at fair value through OCI and fair valued by reference to the published bid prices.

Notes to the financial statements
For the year ended 30 June 2019

(a) Forward currency contracts – Financial assets at fair value through profit or loss

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting.

	Notional amounts \$AUD		Average exchange rate	
	30 June 2019 \$'000s	30 June 2018 \$'000s	30 June 2019	30 June 2018
Sell US\$/buy Australian \$				
Consolidated				
Sell US\$ maturity 0 to 12 months	46,143	34,255	0.7043	0.7444

These contracts are fair valued by comparing the contracted rate to the forward market rates for contracts with the same remaining term, discounted at a market interest rate. All movements in fair value are recognised in profit or loss in the period they occur. The net fair value gain on foreign currency derivatives during the year was \$0.304 million for the Group (2018: net loss of \$0.605 million).

(b) Capital notes – Financial assets at fair value through profit or loss

During the period, the Group has invested in capital notes with various institutions measured at fair value through profit or loss financial assets.

	Fair Value \$ AUD	
	30 June 2019 \$'000s	30 June 2018 \$'000s
Capital notes \$		
Australian capital notes	992	965

Initial measurement of these financial assets comprise fair value and subsequent measurement at fair value. The movement in fair value in each period is recognised in profit or loss. The net fair value (gains)/losses on capital notes during the financial year were \$27,000 for the Group.

(c) Listed Shares – Fair value through Other Comprehensive Income

During the period, the Group acquired a total of 13,018,700 ordinary shares in United Malacca Bhd, a publicly listed company in Malaysia for MYR79.4m. United Malacca Bhd is a Malaysian based palm oil company involved in both the cultivation of oil palms and palm oil milling operations. The Group has elected to account for the instruments under the fair value through other comprehensive income method due to the Group's long term strategic plan.

The Company classified the fair value of the financial instruments according to the following fair value hierarchy based on the amount of observable inputs used to value the instruments:

The three levels of the fair value hierarchy are:

- Level 1 – Values based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values based on inputs, including quoted prices, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values based on prices or valuation techniques that are not based on observable market data.

30 June 2019	Level 1 '000	Level 2 '000	Level 3 '000	Total '000
Forward currency contracts – classified as FVTPL	-	48	-	48
Capital notes – classified as FVTPL	992	-	-	992
Listed shares – classified as FVOCI	23,401	-	-	23,401
	24,393	48	-	24,441

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

30 June 2018	Level 1 ‘000	Level 2 ‘000	Level 3 ‘000	Total ‘000
Forward currency contracts – classified as FVTPL	-	(256)	-	(256)
Capital notes – classified as FVTPL	965	-	-	965
	965	(256)	-	709

Transfer between categories:

There were no transfers between levels during the year.

28. Financial Risk Management Objectives and Policies

The Group’s principal financial instruments comprise receivables, payables, finance leases, cash and short-term deposits, long-term deposits, interest bearing loans and borrowings, foreign exchange derivatives, capital notes and listed equity investments.

Market (including foreign exchange, commodity price and interest rate risk), liquidity and credit risk (including foreign exchange, commodity price and interest rate risk) arise in the normal course of the Group’s business.

The Group manages its exposure to key financial risks, including interest rate, currency and commodity risk in accordance with the Group’s risk management procedures. The overall objective of these procedures is to:

- Ensure that net cash flows are sufficient to meet all financial commitments as and when they fall due.
- Support the delivery of the Group’s financial targets whilst protecting future financial security.
- Minimise the potential adverse effects resulting from volatility on financial markets.

The Group continually monitors its forecast financial position against these criteria.

It is, and has been throughout the period under review, Group policy that no speculative trading in financial instruments be undertaken

(i) Interest rate risk

Interest rate risk on cash and term deposits is not considered to be a material risk due to the short term nature of these financial instruments.

The interest rates for term deposits and borrowings are fixed and there is no material risk for interest bearing assets or liabilities.

At 30 June 2019, had the interest rate moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

	Post tax profit and equity Higher/(Lower)	
	2019 \$’000s	2018 \$’000s
Consolidated		
Interest rate + 10%	14	45
Interest rate - 10%	(14)	(45)

(ii) Liquidity Risk

The Group’s liquidity position is managed to ensure that sufficient funds are available to meet its financial commitments in a timely and cost effective manner.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

Management monitors the Group's liquidity reserve on the basis of expected cash flow. The table below reflects a balanced view of cash inflows and outflows and shows the implied risk based on those values. Trade payables and other financial liabilities originate from the financing of assets used in the Group's ongoing operations. These assets are considered in the Group's overall liquidity risk.

Management continually reviews the Group liquidity position including cash flow forecasts to determine the forecast liquidity position and maintain appropriate liquidity levels.

Maturity analysis of financial assets and liabilities based on contractual maturity

Consolidated

Year ended 30 June 2019	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
Financial assets					
Cash	39,726	-	-	-	39,726
Trade and other receivables	28,586	-	-	-	28,586
Term deposits	7,331	-	-	-	7,331
Other financial assets	32,350	-	-	-	32,350
Foreign exchange contract (gross settled)					
Inflow	17,595	17,770	10,778	-	46,143
(Outflow)	(17,784)	(17,713)	(10,598)	-	(46,095)
Net foreign exchange contracts	(189)	57	180	-	48
Financial liabilities					
Trade and other payables	13,289	-	-	-	13,289
Interest bearing loans and borrowings	708	709	11,853	-	13,270

Year ended 30 June 2018	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
Financial assets					
Cash	51,243	-	-	-	51,243
Trade and other receivables	44,147	-	-	-	44,147
Term deposits	10,918	-	-	-	10,918
Other financial assets	7,284	-	-	-	7,284
Foreign exchange contract (gross settled)					
Inflow	34,255	-	-	-	34,255
(Outflow)	(34,511)	-	-	-	(34,511)
Net foreign exchange contracts	(256)	-	-	-	(256)
Financial liabilities					
Trade and other payables	13,933	-	-	-	13,933
Interest bearing loans and borrowings	13	-	41	-	54

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

(iii) Credit risk

Credit risk is the risk that a contracting entity will not complete its obligation under a financial instrument that will result in a financial loss to the Group. The carrying amount of financial assets represents the maximum credit exposure.

Financial instruments that potentially subject the consolidated entity to concentrations of credit risk consist principally of cash deposits and receivables. The Group minimizes its exposure to credit risk by placing its cash deposits and derivatives with high credit-quality financial institutions where possible. Term deposits typically have an original maturity of three months or less and other bank deposits are on call. These financial assets are considered to have low credit risk. Receivables balances are monitored on an ongoing basis. At reporting date there were debtors amounting to \$4.4 million that were past due, but not considered impaired. Based on the Group's assessment the exposure to future credit loss is not significant based on the ECL procedures performed by the Group.

(iv) Derivative instruments and foreign currency risk

The Group's future revenues are exposed to movements in foreign exchange rates, particularly the US dollar/Australian dollar rate. The Group may from time to time enter into foreign exchange derivative instruments to manage this exposure.

The Group has, as outlined in note 27, forward currency contracts designated as held for trading that are subject to fair value movements through profit or loss as foreign exchange rates move.

At 30 June 2019, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgments of reasonably possible movements:

	Post tax profit and equity Higher/(Lower)	
	2019	2018
	\$'000s	\$'000s
<i>Consolidated</i>		
AUD/USD + 10%	(4,193)	(3,114)
AUD/USD - 10%	5,124	3,806

Management believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Significant assumptions used in the foreign currency exposure sensitivity analysis include:

- Reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements.
- The net exposure at balance date is representative of what the Group was and is expecting to be exposed to in the next twelve months from balance date.

Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide shareholders and stakeholders in the future and to maintain an optimal capital structure to reduce the cost of capital.

Management are constantly adjusting the capital structure as suitable. As the market is constantly changing, management may change the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Management have no current plans to issue further shares on the market.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

Security price risk

The Group's listed and non-listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments. Reports on the equity portfolio are submitted to the Group's senior management on a regular basis. The Group's Board of Directors reviews and approves all equity investment decisions. At 30 June 2019, had the security price moved, as illustrated in the table below, with all other variables held constant, equity would have been affected as follows:

Judgments of reasonably possible movements:

	Equity Higher/(Lower)	
	2019	2018
	\$'000s	\$'000s
<i>Consolidated</i>		
Security price + 10%	2,340	-
Security price - 10%	(2,340)	-

29. Parent entity information

	2019	2018
	\$'000s	\$'000s
Current assets	14,127	10,030
Total assets	81,069	76,972
Current liabilities	46	62
Total liabilities	46	62
Issued capital	72,160	72,160
Retained earnings	8,863	4,750
Total shareholders' equity	81,023	76,910
Profit of the parent entity	11,626	14,630
Total comprehensive income	11,626	14,630

There have been no guarantees entered into by the Parent Entity in relation to any debts of its subsidiaries.

The parent has no contingent liabilities as at date of this report.

The Parent Entity has no contractual commitments for the acquisition of property, plant or equipment.

30. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operation decision makers) in assessing performance and in determining the allocation of resource.

The Group has identified its operating segments to be Mining and Farming based on the different operating businesses within the Group. Discrete financial information about each of these operating segments is reported to the chief operation decision makers on a monthly basis.

The Mining operating segment primarily involves mining, processing and sale of phosphate rock, phosphate dust and chalk.

The Farming operating segment primarily involves oil palm cultivation and palm oil processing.

The accounting policy used by the Group in reporting segments internally is the same as those contained in Note 2 to the accounts.

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

	Year ended 30 June 2019			
	Mining	Farming	Unalloc./ Elimination	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
Revenue	72,795	37,960	-	110,755
Interest income	408	317	227	952
Rendering of services	-	-	8,833	8,833
Fuel sales	-	-	15,232	15,232
Total segment revenue	73,203	38,277	24,292	135,772
Result				
Segment net operating profit after tax (attributable to parent)	6,765	360	1,546	8,671
Depreciation and amortisation	3,873	2,086	892	6,851
Finance cost	408	-	237	645
Income tax expense	3,046	778	693	4,517
Assets and Liabilities				
Segment assets	153,579	65,080	34,343	253,002
Segment liabilities	34,489	18,057	5,150	57,696
Other disclosure				
Capital expenditure	7,036	973	1,594	9,603

	Year ended 30 June 2018			
	Mining	Farming	Unalloc./ Elimination	Total
	\$'000	\$'000	\$'000	\$'000
Revenue				
Revenue	94,407	46,133	-	140,540
Interest income	324	335	268	927
Rendering of services	-	-	9,761	9,761
Fuel sales	-	-	16,365	16,365
Total segment revenue	94,731	46,468	26,394	167,593
Result				
Segment net operating profit after tax (attributable to parent)	16,529	1,033	3,590	21,152
Depreciation and amortisation	3,886	1,935	578	6,399
Income tax expense	5,045	739	1,475	7,259
Assets and Liabilities				
Segment assets	153,119	55,803	35,145	244,067
Segment liabilities	36,162	3,217	8,014	47,393
Other disclosure				
Capital expenditure	5,351	503	3,032	8,886

CI RESOURCES LIMITED

Notes to the financial statements For the year ended 30 June 2019

Revenue from external customers by geographical locations is detailed below:

	2019 \$'000s	2018 \$'000s
Australia	77,007	100,584
Malaysia	58,765	64,928
Singapore	-	2,081
	<u>135,772</u>	<u>167,593</u>

Major customers

The Group has a number of customers to which it provides the products. Revenue within the consolidated entity from three customers amounted to \$40.5 million in the mining segment. No other customers had sales exceeding 10% of revenue.

	2019 \$'000s	2018 \$'000s
<i>Non-Current Assets by geographical regions</i>		
Australia	66,594	61,149
Malaysia	72,966	49,183
Singapore	1,288	1,248
	<u>140,848</u>	<u>111,580</u>

31. Subsequent Events

Subsequent to year end, PRL acquired a 50% share in Pacific Biofert Limited. Other than this, no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the consolidated entity and its controlled entities, the results of those operations or the state of affairs of the consolidated entity and its controlled entities in subsequent years that is not otherwise disclosed in this report or the consolidated financial statements.

CI RESOURCES LIMITED

Directors' Declaration For the year ended 30 June 2019

In accordance with a resolution of the Directors of CI Resources Limited, I state that:

1. In the opinion of the directors:
 - (a) The financial statements and notes of CI Resources Limited for the year ended 30 June 2019 are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance, for the year ended on that date; and
 - (ii) complying with Accounting Standards and *Corporations Regulations 2001*;
 - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 2; and
 - (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
2. This declaration has been made after receiving the declarations required to be made to the directors by the chief executive officer and the chief financial officer in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2019.

On behalf of the board



David Somerville
Chairman



Lai Ah Hong
Managing Director

Perth, Western Australia
28 August 2019



**Building a better
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Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent Auditor's Report to the Members of CI Resources Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of CI Resources Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2019 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment - goodwill - farming cash generating unit

Why significant

At 30 June 2019, the Group had goodwill of \$7.158 million in relation to the Farming cash generating unit (CGU).

The impairment assessment of this asset was considered a key audit matter given the significance of the Farming CGU to the Group.

As outlined in Note 12 of the financial report, the recoverable amount of the Farming CGU has been determined using a value in use (VIU) calculation using cash flow projections, which required the Group to exercise judgement in determining the key assumptions. These assumptions are based on internal factors (such as the budget and forecast) and external market data (including commodity price and inflation rates).

As described in Note 12, the Group concluded that no impairment existed at 30 June 2019 because the recoverable of the CGU exceeded the carrying amount.

How our audit addressed the key audit matter

Our audit procedures included evaluating and assessing the assumptions and methodologies used by the Group in the calculation of the recoverable amount of the Farming CGU using the VIU model.

We involved our valuation specialists to evaluate and assess key assumptions and methodologies used by the Group.

This included comparing the Group's assumptions to our own assessments, and externally derived data, of key inputs such as projected growth, price, cost inflation and discount rates.

We assessed the Group's sensitivity analysis, which included considering the impact of reasonably possible changes in assumptions on the determination of the recoverable amount of the CGU.

We assessed the adequacy of the disclosures concerning goodwill as described in Note 12 to the Group financial statements.

Recoverability of debtors

Why significant

At outlined in Note 8 of the financial report, at 30 June 2019 the Group had trade debtors totaling \$27.8 million, including \$4.4 million that were past due, but not considered impaired.

The recoverability of these debtors was considered a key audit matter given their value and the degree of judgement required by management in assessing the recoverability of past due debtors.

How our audit addressed the key audit matter

Our audit procedures included an assessment of the Group's evaluation of recoverability of the debtors, including consideration of the contractual agreements, the past payment practices of those debtors and consideration of the credit-worthiness of counterparties and any payments received subsequent to year end.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2019 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of CI Resources Limited for the year ended 30 June 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Darryn Hall'.

Darryn Hall
Partner
Perth
28 August 2019

CI RESOURCES LIMITED

ASX Additional Information

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report.

SHAREHOLDINGS

Substantial shareholders

The following substantial shareholders have lodged notices with the Company as at 7 August 2019:

Holders	Ordinary shares
Keen Strategy Sdn Bhd	12,600,000
Prosper Trading Sdn Bhd	11,616,000
Destinasi Emas Sdn Bhd	7,437,410

Class of shares and voting rights

At 7 August 2019 there were 449 holders of ordinary shares on the Company. The voting rights attaching to the ordinary shares are:

- On a show of hands, every person present who is a shareholder or a proxy, attorney or representative of a shareholder has one vote; and
- On a poll, every person present who is a shareholder or a proxy, attorney or representative of a shareholder shall, in respect of each fully paid share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the share, but in respect of partly paid shares, shall have a fraction of a vote for each partly paid share. The fraction shall be equivalent to the proportion which the amount paid is of the total amounts paid and payable, excluding amounts credited, provided that the amounts paid in advance of a call are ignored when calculating a true portion.

Distribution of share holders

Category	Ordinary shares
1 - 1,000	99
1,001 - 5,000	74
5,001 - 10,000	94
10,001 - 100,000	65
100,001 - and over	<u>117</u>
	<u>449</u>

There were 71 holders of less than a marketable parcel of ordinary shares.

On-market buy back

There is no current on-market buy back.

Restricted securities

The Company does not have any restricted securities.

CI RESOURCES LIMITED

ASX Additional Information

Unquoted securities

The Company does not have any unquoted securities

Twenty largest holders of ordinary shares (as at 9 August 2019)

Holder name	Ordinary Shares	
	Number	%
CITICORP NOMINEES PTY LIMITED	34,508,240	29.86
KEEN STRATEGY SDN BHD	12,600,000	10.90
PROSPER TRADING SDN BHD	11,616,000	10.05
MR TEO SEE KHIANG WILLY	3,565,681	3.09
KIM TEE TEE	3,163,550	2.74
MR THEBBAN RAMANATHAN	2,372,122	2.05
HAFIZ MASLI	2,015,000	1.74
KLUANG PTY LTD	1,683,988	1.46
MS MEE YUEN YONG	1,641,572	1.42
LIP HIAN TEE	1,410,500	1.22
HENDRY LEE	1,350,050	1.17
CHEE ENG LIM	1,249,300	1.08
YAN PEY TAN	1,249,300	1.08
LIP JEN TEE	1,229,150	1.06
MR RAMANATHAN E S KRISHNAN	1,136,543	0.98
MR AH HONG LAI + MS WAI CHING LEE <THE LAI SUPER FUND A/C>	1,013,989	0.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	951,425	0.82
MS WAI FUN LEE	886,500	0.77
C & H LAI SUPER PTY LTD <LAI SUPERANNUATION FUND A/C>	870,875	0.75
CHAIN YEE TEE	826,150	0.71
	85,339,935	73.83

Other information

CI Resources Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.

The Company's shares are quoted on the Australian Securities Exchange.