

Barmenco Finance Pty Limited

Annual Report

For the fiscal year ended June 30, 2015

Pursuant to Section 4.06(a)(1) of the Indenture dated
May 20, 2013 among
Barmenco Finance Pty Limited,
Barmenco Holdings Pty Limited,
Barmenco Limited and
The Bank of New York Mellon, as Trustee

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We have submitted this annual report confidentially to holders (the "Holders") of our outstanding 9.00% Senior Notes due 2018 (the "Notes") pursuant to the Section 4.06(a)(1) of the Indenture, dated as of May 20, 2013 and as amended (the "Indenture"), among Barmarco Finance Pty Limited, Barmarco Holdings Pty Limited, Barmarco Limited and The Bank of New York Mellon, as trustee (the "Trustee"). We have not authorized its use for any other purpose. This annual report may not be copied or reproduced in whole or in part. It may be distributed and its contents disclosed only to the Holders to whom it is provided. By accepting delivery of this annual report, you agree to these restrictions.

The information appearing in this annual report is accurate as of the date this annual report was prepared. Our business, financial condition, results of operations and prospects may have changed since that date.

Certain Definitions

In this annual report, references to:

- the “Issuer” is to Barmenco Finance Pty Limited;
- the “Parent Guarantor” is to the Issuer’s parent company, Barmenco Holdings Pty Limited;
- the term “Guarantors” refers collectively to the Parent Guarantor, the Issuer’s operating subsidiary, Barmenco Limited, the Parent Guarantor’s indirect subsidiary, Barmenco AUMS Holdings, and each of the Parent Guarantor’s existing and future direct and indirect subsidiaries that guarantee, or is a borrower under, our Credit Facility or certain of our other indebtedness;
- the terms “Barmenco,” “we,” “us,” or “our” refer collectively to the Parent Guarantor, the Issuer and their subsidiaries (these terms exclude AUMS because the AUMS joint venture companies are not subsidiaries), unless otherwise indicated or the context otherwise requires;
- the term “AUMS” refers collectively to joint venture companies African Underground Mining Services Limited, African Underground Mining Services Mali SARL and African Underground Mining Services Burkina Faso SARL;
- the terms “AUMS Ghana,” “AUMS Mali” and “AUMS BF” are references to African Underground Mining Service Limited, African Underground Mining Services Mali SARL and African Underground Mining Services Burkina Faso SARL, respectively;
- the term “Group” refers to Barmenco and AUMS;
- the term “Credit Facility” means the A\$100 million revolving loan facility that Barmenco entered into with several banks on May 13, 2013. This was reduced to A\$50 million on 3 September 2014;
- the term “Senior Syndicated Loan” means our senior syndicated loan facility with BOS International (Australia) Limited (“BOSI”) as agent and security agent on behalf of certain Australian and international banks and financial institutions, that was repaid on May 20, 2013;
- the term “Subordinated Syndicated Loan” means our subordinated syndicated loan facility with BOSI as sole lender and security agent, that was repaid on May 21, 2013;
- the term “Mezzanine Loan Notes” means our mezzanine loan notes due to Restamove Ireland Limited (an affiliate of Goldman, Sachs & Co.) and Varde Investments (Ireland) Limited, that were repaid on May 21, 2013;
- the term “Redeemable Preference Shares” means the redeemable preference shares issued in connection with the acquisition of Barmenco Limited in August 2007 by the Parent Guarantor to a number of new shareholders and management that mature on January 31, 2019;
- the term “Shareholder Loan Notes” means the loan notes issued in connection with the acquisition of Barmenco Limited in August 2007 by the Parent Guarantor to Bremerton Pty Ltd that mature on January 31, 2019;
- the term “km” means kilometer;
- the term “kt” means thousand tonnes; and
- the term “mt” means million tonnes.

The following table sets out the conversion from metric measures into imperial equivalents:

1 tonne	= 2,204.6224 Pounds
1 tonne	= 1.1023 Tons (short)
1 Kilometer	= 0.6214 Miles
1 Meter	= 3.2808 Feet

Our fiscal year ends on June 30 of each year. In this annual report, “fiscal 2015” means the twelve month period ended June 30, 2015 and other fiscal years are referred to in a corresponding manner. The term “2015 Financial Statements” means our annual consolidated financial statements for fiscal 2015 and fiscal 2014 that are included in this annual report.

Cautionary statement regarding forward-looking statements

This annual report includes statements that express our opinions, expectations, beliefs, plans, objectives, assumptions or projections regarding future events or future results and therefore are, or may be deemed to be, “forward-looking statements.” These forward-looking statements can generally be identified by the use of forward-looking terminology, including the terms “believes,” “estimates,” “anticipates,” “expects,” “seeks,” “projects,” “intends,” “plans,” “may,” “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this annual report and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Barminco operates.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Although Barminco bases these forward-looking statements on assumptions that Barminco believes are reasonable when made, Barminco cautions you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which Barminco operates may differ materially from those made in or suggested by the forward-looking statements contained in this annual report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which Barminco operates are consistent with the forward-looking statements contained in this annual report, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statements that Barminco makes in this annual report speak only as of the date of those statements, and Barminco undertakes no obligation to update those statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data. All written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this annual report. Barminco does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Barminco urges you to read the sections of this annual report entitled “Business” and “Management’s discussion and analysis of financial condition and results of operations” for a more complete discussion of the factors that could affect our future performance and the industry in which Barminco operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this annual report may not occur.

Market, industry data and forecasts

This annual report contains estimates regarding market and industry data and forecasts, which are based on Barminco’s internal estimates, independent industry publications, reports by market research firms and/or other published independent sources. In each case, Barminco believes those estimates are reasonable. However, market and industry data and forecasts are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market data. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Barminco has not independently verified any of the data from third-party sources, nor has Barminco ascertained the underlying economic assumptions relied upon therein. While Barminco is not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change. Barminco cannot guarantee the accuracy or completeness of such information contained in this annual report. As a result, you should be aware that market and industry data and forecasts set forth herein, and estimates and beliefs based on such data, may not be reliable.

Financial statement presentation

Accounting standards

Our consolidated financial statements included in this annual report have been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations adopted by the International Accounting Standards Board (“IFRS”). IFRS differs from generally accepted accounting principles in the United States (“U.S. GAAP”) and such differences could be material. In making an investment decision, investors must rely on their own examination of Barmenco and consult with their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the financial information contained in this annual report. This annual report does not include a reconciliation of our financial statements to financial statements that would be prepared in accordance with U.S. GAAP.

Non-IFRS/Non-GAAP financial measures

Certain “non-GAAP financial measures” (as defined in Regulation G under the U.S. Securities Act of 1933, as amended (the “Securities Act”)) have been included in this annual report. These measures include EBIT (which is a measure of the Group’s earnings before financing costs and income tax expense), and EBITDA (which is a measure of the Group’s earnings before financing costs, income tax expense, depreciation and amortization and impairment of intangible assets). The “non-GAAP financial measures” presented in this annual report may not comply with the SEC rules governing the presentation of such “non-GAAP financial measures.”

Barmenco believes that these “non-GAAP financial measures” provide useful supplemental measures to examine its ability to service debt and the underlying performance of its business, and management considers these metrics in measuring Barmenco’s operating performance. These measures, however, should not be considered to be an indication of, or alternative to, corresponding measures determined in accordance with IFRS. Neither EBITDA, nor EBIT are defined terms of financial performance, liquidity or value under IFRS. In addition, these measures may not be comparable to similar measures presented by other companies. For further information on EBITDA, please see “Summary historical consolidated financial and operating information.”

Currency presentation and exchange rates

We record our transactions and prepare and will publish our consolidated financial statements in Australian dollars. In this annual report, references to “A\$” are to Australian dollars and references to “US\$” or “U.S. dollars” are to United States dollars.

The following table sets forth, for the periods and dates indicated, information concerning the rates of exchange of A\$1.00 into U.S. dollars based on the noon buying rate in New York City for cable transfers in Australian dollars as certified by the Federal Reserve Bank of New York.

Fiscal year ended June 30,	At period end	Average rate (1)	High	Low
2012	1.0236	1.0322	1.1026	0.9453
2013	0.9165	1.0272	1.0591	0.9165
2014	0.9427	0.9186	0.9705	0.8715
2015	0.7656	0.8369	0.9396	0.7623

(1) For the fiscal years indicated, the average of the noon buying rates on the last business day of each month during the period. For the months indicated, the average of the noon buying rates on each business day during the month.

The Australian dollar is convertible into U.S. dollars at freely floating rates and, except as described below, there are no restrictions on the flow of Australian currency between Australia and the United States. The specific approval of the Reserve Bank of Australia must be obtained in connection with certain payments and transactions having a prescribed connection with countries, entities and persons designated from time to time by the Reserve Bank of Australia for the purposes of the Australian Banking (Foreign Exchange) Regulations 1959. Australian law also prohibits payments, transactions and dealings with assets having a prescribed connection with certain countries or named individuals or entities associated with terrorism or otherwise subject to international sanctions or with the former Iraqi regime.

Business

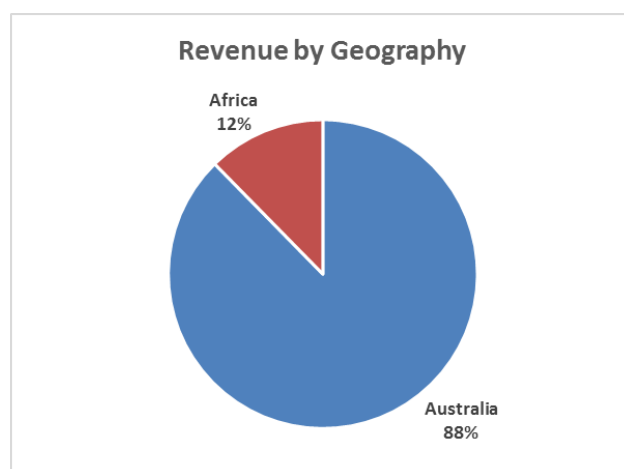
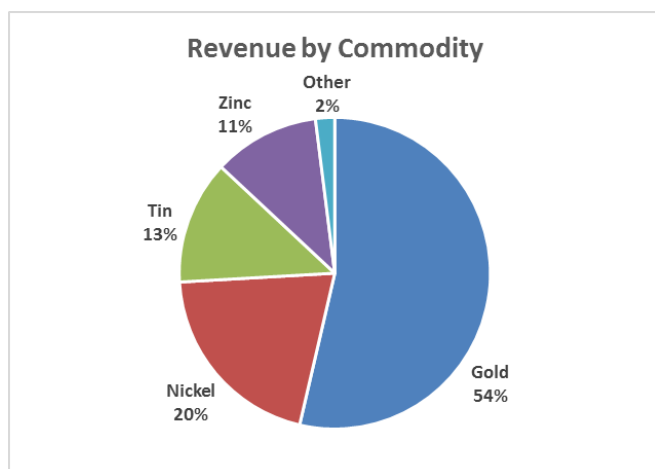
Company overview

We believe we are one of the market leaders in underground hard-rock development and production contract mining in Australia. Our contract mining business involves the provision of equipment, personnel and technical expertise to conduct underground operations for producing mining companies, primarily in the gold, copper and nickel sectors as well as zinc and tin. In addition to contract mining, we also provide underground diamond drilling (core sampling) services for the exploration and definition of ore reserves.

In Australia, we operate at 14 sites, located in Western Australia, Queensland and Tasmania. At these sites, we have 16 projects, comprising 8 contract mining projects, and 8 diamond drilling projects. In Africa, we have two projects in Egypt where we operate directly, comprising one contract mining project and one diamond drilling project. In addition, we have a 50% interest in AUMS, which provides underground hard-rock contract mining services to mining companies in certain countries in West Africa. The other 50% interest in AUMS is held by Ausdrill, an ASX-listed company. AUMS currently operates across four sites in Mali, Ghana and Burkina Faso.

For the year ended June 30, 2015, we recorded revenue of A\$492.9 million and EBITDA of A\$95.1 million, excluding our 50% interest in AUMS. As of June 30, 2015, we employed 1,585 full time equivalent people across our operations globally and in addition AUMS employs 793 full time equivalent people across its operations. Our head office is located in Perth in Western Australia.

The following charts show our percentages of revenue by commodity and geography excluding AUMS for the year ended June 30, 2015.



(1) Other includes copper, fibrecrete works and intercompany sales to AUMS

Company history

In 27 years of operations, we have grown from a contract miner servicing junior and mid-tier clients solely in Australia to an underground hard-rock mining specialist servicing some of the world's largest mining companies globally.

Barmenco was established in 1989 by Peter Bartlett to provide contract mining services to the Western Australian mining industry. The business developed its capability in underground mining services at the same time as decline access mining became the preferred underground mining method in Western Australia.

We expanded our business in 1995 when we added our diamond drilling division to our core underground hard-rock mining business. The diamond drilling division won its first contract at the Plutonic gold mine in Western Australia in 1995. We acquired Concrete and Crushing Australia in 2003, a concrete and crushing business and following the acquisition, formed our crushing and screening division.

In August 2007, Gresham Private Equity and certain members of Barmenco's management acquired a majority interest in Barmenco, with founder Peter Bartlett retaining a significant interest.

In October 2007, Barmenco formed AUMS with Ausdrill to provide underground hard-rock contract mining services to mining companies in West Africa. In 2008, AUMS won its first contract at Redback Mining's (now Kinross Gold's) Chirano Gold Mine in Ghana.

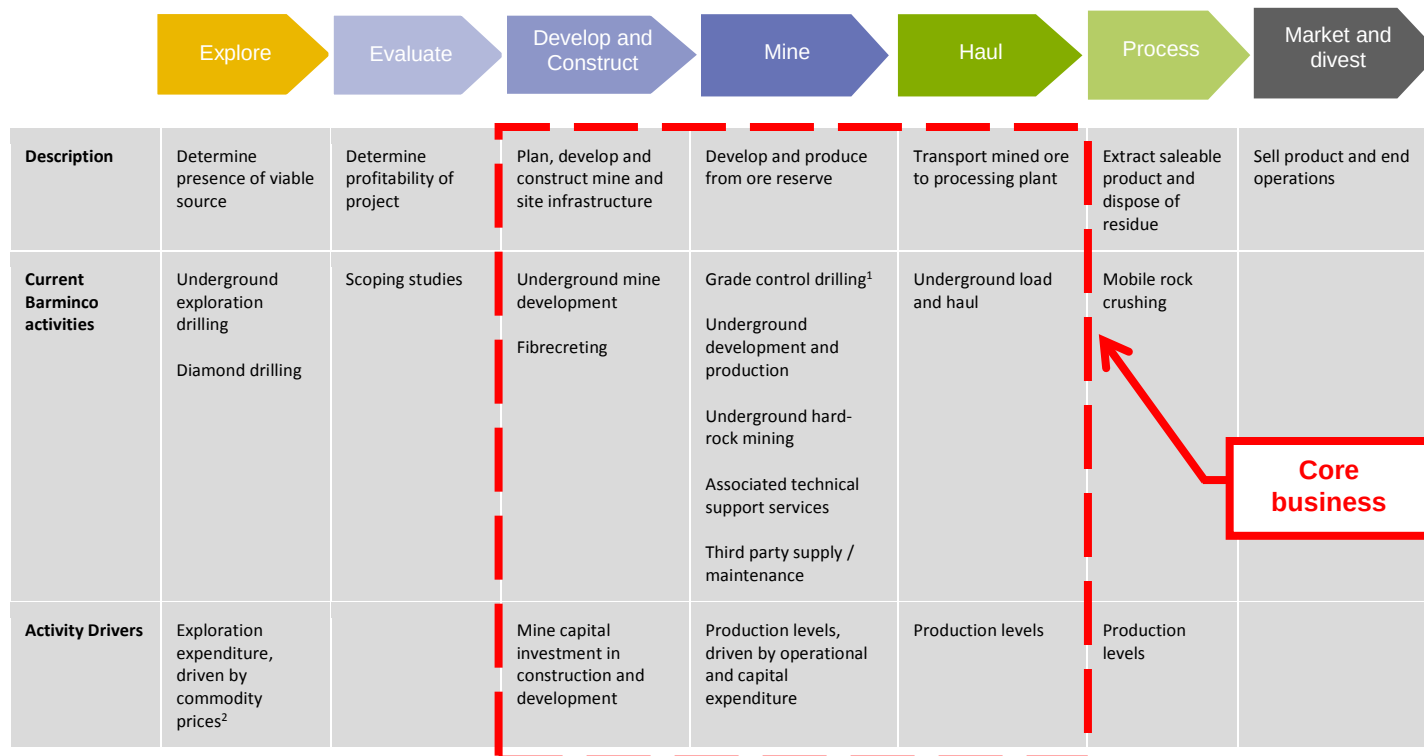
In 2009, Barmenco also expanded into Africa in its own right, securing a mining services contract with Pharaoh Gold Mines NL at its Sukari Hill project.

Our operating businesses are grouped into the following principal divisions:



Mining services value chain

Our operational businesses cover a broad spectrum of the mining services value chain. The table below illustrates the segments of the value chain in which we operate.



- (1) The final phase of drilling before mining commences. At this point the drill data set can be fine-tuned and the boundaries and grade/tonnage component of the ore body can be defined.
- (2) The overall economic climate, and commodity prices in particular, are relevant to all phases of the mining services value chain.

Business strengths

We believe Barminto has an excellent reputation and is the market leader in the Australian underground hard-rock contract mining industry. We expect the opportunities for Barminto in the underground hard-rock contract mining market in Australia and internationally to grow over the next 5 years. In addition, the complexity of underground mining and the organizational capability necessary serve as a large barrier to entry into the industry.

We have established a reputation for reliability, efficiency and technical expertise in the highly specialized field of decline access mining. We believe our industry position and our reputation are important competitive advantages as they provide the opportunity to participate in most new contract tenders, a key to selectively winning new contracts. In addition, we believe our scale affords us the ability to respond to our clients' needs more effectively and efficiently than our competition, as well as maximize the utilization of employed capital, driving down costs.

We have a high proportion of our revenue driven by production and development activity. The mining services that we provide are essential to our clients' ability to extract resources and generate revenue. For the year ended June 30, 2015, 99.3% of our revenue was from mining production and development as opposed to mining exploration and grade control. These revenues relate primarily to the tonnage of material moved or meters developed, and are not directly related to the prices of underlying commodities or the grade of the ore that we remove. The remaining portion of our revenue relating to exploration activities is more cyclical than development and production, as exploration tends to be more dependent on commodity prices.

We have proven leadership in maintaining high standards in health and safety. In all contract mining tenders, the contractor's safety record is a significant criterion used by clients to award contracts – health and safety is “a license to operate.” Given the critical importance of safety in ensuring the success of our business and welfare of our employees, we devote substantial resources to maintaining our safety systems, including designing and evaluating processes, training, monitoring and analyzing incidents. Our ongoing dedication to meeting our internal and our clients' safety standards is reflected in our ability to renew and extend existing contracts. Our safety performance is internationally recognized and is a key competitive advantage in being invited to tender for new contracts as well as in retaining key operating personnel.

We have strong relationships with blue chip clients with long life, attractive low cash cost mines. We have long standing relationships with our high quality customer base. We have established contracts with these clients with a strong track record of renewals and extensions that provide revenue stability in addition to reducing our counterparty risk. The revenues from our clients are underpinned by long-life mines that are operating at relatively strong margins.

We have structured our contracts to provide flexibility and downside protection. While each of our contracts is uniquely structured to reflect the circumstances of our relationship with our customer, we structure our contract terms to allow us to effectively manage risks. Our contracts utilize both fixed and variable elements. For the majority of contracts, fixed payments are included for items such as equipment ownership and certain staff labor costs at agreed resource levels with clients. In addition, typically 70-75% of our costs are variable including items such as direct labor, maintenance and consumables that depend on the actual levels of production. Where possible, these variable costs are often linked to indices (i.e. steel, spare parts and general consumables). The high proportion of variable costs provides operating flexibility, allowing us to expand our operations and redeploy resources as conditions change. Our contracts also contain rise and fall provisions that protect our profitability from changes in the costs of key inputs (such as labor, parts, fuel and explosives). We are able to structure contract terms to address events outside of our control including delays caused by the customer, force majeure events and latent ground condition and then pre-agree variation thresholds to protect our downside risk for inaccuracies. We also structure our contracts so that we have no exposure to grade risk in the event the mineral content of the ore is lower than anticipated. In certain instances we can also include provisions for costs associated with contract redundancies and contract terminations resulting from mine closures by our clients where the employees are unable to be utilized on other sites.

We have a flexible operating structure to respond to market changes. We have strong operational capabilities across metals with a focus on gold, copper and nickel as well as zinc and tin. 53.6% of our revenues for the year ended June 30, 2015 were derived from gold, our largest commodity exposure however we expect to see this percentage decline in fiscal 2016 as our portfolio of clients evolves. We believe that through our selective contract tendering and renewal process, in addition to our underground mining industry expertise, we have the flexibility to target the mines and commodities where we believe the most attractive opportunities exist.

We are led by a highly experienced management team and strong Board of Directors. Our management team has substantial experience in the Australian mining industry. Our Chief Executive Officer, Peter Stokes, has over 25 years of Australian and international resources and mining services experience across a number of disciplines including operations, mining consulting, marketing and geology. Our Chief Financial Officer, Peter Bryant, has over 25 years of financial experience in the Australian, the UK and the US markets across both listed and private companies. Our Chief Operating Officer, Victor Rajasooriar also has extensive experience in underground hard rock mining and in contract mining in both the Australia and North American markets.

Although Barminto is an unlisted private company, our Board of Directors is made up entirely of non-executive directors with deep mining industry knowledge and corporate experience. Our Board of Directors is led by Jock Muir, our non-executive Chairman, who has over 30 years of experience in global mining services companies. The other non-executive directors have experience at a senior level in mining, law and finance, all of which are relevant to our activities.

Business strategies

We aim to further strengthen our position as one of the leading underground hard-rock contract mining business in Australia as well as continue to execute our “Vision and Values” with a focus on maintaining a strong balance sheet and cash flow profile:

Adhere to strict health and safety standards. Mining clients typically require potential service providers to qualify for their safety standards before they are able to tender for new projects. We have a long standing dedication to safety performance, which is recognized by our key clients and we will continue to seek ways to maintain and improve our strong safety standards and records across our operations. We will continue to focus on enhanced performance in the areas of health, safety, community, energy management and environment.

Leverage organizational capability. The organizational capability for underground mining is a large barrier to entry and a clear differentiator of Barmenco in the market. Our underground hard-rock mining know-how combines the people, the processes and systems to deliver efficient mining services to our clients. We develop highly motivated staff with strict governance over business processes and we incentivize success. We have experience and expertise that our clients can rely upon to plan and to quickly respond to growth in a structured fashion.

Provide value through scale and efficiency. Our clients benefit from our flexibility to meet or exceed their planned schedules and we have the common goal to drive efficiency. Our focus on excellence is to maximize utilization of employed capital which in turn drives down unit costs. These cost drivers extend available ore reserve and often extend mining scope, delivering a win-win situation for both parties. Our strategy to continually improve sustains our competitive advantage and deters competition from owner miners.

Focus on profitable growth. We plan to continue to strengthen our ties with our existing major mining company clients to identify owner mines and target new conversion to our more efficient contract model and to actively pursue all major greenfield projects. We will seek out long life mines which will increase our earnings visibility and reduce our costs by delaying the need for our redeployment of capital and personnel. Our strategy is to maintain our position as a market leader in the Australian market and become a market leader in the broader global market. Our strategy will be to move into jurisdictions that are likely to provide multiple project opportunities that will justify replicating our infrastructure and supply chain, and to enter with a low risk “seed” project to gain experience and establish a footprint.

Maintain a prudent financial policy. We plan to maintain a prudent capital structure that will give us maximum operational and financial flexibility. We believe our risk management policies will allow us to de-lever in the future as EBITDA grows. We intend to maintain ample liquidity through our Credit Facility and cash on hand to optimize financial flexibility and will mitigate foreign exchange risk through our hedging plan. Our conservative capital expenditure plan requires sub-committee and Board approval for plant over A\$75,000, which helps to ensure prudent spending. We will also continue to operate AUMS as a standalone business with significant value contribution to the Group.

Tendering process

Barmenco is invited to tender for nearly all significant opportunities in the Australian mining services market. Barmenco has designed its tender process to ensure that we focus our resources on tendering for projects with the highest probability of success and those which are likely to generate the maximum value for Barmenco. During the tender process, Barmenco receives detailed technical information that assists us in assessing the likely operational costs. For some of the mines that Barmenco bids for, we also have historical operating knowledge which increases our ability to accurately forecast the costs. Barmenco then conducts a detailed risk assessment of each project and undertakes a rigorous cost and pricing analysis to establish appropriate pricing and margins. The Tenders and Capex Committee of the Board reviews all tenders prior to submission and full Board approval is required for each submission and any subsequent alteration to the business case, scope and pricing. Close management of this rigorous tendering process is critical to Barmenco’s success in winning profitable contracts that are sustainable.

The segments of the tendering process designed by Barmenco to maximize probability of success as well as value for the Group are detailed below:

Pre-tender	Tender preparation and due diligence	Tender review and submission
Invitation to tender - Review of received information to determine adequacy - Complete Tender Checklist document - Quick assessment of scope, scale and strategic fit - Approval to proceed or not to proceed (CEO/CFO/COO) Evaluate financial/operating status of client - Tenders department distribute company/project information to other departments - Finance to conduct due diligence to determine risk and alignment with goals - Legal to review contract style and conditions Evaluate current project status - Technical assessment of project - Initial risk assessment (global risks) - Decision whether to continue tender (CEO/CFO/COO)	Prepare tender - Tenders and operations request/evaluate further information (mine design, geotechnical, historical production etc) and determine if client's design/targets achievable - Legal to conduct full review of contract terms/conditions and risk - HR to determine recruitment requirements, earnings and salary information for model - Finance to provide ownership costs and review insurance clauses - Maintenance to provide new equipment availability, personnel numbers and costs - Prepare tender model and populate with information required to determine contract rates - Tender pricing calculated through cash flow analysis, taking into account EBIT margins, as well as net present value, rate of capital employed and payback period Site visit - Complete site visit check list (at least two persons to attend site visit) - Prepare corporate Environmental Health and Safety ("EHS") presentation	Tender review and submission - Undertaken five days prior to final submission to allow adequate time for changes and preparation - Conduct detailed desktop risk assessment following site visit - Prepare short form CVs for key personnel - Operational and management review of tender – all departments to participate in review process - Finalise tender submission ensuring commercial, technical and EHS requirements are aligned - Finalise approval of financials - Prepare business case for submission to Barmenco Board - Tender and Capex Committee and board approval required to proceed - Post necessary approval, submit tender or withdraw from tender process

Each project's financial and operational performance is monitored and reported to the Board on a monthly basis to ensure that tendered and budgeted margins are being maintained and, where issues are detected, that corrective actions are put in place to maximize profitability. Site managers and general managers are given responsibility to achieve these margins and are incentivized to maintain and exceed these margins.

Service divisions

Underground mining

Overview

The underground mining division is the core of Barmenco's service offering. Barmenco has a long history in underground contract mining, and based on internal estimates derived from publicly available sources, we estimate that Barmenco is one of the market leaders in underground hard-rock development and production contract mining in Australia.

Barmenco specializes in highly mechanized decline access mining and provides both development services and production services to the mining industry, which involve the following:

- Production mining services involve production drilling, charging, blasting, loading and hauling of material to the surface. Production mining utilizes various methods and specialized equipment depending on the particular application and point in the production cycle. Barmenco targets production applications that are compatible with its core fleet and our fleet size, and optimized equipment through in-house rebuilding, providing flexibility to start contracts on time and with as-new equipment.
- Development mining services involve the construction of an inclined, declining or horizontal tunnel using jumbo development drills. Our development mining services are focused on the planning, development and construction of mine infrastructure. Our core business is focused on high speed mechanized mining, utilizing hard-rock electric/hydraulic jumbo drills and diesel engine powered equipment. With the development of larger, more mechanized and efficient equipment, decline access mining is increasingly being used as the optimal solution for many mines given the rapid development of the decline, enabling early access to and mining of underground ore reserves. A declining tunnel is generally used to provide ventilation and access for all heavy, mechanized equipment at the various horizontal intervals typically required for the mining process. Barmenco has significant experience in the management and operation of jumbo development projects and a modern fleet of equipment, which allows it to deliver high speed development mining, an important criterion for clients as timely establishment of safe access is a critical precursor to the production mining process. Barmenco also maintains a variable incentivized pay system delivering a focus on safety and productivity. Barmenco has maintained strong productivity due to its high caliber people, equipment and processes, including utilization of its proprietary fibrecrete research and development program.
- In addition to production and development mining services, we also provide a range of planning and advisory services to mine owners, including mine management, planning and scheduling, scoping and concept studies, production benchmarking, mine equipment selection and business improvement.

Current operations

Barminto currently operates 8 underground contract mining projects in Australia and 1 in Egypt. A summary of Barminto's underground mining projects ordered by revenue for the year ended June 30, 2015 is set out in the table below.

Project (location)	Client	Description
Sunrise Dam (Western Australia)	AngloGold Ashanti	- Original contract commenced in October 2003. Current contract commenced in April 2011, with a five year term and a three year extension option (1). The three year extension has been approved and signed off, extending the contract to April 2019. - Scope includes annual underground development of 10km and production of at least 2.8 mt per annum of gold ore.
Agnew (Western Australia)	Gold Fields	- Original contract term commenced in May 2010, with a three year term and two options to extend the term for further periods of one year each. A new contract including production scope commenced in July 2013 for a term of 3 years. - Scope includes underground development of 7km annually and production mining including associated works to produce 750kt per annum of gold ore. - Diamond drilling services are provided at the mine under a separate contract.
Renison (Tasmania)	Metals X	- Contract term commenced in March 2013 and runs until March 2016, with a one year extension option by mutual agreement between the parties. Negotiations have commenced to agree on the extension. - Scope of the contract includes underground development of 5.5km annually and production mining to produce 720kt per annum of tin ore.
Flying Fox (Western Australia)	Western Areas	- Original contract commenced in December 2004. Current contract commenced in July 2014 for a term of 2 years, with two one year extension options (1) - Scope includes annual development of 3km annually and production mining to produce 250kt per annum of nickel ore.
Dugald River (Queensland)	MMG	- The contract commenced in February 2012, with a two and a half year term and a one year extension option. This contract has been subsequently extended to June 2016, following MMG Board approval of the amended mine development plan. - The annual scope is expected to include underground development of at least 5km and production mining of 850kt of zinc ore.
Sukari Mine (Egypt)	Joint Venture between Centamin PLC and the Egyptian Government	- The original contract commenced in 2009 with an initial term of 3 years. The contract was extended in November 2013 for a term of 3 years. - Scope of the contract includes 6.6km of underground development annually and production of 750kt of gold ore. - Diamond Drilling is provided by Barminto at the mine under a separate contract
Rosebery (Tasmania)	MMG	- The contract commenced in January 2015, with a term of three years and a two year optional extension. - The scope includes 7.5km of underground development annually plus cable bolting services.
Spotted Quoll (Western Australia)	Western Areas	- Original contract term commenced in May 2011 with an initial term of three years. The current contract commenced in July 2014 for a term of 2 years, with two one year extension options (1) - Scope involves 3.5km of underground development annually and production mining of 300kt per annum of nickel ore.
Nova Bollinger (Western Australia)	Sirius Resources/Independence Group	- This new nickel mine commenced in January 2015, with a contract term of 3 years and a one year optional extension (1). - The scope included development of the boxcut (completed by a subcontractor) and underground development and production activities. The scope will ramp up over time with development starting at 4km per annum, increasing to 9km, and production commencing in late 2016 at a rate of 700kt per annum.

(1) Options to renew or extend the relevant contract are exercisable by the customer or by mutual agreement, but such options are not exercisable solely by Barminto.

Clients

Clients of the underground mining division are predominantly gold, nickel, tin and zinc miners, and include some of the world's largest mining companies as well as emerging producers. Barmenco services many of the world's largest resource companies as well as mid-tier companies. Key clients include Western Areas, AngloGold Ashanti, Gold Fields, MMG and Metals X. The quality and size of Barmenco's customer base also mitigates trade creditor risk (although, if appropriate, Barmenco takes out credit risk insurance in relation to selected clients).

The table below sets out a complete list of Barmenco's underground mining clients and the length of Barmenco's relationship with these clients.

Client mining group	Length of relationship as at June 30, 2015	% of Barmenco's revenue for the year ended June 30, 2015
MMG Australia Limited (1)	>13 years	11.1%
AngloGold Ashanti Group (2)	>11 years	18.4%
Western Areas NL	>10 years	18.7%
Centamin PLC	>5 years	11.9%
Gold Fields (3)	>5 years	19.8%
Metals X (4)	<3 years	12.9%
Northern Star	<2 year	3.6%
Sirius Resources/Independence Group	<1 year	1.8%

(1) The length of our relationship with MMG Australia Limited includes prior mine ownership by Oz Minerals Limited, Zinifex Limited and Pasminco Limited.

(2) Barmenco has contracts with AngloGold Ashanti Australia Limited and AngloGold Ashanti Limited at various projects.

(3) Barmenco's contract is with Agnew Gold Mining Company Pty Limited, a wholly owned subsidiary of Gold Fields Limited.

(4) Our contract with Bluestone Mines Tasmania Joint Venture Pty Limited, a joint venture 50% owned by Metals X Limited, commenced in March 2013.

AUMS

Overview of AUMS

We hold a 50% equity interest in AUMS with Ausdrill, an ASX-listed mining service provider, owning the remaining 50%. AUMS is comprised of three companies: AUMS Ghana, incorporated in Ghana; AUMS Mali, incorporated in Mali; and AUMS BF, incorporated in Burkina Faso. AUMS Mali and AUMS BF are held through our wholly owned subsidiary, Barmenco AUMS Holdings Pty Limited and AUMS Ghana is held through our wholly owned subsidiary, Barmenco Limited.

AUMS Ghana was established in 2007 to provide a full range of underground contract mining services including consulting and feasibility, management, planning and mine development in certain countries in West Africa. AUMS Mali was established in 2010 and AUMS BF was established in 2012 for the purpose of providing underground mining services in Mali and Burkina Faso, respectively. Each of AUMS Ghana, AUMS Mali and AUMS BF is governed by separate AUMS Shareholders' Agreements but the substantive terms of each agreement are identical. Under each AUMS Shareholders' Agreement, the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Côte d'Ivoire and Guinea through AUMS. However, the AUMS shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS. A more detailed summary of the AUMS Shareholders' Agreements is set out in "—Overview of material contracts and agreements—AUMS—AUMS Shareholders' Agreements."

The senior management of AUMS is located in Accra, Ghana. AUMS is managed by an executive appointed by agreement of the shareholders. National staff are sourced and managed locally by AUMS. Barmenco sources expatriate personnel and also assists with the technical expertise necessary to tender and undertake underground hard-rock mining projects and other corporate head office functions, including planning, budgeting and forecasting.

Current operations

AUMS currently operates three mining projects in Mali and Burkina Faso. AUMS is continuously assessing projects in other West African countries.

Diamond drilling

Overview

Barmenco's diamond drilling division provides underground drilling services for mineral exploration and defining ore reserves. Diamond drilling is generally used for exploration activities, as well as the delineation of mineral resources and ore reserves, which can lead to extending the production life of mines. The technique uses an annular drill bit with an industrial-grade diamond crown to cut a cylindrical core through solid rock

which is extracted, analyzed and assessed for such criteria as ore grade and rock structural information. A typical contract will involve the supply of suitable diamond drilling rigs, drilling rods and consumables, skilled drilling personnel, core orientation tools and down hole survey equipment.

The diamond drilling division's fleet is comprised of Boart Longyear LM series electric-hydraulic diamond drills, Atlas Copco mobile carrier rigs using underground drilling equipment and Atlas Copco underground core drilling rigs for deep hole directional drilling, which is a technique of drilling a borehole wherein the course of the hole is planned before drilling and is controlled by deflection wedges or other means to enable high quality rock core sample information to be obtained. Pneumatic drills are also used for specialist applications.

The diamond drilling division accounted for 10.0% of the Barmenco's revenue for fiscal 2015.

Current operations

Barmenco currently has 8 diamond drilling projects in Australia and one in Egypt. Barmenco also provides contract mining at three of these sites, generating efficiencies in shared supervision, workshop and supply chain infrastructure. The number of rigs employed at each project varies, but it is typically between one and four.

The diamond drilling projects where Barmenco does not have an underground mining contract presence provide an opportunity to establish a working relationship with mining companies, often at an earlier stage of development, enabling a broader penetration of the traditional owner mining function.

Clients

The majority of clients in the diamond drilling division are major blue-chip miners. Key clients of the diamond drilling division include Western Areas, Gold Fields, Centamin and Northern Star.

Growth initiatives

We have identified a range of growth opportunities that are designed to drive future growth.

Capitalize on growth opportunities in existing markets

We are well placed to capitalize on growth opportunities in our existing markets.

Barmenco has identified a number of potential contract mining opportunities and has a strong track record of converting such opportunities into contract wins.

This pipeline of new opportunities includes a number of mining opportunities which are currently owner-operated. The Group has an active customer targeting process, which seeks to educate and inform potential new clients on the benefits of outsourcing their mining operations.

Pursue service extension opportunities

We believe there is potential for the Group to expand its scope of work with existing clients, such as leveraging existing underground contract mining relationships to win contracts in diamond drilling and vice versa. We also believe that there is potential for the Group to internally develop or acquire specialized capabilities in order to further diversify its business across the mining services value chain.

Geographic expansion

In Australia, the majority of mining services work undertaken by Barmenco is in Western Australia, Queensland and Tasmania. Within Africa, Barmenco currently provides services in Egypt, and through AUMS in Ghana, Mali and Burkina Faso. South Africa is the most mature African resources market, with an established contract mining industry. However, mining activity in general and underground mining activity in particular is expected to increase in many emerging African markets such as Ghana, Mali and Burkina Faso. As such, African markets outside of South Africa represent a key growth opportunity for the Group.

We have also identified a number of international expansion opportunities where we currently have no presence. These include Southern Africa, Europe, and South America, where growth in underground mining activity is occurring. A decision to expand into one or more of these countries will depend on a suitable contract mining opportunity becoming available.

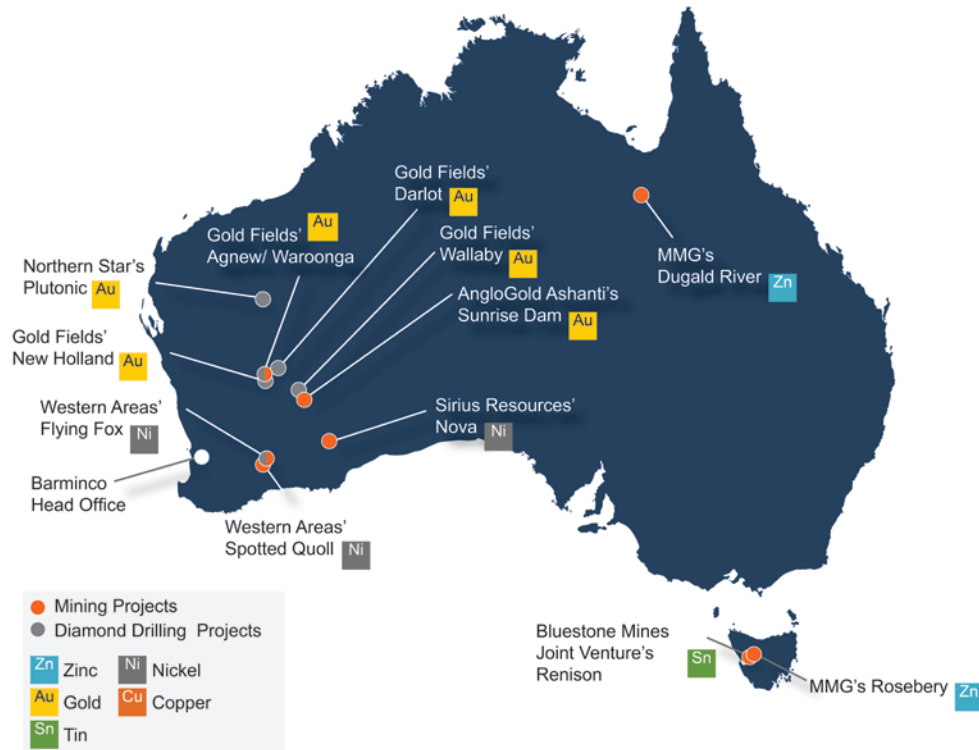
Many of our current and past clients have global underground mining operations, many in regions that are not currently serviced by us. This provides potential for us to leverage off our relationships with those clients should we decide to enter those markets.

Overview of material contracts and agreements

Australia

The map below shows the sites in Australia where we currently have material contracts in place.

Current Australian Contracts



Underground mining division

Key contracts

The underground mining division currently has 9 contracts in place to provide underground mining services. None of Barminto's contracts represented more than 18.4% of its revenues for fiscal 2015. Underground mining service contracts use various structures as a basis for project remuneration, for example:

- a schedule of rates;
- fixed and variable costs;
- cost-plus; and
- alliance based contracting with performance based remuneration.

Project remuneration structures can also be combined and vary across Barminto's projects. The majority of our underground mining service contracts use a fixed and variable costs structure as a basis for payment to manage risks. Typically, fixed payments are made for items such as equipment ownership, corporate overheads and certain supervisory labor costs. Variable payments are made for items primarily based on mining physical quantity such as development meters, ore tonnes loaded and hauled, ground support units installed and meters drilled and blasted. The variable component of our revenue recovers costs such as operating labor, equipment maintenance and mining consumables, which depend on the actual level of production achieved by Barminto in a given period. Margin can be apportioned at different levels across both fixed and variable unit rates.

The rates are typically subject to rise-and-fall provisions, which adjust prices to reflect changes in the costs of key inputs (such as salaries, parts, materials, fuel, and explosives), based on changes in various indices (for example, Australian Bureau of Statistics data). The base indices are set at the time of pricing submission. However, because contract prices are only reset at periodic intervals, typically quarterly, there can be a lag between a price increase in one of Barminto's inputs and the time at which the relevant contract price increase occurs.

Generally, Barminto's underground mining services contracts permit the customer to vary the scope of work to be performed by Barminto, in which event Barminto is entitled to contractually claim an adjustment to certain amounts payable to it under the relevant contract. Many contracts define the limits of accuracy ranging within 20% of physicals, which may trigger a full or partial renegotiation of pricing.

It is common and accepted to generate multiple variations throughout the contract term adjusting for changes in scope. Examples are changes in required fleet numbers or type and modified ground support regime to respond to changed ground conditions. Efficiencies or inefficiencies generating a win/lose outcome can be addressed through a rate variation, which all contracts have the flexibility to implement.

For scope outside of the primary work plans, all primary contracts have provision for daily hire rates for people and equipment charged as 'dayworks'. There are also revenues applicable to delays not caused by the contractor, for instance primary power disruption. Should a project be terminated prematurely, there are associated demobilization revenues which can include redundancy recovery in the event labor cannot be redeployed within the business.

Contracts for underground mining services are typically of short to medium term. Barminto's average contract length for current underground mining contracts is approximately 30 months from original commencement date. Most of Barminto's underground mining services contracts allow the customer to terminate the contract at the customer's option upon giving Barminto minimal notice with notice periods ranging from 30 to 90 days. If the customer exercises this option to terminate the contract without cause, the customer is generally required to pay Barminto for the work completed to date, unused materials and demobilization costs. However, clients typically prefer to use a single contractor over the full mine life to minimize disruption, and will generally only switch providers if they are dissatisfied with the incumbent contract miner or can reduce costs.

Barminto has a proven track record in securing contract extensions and the current estimated mine lives where Barminto operates extend well beyond the current contractual period.

Other key features of Barminto's underground mining services contracts include:

- certain contracts give the customer an option to buy the capital equipment used by Barminto in connection with the contract, typically at a market value to be agreed;
- Barminto often provides the customer with a standard industry style indemnity against claims or losses arising from events such as personal injury, damage to property and non-compliance with laws; and
- certain contracts place risks associated with environmental damage and clean-up with Barminto and contain indemnities under which Barminto is obligated to compensate the customer for certain losses resulting from environmental incidents for which Barminto is responsible.

Diamond drilling division

Key contracts

Diamond drilling contracts generally provide for remuneration on a schedule of rates, whereby the contractor is paid per unit of output. Barmenco's contracts typically have a term of approximately two years with an option to extend exercisable by the customer, although work may not be continuous during this term. The contracts generally include rise and fall provisions that provide for quarterly adjustments. Typically, contracts have a 30 day termination without cause provision.

AUMS

Key contracts

AUMS currently operates underground mining and diamond drilling services at four projects. AUMS's average contract length for current underground mining contracts is approximately 30 months from original commencement date. The terms of these contracts are generally equivalent to those of Barmenco's Australian contracts. In Africa, AUMS also enjoys the advantages of incumbency, as well as its dominant market share and operating expertise in underground hard-rock mining.

AUMS Shareholders' Agreements

Each of AUMS Ghana, AUMS Mali and AUMS BF is governed by a separate AUMS Shareholders' Agreement but the substantive terms of each agreement are identical. The AUMS Ghana Shareholders' Agreement was entered into between Barmenco Limited, Ausdrill and Ausdrill Limited in July 2008; the AUMS Mali Shareholders' Agreement was entered into in March 2012 and the AUMS BF Shareholders' Agreement was entered into in December 2012. Each AUMS Shareholders' Agreement governs the relationship of Barmenco Limited and Ausdrill as shareholders of AUMS.

Territory

Under the AUMS Shareholders' Agreements, the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Côte d'Ivoire and Guinea (a "Relevant Territory") through AUMS. However, the AUMS shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS.

Contributions to joint venture

Under the terms of the AUMS Shareholders' Agreements, Barmenco Limited is responsible for providing to AUMS the equipment needed for AUMS to provide the contract mining services, with Ausdrill being responsible for providing to AUMS the administrative and related services needed to provide the contract mining services. The contributions of each shareholder to AUMS are on an arm's length basis. AUMS currently sources its own equipment and is no longer dependent on supply by Barmenco Limited. Barmenco continues to provide shared services and technical support to AUMS.

Management

The AUMS board of directors has appointed an executive to manage the day-to-day business of AUMS. The executive is currently Blair Sessions, who was nominated for the position by Barmenco Limited. Mr. Sessions is also a Statutory Director of AUMS Ghana and Statutory Manager of AUMS Mali and AUMS BF.

Directors

Under the AUMS Shareholders' Agreements, each of the three companies comprising AUMS is governed by a board of directors which consists of six directors in total, with each shareholder appointing three directors, unless agreed otherwise.

The quorum for board meetings is one director appointed by each shareholder. The current directors appointed by Barmenco Limited are John Muir, Peter Stokes and Peter Bryant. Except in limited circumstances, all decisions of the AUMS board must be approved by unanimous vote. However, if a shareholder has committed an event of default (see "—Default" below), or while any sum called by AUMS remains unpaid and overdue by a shareholder (see "—Funding requirements" and "—Guarantee" below), directors appointed by that shareholder may not exercise any vote at board meetings. The AUMS Shareholders' Agreements provide for the right to nominate a director as the chairman of the AUMS board, which is to be rotated each financial year between the shareholders. However, historically, this right has not been exercised and the chairman is appointed at the start of each meeting by agreement. The chairman does not have a vote at board meetings.

Shareholder approvals

The quorum for meetings of the shareholders of AUMS is one representative of each shareholder, and all shareholder resolutions of AUMS must be approved by unanimous vote. However, if a shareholder has committed an event of default (see "—Default" below), or while any sum called by AUMS remains unpaid and overdue by a shareholder (see "—Funding requirements" and "—Guarantee" below), that shareholder may not exercise any vote at shareholders' meetings.

Mining services contracts

If either shareholder becomes aware of an opportunity to tender for a mining services contract in a Relevant Territory, it must notify the AUMS board of such opportunity. The AUMS board has 30 days to notify the party that identified the opportunity whether AUMS will be submitting a tender. If an AUMS director nominated by either shareholder votes against AUMS submitting a tender in respect of the particular opportunity, that dissenting shareholder is prohibited from submitting a tender for the particular mining services contract and may not object to the non-dissenting shareholder submitting a tender for that mining services contract.

Non-compete

If either shareholder ceases to be a shareholder in AUMS, that shareholder must not, for a period of two years, perform contract mining services in a Relevant Territory for any existing customer or any customer to whom AUMS had submitted, or had resolved to submit, a tender for the performance of contract mining services.

Funding requirements

AUMS may make calls for funds in accordance with budgets approved by the AUMS board, or to the extent necessary for AUMS to satisfy its obligations. Within 10 business days of a call being made by AUMS, each shareholder must pay to AUMS the amount called for as an interest-bearing loan, repayable only when the AUMS board unanimously agrees that AUMS is in a financial position to repay it. While any sum called by the AUMS remains unpaid and overdue by either shareholder, the defaulting shareholder and its directors on the AUMS board may not vote and are not required to be counted in the quorum at directors' or shareholders' meetings of AUMS.

Guarantee

As part of AUMS's finance facilities, Ausdrill Limited and Macquarie Bank Limited entered into a contingent guarantee and indemnity document (the "Ausdrill Guarantee"), under which Ausdrill guarantees the payment of certain guaranteed monies in circumstances where either AUMS Ghana or AUMS Mali fails to pay such monies on time and in accordance with the finance facilities. If Ausdrill is required to make payment under the Ausdrill Guarantee, or if Barmenco Limited has not paid any sum called by AUMS under the terms of the AUMS Shareholders' Agreement, and Ausdrill funds AUMS (in addition to or in lieu of a called sum paid by Ausdrill) to allow AUMS to meet an obligation to a financier, then from the date of payment the aggregate of such amounts paid by Ausdrill to AUMS or the financier (including any called sum paid by Ausdrill on its own account) will be deemed to be a loan from Ausdrill to AUMS, which is interest-bearing, secured and payable on demand. Until all such loans and interest are repaid in full, AUMS must not distribute any profits or repay existing shareholder loans and Barmenco Limited would be considered a defaulting party. Consequently, Barmenco Limited and its directors may not vote at directors' or shareholders' meetings of AUMS, and Barmenco Limited and its holding company would not be entitled to bid or tender for the performance of contract mining services within a Relevant Territory.

Right to trigger pre-emption process

If either shareholder (the initiating shareholder) wishes to cease performing contract mining services through AUMS, or considers in its absolute discretion that a dispute, or the course of action proposed by an arbitrator to resolve the dispute in accordance with the dispute resolution provisions (see "—Dispute resolution" below), will result in or is indicative of a fundamental breakdown in the relationship between the shareholders, the initiating shareholder may serve a notice on the other shareholder offering to sell its shares in AUMS and assign the loans (and accrued and unpaid interest) due to it from AUMS to the other shareholder. Failing a sale within 25 business days, the initiating shareholder must purchase the other shareholder's shares in AUMS together with the loans (and accrued and unpaid interest) due to that shareholder from AUMS. The price for the shares in AUMS is that specified in the initiating shareholder's notice of offer, and the price for the loans to AUMS is their aggregate face value plus accrued and unpaid interest. The exercise of this provision in one AUMS Shareholders' Agreement does not trigger the same provision in the other two AUMS Shareholders' Agreements.

Dispute resolution

If a dispute arises between the shareholders in the performance of contract mining services or in relation to their relationship generally, the shareholders must exchange notices setting out their positions on the dispute and their representatives must meet at least once in an effort to resolve the dispute. If the dispute is not resolved, the dispute must be submitted to non-binding arbitration in Perth, Western Australia.

Default

A shareholder commits a default if it:

- fails to pay a call for capital by AUMS prior to the expiry of the specified grace period;
- is subject to an insolvency event;
- assigns or attempts to assign the benefit of the AUMS Shareholders' Agreement to a third party in breach of the agreement;
- disposes of the whole or part of its assets, operations or business other than in the ordinary course of business;
- ceases to carry on business;
- is the subject of a change of control (other than as a result of a change of control of its ultimate holding company);
- breaches any provision of the AUMS Shareholders' Agreement which is capable of remedy (other than a requirement to pay a call for capital) and fails to remedy the breach within 10 business days after receiving notice from the other shareholder; or
- breaches any material provision of the AUMS Shareholders' Agreement or the constitution of AUMS where that breach is not capable of remedy.

If a shareholder commits a default, then that shareholder and its directors on the AUMS board may not vote at directors' or shareholders' meetings of AUMS and that shareholder is deemed to have offered to sell to the other shareholder its shares in AUMS at their fair market value and its loans to AUMS at their face value, plus accrued and unpaid interest. If the defaulting shareholder's deemed offer is not accepted within the specified period, the AUMS board may determine to sell the shareholder's shares in and loans to AUMS to any third party at the relevant sale prices, failing which AUMS must buy back or cancel the shares and loans at the relevant prices.

Competitive landscape

Overview

A relatively small number of mining contractors provide underground hard-rock contract mining services, as it is a specialized service requiring industry specific skills and equipment. High capital costs and the requirement for substantial logistics infrastructure also act as a barrier to entry for new competitors to the market.

Competitive landscape—Australia

Within Australia, mining contractors have become an established part of the mining industry. A significant number of the underground mines in Australia use contractors for their entire underground mining function. There are currently 69 known underground base and precious metal mines operating in Australia, 42 of which are owner operated (for the majority of their activity), with the remaining mines operated by contract miners. Of the remainder who conduct in-house mining, most use mining contractors either for part of their mining function or intermittently for specialist tasks.

Based on internal estimates derived from publicly available data, we estimate that Barmenco is one of the market leaders in underground hard-rock development and production contract mining in Australia. Other key market participants in the Australian market are summarized in the table below.

Key competitors in Australian underground hard-rock contract mining market:

Competitor	Description	Ownership
Byrnescut Mining Pty Ltd	- Focused on underground hard-rock mining and related construction activities, with overseas operations in Africa, the Middle East and Asia - Largest competitor to Barmenco in the Australian market	Private
Pybar Mining Services Pty Ltd	- Focused on underground hard-rock mining and small scale surface construction/equipment hire activities - Primarily services the eastern states market, but expanding into Western Australian market	Private
Macmahon Holdings Ltd	- Provides both underground and open cut mining services - Also provides civil construction and maintenance services	ASX-listed company
Leighton Contractors Pty Limited	- Large international service provider - Provides both underground and open cut mining as well as diversified engineering and civil construction services - Underground mining services include underground coal mining	Division of ASX-listed company CIMIC Group Ltd
Redpath Australia Pty Ltd	- Large International service provider - Provides both underground and open cut mining as well as diversified engineering and civil construction services	Division of Redpath Group (Canada)
Australian Contract Mining (ACM)	Small underground service provider with exposure in Western Australia and South Africa	Private
RUC Cementation Mining Contractors Pty Ltd	- Medium sized international service provider associated with Murray and Roberts in Africa - Has both underground and raise drilling capability	Division of Murray & Roberts
Downer EDI	- Large international service provider with limited exposure to Australian underground market at present - Provides both underground and open cut mining as well as diversified engineering and civil construction services	ASX-listed company

Competitive landscape—Africa

Within the African market, mine owner adoption of mining contractors varies from region to region.

Mature markets (for example, South Africa) have an established contract mining industry. In these markets, Barmenco competes against both contract miners and owner-operators. Some key international competitors with African operations include Redpath, Murray & Roberts, Byrnes and Shaft Sinkers.

Emerging African markets (for example, Mali, Ghana and Burkina Faso) have a limited history of underground contract mining. We estimate that AUMS conducts the majority of the underground mining undertaken by contractors in Mali.

Safety and risk management

Barmenco is committed to providing a safe environment for employees, contractors and the community. A strong safety record is fundamental to Barmenco's core values. We place safety first and foremost and regard it as "our license to operate." Barmenco's safety record is a critical element for its reputation and its ability to attract employees and win business. In almost all contract mining tenders, the contractor's safety record is a significant element of the evaluative criteria used by the client to award contracts.

Accordingly, Work Health and Safety (WHS) is one of Barmenco's highest priorities and a key risk factor for Barmenco that is actively monitored. Integral to all Barmenco induction processes is the Barmenco Risk Management Program and the Barmenco Integrated Management System ("IMS"), both of which are focused on delivering high standards in underground mining safety performance. Compliance with Barmenco's legislative and regulatory obligations, codes of practice and the standards to which it adheres requires a substantial management function, supervised by the Executive General Manager, Safety and Sustainability with overall responsibility for the function.

Barmenco's safety performance is internationally recognized and Barmenco Limited is certified to the following Australian standards:

- AS/NZS ISO 9001:2008 – Quality Management Systems;
- AS/NZS ISO 4801:2001 – Occupational Health and Safety Management Systems; and
- AS/NZS ISO 14001:2004 – Environmental Management Systems

Barmenco is audited on an annual basis by SAI-Global to ensure recertification and compliance to AS/NZS 9001:2008; AS/NZS 4801:2001 and AS/NZS 14001:2004. Internal audits are conducted by Health Safety & Environmental Regional Managers, accredited internal lead auditors and the Executive General Manager, Safety & Sustainability.

In addition, safety is highly regulated by legislation and a number of governmental agencies. In Australia, both state & mining regulators and federal WHS regulators administer legislation, make regulations and monitor compliance, including reviewing compliance plans and conducting inspections of worksites.

Australian federal, state and territory Work Health and Safety Acts set out general duties of employers, employees and others regarding WHS. Under the legislation, employers have a general duty of care with respect to the safety of employees, as well as a range of more specific duties and obligations. In addition, each state and territory has a range of WHS regulations that provide more specific detail of the requirements that must be followed for a range of WHS issues or hazards.

The African countries in which Barmenco and AUMS operate also have safety regulations and regulators and safety is particularly important in high growth African markets. The same approach and standards that Barmenco applies to its Australian operations are also applied in its African operations and those of AUMS. As a result, Barmenco believes that it meets or, in most cases, exceeds its legal and regulatory obligations in those countries.

Barmenco actively pursues continuous improvement initiatives in risk management, including:

- CEO Lead Safety Improvement Initiatives
- Utilization of technology in innovation and driving better safety performance
- Strong focus on Supervisory Leadership of the Safety Agenda
- Regular workforce consultation
- Improving identification, assessment and control of risks;
- Improving communication processes to provide an open, transparent and responsive culture;
- Encouraging a positive reporting culture;
- Improving the detail and effectiveness of incident investigation processes;
- Providing comprehensive rehabilitation and injury management programs;
- Developing performance monitoring including regular safety reviews, audits and inspections; and
- Implementing leading indicator performance monitoring.

Plant and equipment

Barminto has a significant underground mechanized fleet, supported by strong relationships with equipment suppliers and extensive in-house expertise in rebuild and fleet maintenance.

All of Barminto's equipment is purpose built for the underground mining environment and, where required, tailored to Barminto's safety standards and operational specifications. Barminto's equipment fleet includes owned and equipment under finance leases. Currently, 7.7% of Barminto's plant and equipment (by book value) is under finance leases. Barminto's major equipment fleet consists of 364 units with principal suppliers including Atlas Copco, Caterpillar and Sandvik.

A key competitive advantage of Barminto is its ability to source new equipment within a required timeframe for new projects. Barminto has established relationships with equipment suppliers and a pipeline of secured build spots, which enables Barminto to better source equipment over some of its competitors and enhances Barminto's ability to win and service new contracts.

Rebuild and maintenance facility

A further competitive advantage is Barminto's in-house rebuild and maintenance facility. Barminto maintains a purpose built 3,000m² undercover maintenance, repair and rebuild facility in Hazelmere, Perth, Western Australia. In Barminto's experience, this facility delivers equipment with levels of reliability and performance equivalent to new equipment.

Barminto's in-house rebuild and maintenance capability increases equipment life with bare frame rebuilds, stringent asset management, rotatable componentry and superior support. This facility is capable of rebuilding approximately 30 items of major equipment per year. This facility allows Barminto to rebuild and maintain its fleet to minimize capital and operating costs and reduce the need to buy new equipment. Barminto typically performs only one rebuild on a piece of major equipment before the equipment is retired from the fleet.

Maintenance system

Barminto has a formal maintenance system which governs all aspects of its site and fleet based maintenance activity, ensuring a consistent approach between all projects.

Key features of Barminto's maintenance system include:

- *data capture systems:* all on-site maintenance supervisors can immediately access the equipment maintenance history of any piece of machinery when analyzing site or equipment specific issues;
- *formal reporting systems:* Barminto has implemented production reporting systems that provide a database of key performance indicators that in turn allow improvement in maintenance programming over that provided by original equipment manufacturers; and
- *regular diagnostic health checks:* during post rebuild commissioning, all system operating parameters are checked against standard specifications and recorded. Regular system health checks compare machine performance against commissioning values, providing a valuable preventative diagnostic tool.

People

Overview

As of June 30, 2015, Barmenco (excluding AUMS) had 1,585 employees, calculated on a full time equivalent basis. The table below outlines employees by function and location.

Barmenco full-time equivalent employees by function as at June 30, 2015

	Australia	Africa (excluding AUMS)	TOTAL
Mining and engineering	1,001	60	1,061
Diamond drilling	205	9	214
Crushing and screening	6	-	6
Egyptian nationals	-	186	186
Subtotal - operational	1,212	255	1,467
Shared services (including administration, finance, legal, HR, EHS)	118	-	118
TOTAL	1,330	255	1,585

The majority of Barmenco's workforce consists of permanent employees. Although contractors and casual employees are employed when required, they do not however at present represent a large or regular component of the workforce.

Remuneration for shift work employees in mining and production and diamond drilling is typically on a base plus incentive payment structure, designed to incentivize both productivity and safety. Maintenance shift work employees receive hourly rates and employees in management are on total fixed remuneration.

Barmenco provides extensive training to its personnel, including through the use of a mine truck simulator.

Barmenco provides resourcing services for AUMS and source and recruit suitable candidates, including Barmenco employees for various AUMS roles. When Barmenco provides employees to AUMS, these employees cease their employment with Barmenco and commence employment with AUMS, with accrued entitlements paid out. Barmenco makes reasonable endeavors to find a position in the business for such employees in the event that they wish to return to Barmenco.

Industrial relations

Barmenco has experienced a harmonious and productive relationship with its workforce with no industrial action or stoppages occurring across any sites over the past four years. Barmenco has an in-house counsel and its human resources team has extensive human resources, employment relations and industrial relations experience with the resources sector.

In Australia, we operate on a system of individual agreements as well as employee collective agreements, notably the Barmenco Employee Collective Agreement (applicable nationally excluding Tasmania) that has been in place since November 2014 and remains valid for four years. In Tasmania, the Barmenco (Tasmania) Enterprise Agreement 2012 is operative until October 1, 2015. As at June 30, 2015, approximately 80% of Barmenco's Australian workforce is subject to collective bargaining agreements in Queensland, Western Australia and Tasmania. Our management team, certain administrative employees and our expatriate employees, amongst others, have individual contracts of employment.

In Egypt, our local workforce is not unionized and nationals in Egypt are employed directly by Barmenco Egypt Underground Mining Services S.A.E. Employment contracts with employees in Egypt are common law contracts that comply with Egyptian Labor Law no.12 of 2003.

Employee culture and retention

The retention of suitably qualified staff remains a strategic focus for Barmenco. Barmenco has implemented a detailed retention strategy to attract and retain staff. The elements of the strategy include:

- a collective agreement which guarantees earnings levels;
- an executive incentive program for key staff;
- a graduate development program;
- an apprenticeship program;
- vacation work and work experience opportunities for other business functions;
- diamond drilling traineeships;
- a management development program;
- a performance review process to foster development; and
- succession and development planning.

Insurance

Barmenco believes it maintains customary levels of insurance coverage taking into account the size and scope of its operations. Barmenco, in conjunction with its insurance brokers, reviews the appropriateness of its insurance coverage on a monthly basis and amends its policies to suit any change in circumstances.

We take out political risk insurance when operating overseas whenever it is available. These policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war. Barmenco currently has political risk insurance in place for its operations in Egypt.

Trade credit insurance is taken out whenever there is concern about a client's ability to pay and when such insurance is available. No trade credit insurance for material contracts is currently in place.

Environmental regulation

Environmental laws in Australia impose duties and liabilities both on owners or lessees of land (such as mining companies) and, separately, on occupiers of land or persons who agree to undertake activities or assume responsibilities which may have an environmental impact on land (including providers of mining services).

As a provider of mining services, Barmenco's operations are subject to numerous environmental and regulatory requirements under federal and state environmental laws. Environmental issues such as noise, emissions, effluent discharges and ecological impact in connection with Barmenco's operations are regulated by federal, state and local government authorities.

In addition, certain of Barmenco's underground mining services contracts place risks associated with environmental damage and clean-up with Barmenco and contain indemnities under which Barmenco is obligated to compensate the customer for certain losses resulting from environmental incidents for which Barmenco is responsible.

The environment and community are important priorities for Barmenco and it actively manages its responsibilities under relevant regulatory and other standards. Barmenco's commitment to environmental management is supported by the environmental management systems it has in place.

Barmenco documents and implements environmental management plans for all projects as part of its environmental and project management procedures. These may include plans for pollution prevention or control, noise and vibration, air quality, soil erosion and sedimentation, water quality, flora and fauna, community relations, heritage, waste management, traffic management, sustainable development, and emergency procedures.

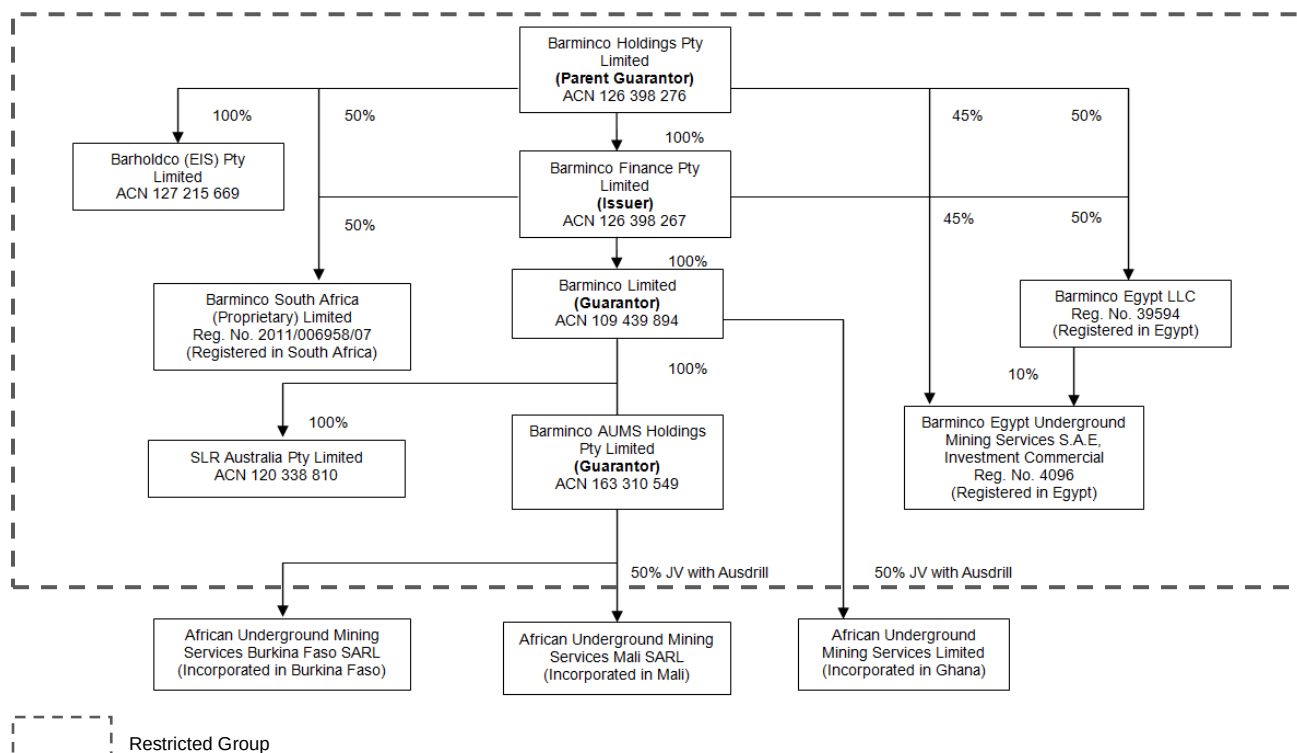
Barmenco uses the same environmental management procedures in Africa as it does in Australia.

Legal proceedings

From time to time and due to the nature of its business, members of the Group may be involved in litigation and claims arising in the ordinary course of business, such as contractual disputes, property damage, health and safety, and personal injury.

Corporate Structure

The following chart sets forth all operating entities in the Group.



Overview of entities that are bound by the terms of the indenture that governs the notes (the “restricted group”)

Barmingo Holdings Pty Limited, an Australian corporation, is a holding company that owns a 100% interest in Barmingo Finance Pty Limited, a 50% interest in each of Barmingo South Africa (Proprietary) Limited and Barmingo Egypt LLC and a 45% interest in Barmingo Egypt Underground Mining Services S.A.E. Barmingo Holdings Pty Limited is the Parent Guarantor for the notes and a guarantor under our Credit Facility.

Barmingo Finance Pty Limited, an Australian corporation, is a holding company that owns a 100% interest in Barmingo Limited, a 50% interest in each of Barmingo South Africa (Proprietary) Limited and Barmingo Egypt LLC, and a 45% interest in Barmingo Egypt Underground Mining Services S.A.E. Barmingo Finance Pty Limited is a finance subsidiary that is the issuer of the notes and the borrower under our Credit Facility.

Barmingo Limited, an Australian corporation, is the operating entity through which mining services are provided in Australia. Barmingo Limited also owns a 50% interest in each AUMS joint venture entity. Barmingo Limited is a Guarantor for the notes and a guarantor under our Credit Facility.

Barmingo Egypt LLC, an Egyptian limited liability company, was the operating entity through which Barmingo provided mining services in Egypt. From December 1, 2013 the operations have been conducted through Barmingo Egypt Underground Mining Services S.A.E. Barmingo Egypt LLC owns a 10% interest in Barmingo Egypt Underground Mining Services S.A.E.

Barmingo Egypt Underground Mining Services S.A.E., is a joint stock company established under the public free zones in Suez and is the operating entity through which Barmingo currently provides mining services in Egypt, and facilitates importation of equipment and consumables through a free trade zone in Egypt

Barmingo South Africa (Proprietary) Limited, a South African corporation through which Barmingo previously provided diamond drilling services in South Africa. The operations in South Africa ceased on June 30, 2013. Barmingo South Africa is not a guarantor of the notes or our Credit Facility.

Overview of other entities

Barmenco AUMS Holdings Pty Limited is a holding company that owns a 50% interest in AUMS Burkina Faso and a 50% interest in AUMS Mali.

African Underground Mining Services Limited is a joint venture entity currently owned 50% by each of Barmenco Limited and Ausdrill. AUMS is incorporated in Ghana and provides underground mining services in Ghana.

African Underground Mining Services Burkina Faso SARL is a joint venture entity currently owned 50% by each of Barmenco AUMS Holdings Pty Limited and Ausdrill. AUMS BF is incorporated in Burkina Faso and provides underground mining services in Burkina Faso.

African Underground Mining Services Mali SARL is a joint venture entity currently owned 50% by each of Barmenco AUMS Holdings Pty Limited and Ausdrill. AUMS Mali is incorporated in Mali and provides underground mining services in Mali.

Selected Historical Consolidated Financial and Operating Data

The selected historical consolidated financial data set forth below as of and for the years ended June 30, 2013, 2014 and 2015 have been derived from, and are qualified in their entirety by reference to, our annual consolidated financial statements and related notes.

Our consolidated financial statements have been prepared in accordance with Australian Accounting Standards and also comply with IFRS and interpretations adopted by the International Accounting Standards Board. Australian Accounting Standards differ from U.S. GAAP in respects that may be material to the financial information contained in this annual report.

The selected historical consolidated financial and operating data should also be read in conjunction with, and is qualified in its entirety by reference to, the sections captioned "Financial statement presentation," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements included elsewhere in this annual report.

Selected financial data for the Group

(A\$ in thousands)	Year ended June 30,		
	2013	2014	2015
Summary statement of comprehensive income information:			
Revenue	675,145	537,938	492,917
Other income	2,744	1,662	1,159
Consumables used	(181,577)	(168,488)	(152,521)
Employee benefits expense	(280,202)	(232,685)	(207,205)
Contractor and consultant expenses	(28,646)	(14,846)	(20,023)
Depreciation of property, plant & equipment	(55,959)	(58,392)	(52,298)
Amortization and impairment of intangible assets	(2,619)	(1,023)	(1,017)
Other expenses	(62,226)	(17,114)	(19,239)
Earnings before interest and income tax	66,660	47,052	41,773
Capitalized financing costs	(34,041)	(38,828)	(44,264)
Other financing costs, net	(47,017)	(67,983)	(64,415)
Income tax (expense) / benefit	(2,993)	(714)	(377)
Profit (loss) for the period, excluding equity accounted investments	(17,391)	(60,473)	(67,283)
Share of profit from equity accounted investments, net of tax	23,067	1,933	14,615
Profit (loss) for the period, including equity accounted investments	5,676	(58,540)	(52,668)
Selected statement of financial position data (period end):			
Cash and cash equivalents	106,591	95,818	104,844
Total assets (including investment in AUMS)	735,251	656,920	647,179
Total tangible assets	473,976	396,668	387,944
Total liabilities	919,763	907,766	946,490
Total debt	816,247	828,640	861,002
Total debt excluding Redeemable Preference Shares and Shareholder Loan Notes	538,905	512,470	500,568
Total equity	(184,512)	(250,846)	(299,311)
Selected statement of cash flows data:			
Net cash inflow (outflow) from:			
Operating activities	76,229	50,271	35,657
Investing activities	(39,010)	(33,574)	(13,782)
Financing activities	(2,300)	(27,470)	(12,849)
Other financial data:			
Capital expenditures	52,863	40,001	45,177
Working capital	1,189	3,537	3,428
Investments accounted for using the equity method	65,743	67,574	67,342
EBITDA (1)	125,238	106,467	95,088
EBITDA margin (2)	18.6%	19.8%	19.3%
Ratio of total debt (excluding Redeemable Preference Shares and Shareholder Loan Notes) to EBITDA	4.3	4.8	5.3
Ratio of net debt (3) (excluding Redeemable Preference Shares and Shareholder Loan Notes) to EBITDA	3.5	3.9	4.2

- (1) EBITDA is a non-GAAP/non-IFRS financial measure that we define as the Barmenco's net profit (loss) before income tax expense, net financing costs, depreciation and amortization and impairment of intangible assets. EBITDA is a useful supplemental measure in evaluating the performance of our operating business and provide greater transparency into our results of operations. EBITDA is used by management, including our chief decision maker, to perform such evaluation. EBITDA has limitations as an analytical tool, and you should not consider either in isolation or as a substitute for analysis of our results as reported under IFRS. For example, these measures:

- do not reflect our historical cash expenditures, or future requirements for capital expenditures or contractual commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect our income tax expense or the cash requirements to pay taxes;
- do not reflect that, while depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and EBITDA does not reflect any cash requirements for such replacements; and
- do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our debt.

However, our management believes EBITDA is useful to an investor in evaluating our operating performance because (i) these measures are widely used by investors in the mining industry to measure a company's operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure, and the method by which assets were acquired, among other factors, and (ii) these measures help investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure and asset base from our operating structure. We further believe that EBITDA is frequently used by securities analysts, investors, and other interested parties in their evaluation of companies, many of which present EBITDA when reporting their results.

There are significant limitations to using EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss, and the lack of comparability of results of operations of different companies.

- (2) EBITDA margin represents EBITDA as a percentage of revenue.
- (3) Net debt is total debt less cash and cash equivalents.

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion should be read together with the "Selected historical consolidated financial and operating data" and our consolidated financial statements and their notes included elsewhere in this annual report. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in forward-looking statements as a result of a number of factors, including those set forth under the captions "Cautionary statement regarding forward-looking statements" in this annual report.

Because the AUMS joint venture entities will not guarantee the notes nor be "Restricted Subsidiaries" under the indenture that governs the notes, this section of the annual report focuses primarily on Barmenco rather than the Group, which includes Barmenco's 50% interest in AUMS.

Overview

Based upon internal estimates derived from publicly available sources, we believe that Barmenco is one of the leading underground hard-rock mining contractors in Australia. Barmenco also operates in Egypt through subsidiaries as well as in West Africa through its AUMS joint venture entities.

Barmenco operates across two service divisions:

- **Underground contract mining:** mine development and production services, ground support (including fibrecreting), production drilling and blasting, ore extraction and haulage. Underground hard-rock contract mining involves the provision of equipment, personnel and technical expertise to assist mining companies with both mine development and production in underground mining operations.
- **Diamond drilling:** underground diamond drilling services for mineral exploration and defining ore reserves.

In addition, Barmenco has a 50% interest in AUMS, which provides underground hard-rock contract mining services in West Africa.

The following table provides a summary of revenue and EBITDA by division.

(A\$ in millions)	Year ended June 30,		
	2013	2014	2015
Revenue			
Underground mining	584.4	491.9	440.2
Diamond drilling	71.4	42.5	49.3
Crushing and screening	16.1	1.1	1.0
Shared services (unallocated) and other	3.2	2.4	2.4
Total revenue (excluding AUMS)	675.1	537.9	492.9
EBITDA			
Underground mining	115.1	99.2	90.7
Diamond drilling	9.2	6.3	6.6
Crushing and screening	3.1	(0.1)	0.5
Shared services (unallocated) and other	(2.2)	1.1	(2.7)
Total EBITDA (excluding AUMS)	125.2	106.5	95.1

Our revenue is dependent on mineral exploration, development and production activity, which activities are driven by a number of factors, including anticipated future demand for commodities, the outlook for commodity consumption, mining exploration capital expenditure spending and availability of financing for clients.

Outlook

We believe the outlook for the underground hard-rock mining market in Australia and much of the world remains attractive. Globally, mining companies increasingly demand service providers capable of providing safe and reliable hard-rock underground mining services. We believe that our processes, people and expertise position us as a leader in this regard.

In Africa, mining activity, underground mining activity in particular, is expected to increase in many emerging and less explored African markets. As such, African markets represent a growth opportunity and we expect AUMS' West African operations and Barminto's operations in other parts of Africa to generate more project opportunities in the foreseeable future.

Key drivers of performance

The demand for underground hard-rock mining services ultimately depends on two key drivers:

- the volume of development and production from underground hard-rock mining projects; and
- industry and management preferences for contract mining versus owner-operated mining.

These key drivers are in turn influenced by a number of factors.

Volume of development and production

The volume of development and production from underground hard-rock mining projects is ultimately a function of the number of mining projects that are in development or production, the volume of production at each project and, over the longer term, the number of new projects advancing from exploration to development and production. Factors that influence the level of mining activity include global demand for minerals, current and expected metals prices and the application and impact of the local regulatory environment, including the availability of permits, environmental regulations and taxes and royalties.

Preferences for contract mining versus owner-operated

Mine owners use a range of criteria to analyze the relative costs and benefits of operating a mine themselves compared to engaging a mining contractor to operate it on their behalf.

These criteria include:

- strategy of the company (for example, managing a mineral asset portfolio versus operating mines);
- relative competency to undertake mining of the type and scale required;
- relative safety performance;
- relative access to and cost of capital funding;
- relative access to and functionality of support infrastructure such as maintenance workshop, recruitment and supply chain; and
- whether there are scale benefits from accessing a contractor's broader equipment fleet base, as well as equipment and consumable supply contracts.

Certain differences between IFRS and U.S. GAAP

The discussion below also identifies certain accounting policies under Australian Accounting Standards (and IFRS) that differ in material respects from U.S. GAAP and is not an exhaustive list.

Consolidation

As permitted under Australian Accounting Standards (and IFRS), Barmingo previously recognized its proportionate interests in the assets, liabilities, revenues and expenses of jointly controlled entities (such as AUMS) within each applicable line item of the consolidated financial statements.

Under U.S. GAAP, such proportional consolidation is not permitted except in certain industries. Instead, jointly controlled entities are accounted for under the equity method.

Commencing fiscal 2014, in accordance with a change in Australian Accounting Standards (and IFRS), Barmingo changed its accounting for jointly controlled entities from the proportional consolidation method to the equity method. Instead of including revenue and expenses of jointly controlled entities in our consolidated income statement, those items are now combined in a line item for share of net profit of associates accounted for using the equity method. Similarly, Barmingo's investment in jointly controlled entities is now shown under the equity method as a one line non-current investment on the balance sheet rather than proportionally consolidating balance sheet items.

Impairment

Under IFRS, a company determines the recoverable amount of long-lived assets based upon the higher of its fair value less costs to sell and its value in use, the latter of which is generally determined on a discounted cash flow basis when assessing impairment. The discount rate is an after-tax risk-adjusted market rate, which is applied both to assess recoverability and to calculate the amount of any impairment charge.

Under U.S. GAAP, long-lived assets are first tested for recoverability for impairment using undiscounted cash flows. Only if the long-lived asset's carrying amount exceeds the sum of undiscounted future cash flows is the asset considered impaired and written down to its fair value. Accordingly, a difference between IFRS and U.S. GAAP may arise where the recoverability test under U.S. GAAP does not result in an impairment although an impairment charge is recorded for IFRS. The difference may result in lower impairment charges against income and higher asset carrying amounts for U.S. GAAP; for amortizing assets the difference in asset carrying amounts is subsequently reduced through higher depreciation charges against income.

Under IFRS, impairment losses (except for goodwill) may be reversed in subsequent periods if the recoverable amount increases. Under U.S. GAAP, impairment reversals are not allowed, as the impairment loss results in a new cost basis for the asset.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of revenues, assets, liabilities and expenses. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other factors and assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 3 of the 2015 Financial Statements. Some of the significant accounting policies are also "critical accounting estimates and judgments," which refers to accounting policies that involve significant estimates based on judgments or uncertainties affecting the reported amounts of assets and liabilities, revenues or expenses.

Impact of changes in accounting standards

The terms of the Indenture require that we apply the International financial reporting standards “IFRS” as issued by the International Accounting Standards Board and as adopted by the Australian Accounting Standards Board as in effect on July 1, 2013.

The International Financial Reporting Standard IAS 13 Fair Value Measurement became mandatory for application in Australia for annual reporting periods beginning on or after July 1, 2013. The introduction of this standard has implications for hedge accounting under IAS 39, as it is now necessary to consider the counter party credit risk and own credit risk in fair valuing the hedge instrument.

The Cross Currency Interest Rate Swaps (CCIR Swaps) have been designated as a cash flow hedge for hedge accounting, with the exchange fluctuations of the USD Senior Notes being the hedge item in the hedge relationship. For Barmenco, until now, the hedge relationship has been considered perfect when tested prospectively and retrospectively.

With the introduction of the IAS 13 standard it is now necessary to consider and calculate the fair value of the CCIR Swaps with credit risk. This means that the credit risk in the swaps when tested for prospective and retrospective effectiveness are no longer perfectly hedged and can give rise to ineffectiveness of the hedge relationship.

As the IFRS applicable standards for the Senior Notes reporting were frozen at June 30, 2013, the impact of this change of accounting standard will affect the audited Annual Financial Report for June 30, 2015 prepared in compliance with IFRS and lodged with ASIC, however for reporting to holders of the Senior Notes the effects of IAS 13 are reversed.

The impact of the changes in the standard as reported in the Annual Financial report for the period ended June 30, 2015 are noted in the table below:

(A\$ in thousands)	Current IFRS - as reported in Consolidated Financial Statements	Impact of IAS 13 – Fair Value Measurement	Balance which would have been reported under IFRS at July 1, 2013
Impact of IAS 13 – Fair Value Measurement			
Derivative financial instruments	10,545	793	11,337
Hedge reserve	(10,342)	(793)	(11,135)

Results of operations for Barmenco (excluding AUMS)

The following is a description of our revenue and operating expenses.

Overview of revenue

Barmenco earns revenue from performing underground contract development and production mining, underground diamond drilling and surface crushing and screening services for owners of mining, exploration and development projects.

Under most mining contracts, the owner contracts Barmenco to develop, mine and produce ore from underground mines in accordance with a work schedule. Barmenco earns revenue through a schedule of rates that often includes a fixed component, which applies primarily to the provision of equipment, overheads and a fixed labor component. The remaining revenue is earned through a variable component, primarily based on the quantity of development meters and/or ore tonnes produced. Under drilling contracts, the variable component generally relates to meters drilled whereas, under crushing contracts, the variable component generally relates to tonnes crushed.

The fixed component of revenue is recognized monthly based on the schedule of rates applicable to each contract, while the variable component of revenue is generally recognized at the time Barmenco performs the work to which it relates, for example, on development meters surveyed or tonnes of ore delivered to the mine head. Customers are typically billed monthly on 30 day terms.

Although contract terms can vary, most of our contracts have terms of two or three years from inception, often with extension options exercisable at the discretion of the customer. However, most contracts entitle the customer to terminate the contract on short notice and without penalty, but with the customer paying for all work completed to date, unused materials and in most cases costs associated with demobilization from site. During the global financial crisis, base metal prices fell sharply, and a number of projects that Barmenco was contracted to operate were shut down by the owners. As a consequence, the owners terminated Barmenco’s contracts for these projects, generally with 30 days notice.

Our contracts typically contain rise-and-fall provisions under which the prices we charge are periodically increased or decreased to reflect changes in factors such as fuel prices or consumer price index. Typically, rise-and-fall adjustments are done quarterly.

Overview of expenses

The majority of our expenses are the direct costs of performing contract mining, drilling and crushing services.

Consumables are the materials consumed in performing services, including drill consumables, explosives and fuel.

Employee benefits expense is the cost of the compensation paid to employees, most of whom perform contract work for our customers. Compensation for most employees consists of a base rate and incentive rates based on production measures such as tonnes hauled, linear meters advanced, ground support installed and other factors. As these measures are similar to the measures through which we generate revenue, the incentive component of employee benefits expense substantially correlates with revenue.

Contractor and consultant expenses consist of payments to third party contractors and consultants such as electrical contractors, mechanical contractors and other consultants (safety, training, accounting, tax, IT).

As we operate a large fleet of capital equipment, depreciation is a significant component of expenses.

At the time of the Gresham's acquisition of Barmingo in 2007, the fair value of the then-existing customer contracts and customer relationships were recorded as intangible assets. These assets have been amortized over their useful lives. If events or changes in circumstances indicate that the book value exceeds the recoverable amount, Barmingo recognizes an impairment charge equal to the difference.

Other expenses include freight, rent, insurance, airfares, accommodation and equipment leases.

Selected financial data for Barmingo (excluding AUMS)

The following is selected financial data for Barmingo (excluding AUMS) for the periods indicated.

(A\$ in millions)	Year ended June 30,		
	2013	2014	2015
Revenue	675.1	537.9	492.9
Other income	2.7	1.7	1.2
Consumables used	(181.6)	(168.5)	(152.5)
Employee benefits expense	(280.2)	(232.7)	(207.2)
Contractor and consultant expenses	(28.6)	(14.8)	(20.0)
Depreciation of property, plant & equipment	(56.0)	(58.4)	(52.3)
Amortization and impairment of intangible assets	(2.6)	(1.0)	(1.0)
Other expenses	(62.2)	(17.1)	(19.3)
Earnings before interest and income tax	66.6	47.1	41.8
Capitalized financing costs	(34.0)	(38.8)	(44.3)
Other financing costs, net	(47.0)	(68.0)	(64.4)
Income tax (expense) / benefit	(3.0)	(0.7)	(0.4)
Profit (loss) for the period	(17.4)	(60.4)	(67.3)

Fiscal 2015 compared with fiscal 2014

Revenue

Revenue decreased A\$45.0 million (or 8.4%) from A\$537.9 million in fiscal 2014 to A\$492.9 million in fiscal 2015.

This decrease in revenue was primarily driven by the completion of several contracts, only in part being offset by two new projects that began during the second half of the financial year.

Operating expenses

Operating expenses decreased A\$34.1 million (or 7.9%) from A\$433.1 million in fiscal 2014 to A\$399.0 million in fiscal 2015 reflecting the decreased number of contracts and management's focus on cost management across the business, with the largest benefit being seen in mining operations.

Consumables used. Consumables used decreased A\$16.0 million (or 9.5%) from A\$168.5 million in fiscal 2014 to A\$152.5 million in fiscal 2015, reflecting the decreased number of contracts and efficiency gains at existing projects.

Employee benefits expense. Employee benefits expense decreased A\$25.5 million (or 11.0%) from A\$232.7 million in fiscal 2014 to A\$207.2 million in fiscal 2015, predominately due to a decreased headcount required to service the lower overall activity.

Contractor and consultant expenses. Contractor and consultant expenses increased A\$5.2 million (or 35.1%) from A\$14.8 million in fiscal 2014 to A\$20.0 million in fiscal 2015, predominately due to the use of external contractors to undertake the box cut at Nova.

Other expenses. Other expenses increased A\$2.2 million (or 12.9%) from A\$17.1 million in fiscal 2014 to A\$19.3 million in fiscal 2015 due to the a reduction in the recovery of workshop overheads.

EBITDA

EBITDA decreased A\$11.4 million (or 10.7%) from A\$106.5 million in fiscal 2014 to A\$95.1 million (after redundancy costs of A\$1.7 million) in fiscal 2015 while the EBITDA margin decreased from 19.8% in fiscal 2014 to 19.3% in fiscal 2015 due to the ramp up of the Nova and Rosebery projects.

Depreciation of property, plant and equipment

Depreciation and impairment decreased A\$6.1 million (or 10.4%) from A\$58.4 million in fiscal 2014 to A\$52.3 million in fiscal 2015. The decrease primarily reflects the reduced number of operational contracts throughout the fiscal year.

Amortization and impairment of intangible assets

Amortization and impairment of intangible assets was A\$1.0 million in fiscal 2014, and A\$1.0 million in fiscal 2015. At June 30, 2015, the remaining book value of customer contracts and relationships and goodwill was A\$259.2 million.

EBIT

EBIT decreased from A\$47.1 million in fiscal 2014 to A\$41.8 million in fiscal 2015 principally due to reduced EBITDA as a result of the decreased number of contracts in the portfolio.

Capitalized financing costs

Dividends on the Redeemable Preference Shares and interest on the Shareholder Loan Notes accrue at 14% per annum and are capitalized. Capitalized dividends and interest increased A\$5.5 million from A\$38.8 million in fiscal 2014 to A\$44.3 million in fiscal 2015 due to the compounding interest on the loan notes and redeemable preference shares.

Other financing costs, net

Other financing costs, net decreased A\$3.6 million (or 5.3%) from A\$68.0 million in fiscal 2014 to A\$64.4 million in the fiscal 2015, due to the decreased borrowing costs associated with the Senior Notes and Revolving Credit Facility due to the repurchase of approximately US\$99.0 million of bonds during the year.

Income tax

Income tax expense decreased from A\$0.7 million in fiscal 2014 to A\$0.4 million in fiscal 2015. All of the income tax expense related to our profitable, but comparatively small, Egyptian operations.

Profit (loss) for the period

As a result of the above, Barminco made a loss after tax of A\$67.3 million in fiscal 2015 compared to a loss after tax of A\$60.4 million in fiscal 2014. The increase in the loss was principally due to the reduction in the number of contracts from fiscal 2014, and the increased borrowing costs associated with the Redeemable Preference Shares and Shareholder Loan Notes.

The loss after tax of A\$67.3 million includes A\$44.3 million of capitalized interest in relation to the redeemable preference shares and shareholder loan notes. This interest is in relation to shareholder contributions and is a non-cash cost. If the interest on the redeemable preference shares and shareholder loans notes were excluded, Barminco's net loss after tax would be A\$23.0 million.

Fiscal 2014 compared with fiscal 2013

Revenue

Revenue decreased A\$137.2 million (or 20.3%) from A\$675.1 million in fiscal 2013 to A\$537.9 million in fiscal 2014.

This decrease in revenue was primarily driven by the completion of several contracts, and reduced activity in the crushing and diamond drilling divisions.

Operating expenses

Operating expenses decreased A\$119.5 million (or 21.6%) from A\$552.6 million in fiscal 2013 to A\$433.1 million in fiscal 2014 reflecting the decreased number of contracts and management's focus on cost management across the business, with the largest benefit being seen in mining operations.

Consumables used. Our consumables used decreased A\$13.1 million (or 7.2%) from A\$181.6 million in fiscal 2013 to A\$168.5 million in fiscal 2014, reflecting the decreased number of contracts and efficiency gains at existing projects.

Employee benefits expense. Employee benefits expense decreased A\$47.5 million (or 17.0%) from A\$280.2 million in fiscal 2013 to A\$232.7 million in fiscal 2014, predominately due to a decreased headcount required to service the lower overall activity.

Contractor and consultant expenses. Contractor and consultant expenses decreased A\$13.8 million (or 48.3%) from A\$28.6 million in fiscal 2013 to A\$14.8 million in fiscal 2014, predominately due to the change in the scope of work at the Flying Fox mine and contracts being replaced by permanent employees at certain other mines.

Other expenses. Other expenses decreased A\$45.1 million (or 72.5%) from A\$62.2 million in fiscal 2013 to A\$17.1 million in fiscal 2014 due to the decreased number of contracts and management's focus on cost management across the business.

EBITDA

EBITDA decreased A\$18.7 million (or 14.9%) from A\$125.2 million in fiscal 2013 to A\$106.5 million (after redundancy costs of A\$5.3 million) in fiscal 2014 while the EBITDA margin increased from 18.6% in fiscal 2013 to 19.8% in fiscal 2014.

The higher EBITDA margin reflects the continued focus on cost reduction programmes across the business.

Depreciation of property, plant and equipment

Depreciation and impairment increased A\$2.4 million (or 4.3%) from A\$56.0 million in fiscal 2013 to A\$58.4 million in fiscal 2014. The increase primarily reflects the higher opening depreciable base of plant and equipment at the commencement of the year due to a number of equipment operating leases which were paid out or converted to finance leases, giving rise to an increase in the value of capitalized plant and equipment at June 30, 2013.

Amortization and impairment of intangible assets

Amortization and impairment of intangible assets decreased from A\$2.6 million in fiscal 2013 to A\$1.0 million in fiscal 2014. This decrease was principally due to a lower book value of customer contracts and relationships at the beginning of the more recent period. At June 30, 2014, the remaining book value of customer contracts and relationships was A\$3.3 million.

EBIT

EBIT decreased from A\$66.6 million in fiscal 2013 to A\$47.1 million in fiscal 2014 principally due to reduced EBITDA as a result of the decreased number of contracts in the portfolio, as well as higher depreciation and amortization.

Capitalized financing costs

Dividends on the Redeemable Preference Shares and interest on the Shareholder Loan Notes accrue at 14% per annum and are capitalized. Capitalized dividends and interest increased A\$4.8 million from A\$34.0 million in fiscal 2013 to A\$38.8 million in fiscal 2014 due to the compounding interest on the loan notes and redeemable preference shares.

Other financing costs, net

Other financing costs, net increased A\$21.0 million (or 44.7%) from A\$47.0 million in fiscal 2013 to A\$68.0 million in the fiscal 2014, due to the increased borrowing costs associated with the Senior Notes and Revolving Credit Facility.

Income tax

Income tax expense decreased from A\$3.0 million in fiscal 2013 to A\$0.7 million in fiscal 2014. All of the income tax expense related to our profitable, but comparatively small, Egyptian operations.

Profit (loss) for the period

As a result of the above, Barminco made a loss after tax of A\$60.4 million in fiscal 2014 compared to a loss after tax of A\$17.4 million in fiscal 2013. The increase in the loss was principally due to the reduction in the number of contracts from fiscal 2013, and the increased borrowing costs associated with the Senior Notes and Revolving Credit Facility.

The loss after tax of A\$60.4 million includes A\$38.8 million of capitalized interest in relation to the redeemable preference shares and shareholder loan notes. This interest is in relation to shareholder contributions and is a non-cash cost. If the interest on the redeemable preference shares and shareholder loans notes were excluded, Barminco's net loss after tax would be A\$21.6 million.

Liquidity, capital expenditures and capital resources

Historically, Barmingo's cash requirements have been funded through cash flow from operations and borrowings under credit facilities.

Liquidity

We believe that our sources of funds will provide sufficient liquidity for us to meet our working capital, capital expenditures and other cash requirements for the foreseeable future.

The Parent Guarantor has never paid any cash dividends to its shareholders.

While we prepared for an initial public offering in Australia during fiscal 2011, we decided not to launch that offering due to market conditions. If market conditions allow, we will consider an initial public offering in Australia in the future.

Cash flows

Set forth below is a summary of cash flow of Barmingo (excluding AUMS) for the periods indicated:

(A\$ in millions)	Year ended June 30,		
	2013	2014	2015
Net cash inflow from operating activities	76.2	50.3	35.7
Net cash outflows from investing activities	(39.0)	(33.6)	(13.8)
Net cash outflows from financing activities	(2.3)	(27.5)	(12.8)
Net increase/(decrease) in cash and cash equivalents	34.9	(10.8)	9.0

Fiscal 2015 compared with fiscal 2014

Net cash inflow from operating activities decreased A\$14.6 million (or 29.0%) from A\$50.3 million in fiscal 2014 to A\$35.7 million in fiscal 2015. The decrease was principally due to a A\$87.3 million decrease in receipts from customers, offset by a A\$67.0 million decrease in payments to suppliers and employees and a A\$6.2 million decrease in interest paid.

Net cash outflow from investing activities decreased A\$19.8 million (or 58.9%) from A\$33.6 million in fiscal 2014 to A\$13.8 million in fiscal 2015. This decrease was principally due to the receipt of a A\$17.7 million dividend received from AUMS in June 2015.

Net cash outflow from financing activities was A\$12.8 million in fiscal 2015, a decrease of A\$14.7 million from an outflow of A\$27.5 million in fiscal 2014. This decrease is primarily due to a A\$16.7 million reduction in finance lease payments during the period.

Fiscal 2014 compared with fiscal 2013

Net cash inflow from operating activities decreased A\$25.9 million (or 34.0%) from A\$76.2 million in fiscal 2013 to A\$50.3 million in fiscal 2014. The decrease was principally due to a A\$129.2 million decrease in receipts from customers and a A\$38.8 million increase in interest paid, offset by a A\$140.3 million decrease in payments to suppliers and employees.

Net cash outflow from investing activities decreased A\$5.4 million (or 13.8%) from A\$39.0 million in fiscal 2013 to A\$33.6 million in fiscal 2014. This decrease was principally due to a A\$12.9 million decrease in purchases of equipment in fiscal 2014, offset by a decrease of A\$7.4 million in proceeds from the sale of equipment.

Net cash outflow from financing activities was A\$27.5 million in fiscal 2014, an increase of A\$25.2 million from an outflow of A\$2.3 million in fiscal 2013. This increase is primarily due to the proceeds from the US\$485 million offering of Notes offset by a repayment of existing facilities in fiscal 2013.

Capital expenditures

Most of our capital expenditures relate to new equipment purchases for use in mine development and production services as well as diamond drilling and crushing and screening services.

Our capital expenditures can fluctuate significantly depending on the business cycle and the status of existing and new projects. During periods of slow or no growth, capital expenditures typically decline to approximately 10% of total revenue, predominantly spent on major equipment rebuilds and replacement capital expenditures. As a result, we typically generate stronger cash flow from operations during such periods.

In contrast, during periods of high or rapid growth in revenue, our capital demands increase, driven by the number of new projects commenced that require new equipment to be purchased. Although the capital demands of different projects vary, growth and expansionary capital expenditure can reach up to 30% of the annualized revenue for the new project if all new equipment is purchased.

Our capital expenditures were A\$48.8 million in fiscal 2015, A\$53.0 million in fiscal 2014, A\$73.5 million in fiscal 2013, A\$50.4 million in fiscal 2012 and A\$97.0 million in fiscal 2011.

Historically, capital expenditures have been funded by a combination of operating cash flow, debt and finance leases.

Indebtedness

In May 2013, we issued an aggregate amount of US\$485 million 9.00% Senior Notes due to mature June 1, 2018.

As of June 30, 2015, we had debt of A\$500.6 million, excluding Redeemable Preference Shares and Shareholder Loan Notes (1).

The debt is based on prevailing exchange rates however US\$386.0 million of this debt has been fully hedged using a cross currency interest rate swap, with principle and interest payments fixed in Australian Dollars at an effective exchange rate fixed at 0.7915 resulting in an Australian dollar equivalent value of A\$487.8 million. The swap is being accounted for as a cash flow hedge and is 100% effective in eliminating currency risk with respect to the senior notes.

As a result of a strengthening US dollar and consequent increase in the fair value of the swap asset, management took the opportunity to extract value from the swap and repurchase US\$99.0 million of issued US dollar bonds.

The swaps were reset several times during the year and remain fixed interest to fixed interest United States Dollar/Australian Dollar swaps under which the Group receives a United States Dollar fixed interest payment and pays an Australian Dollar interest payment, with interest settled on 1 June and 1 December each year respectively until maturity. On maturity the Group will receive US\$386.0 million and pay A\$487.8 million in final settlement of the swaps.

The Group will benefit from a lower fixed interest rate paid into the swap, with an average annual saving of A\$6.3 million.

The reset swaps have been re-designated for cash flow hedge accounting against the remaining high yield bonds and remain a highly effective hedge of exchange exposure.

During July 2015 the Group repurchased a subsequent 25 million of high yield bonds with a face value of US\$25 million.

Credit Facility

In May 2013, we entered into a 3-year A\$100 million revolving credit facility. In August 2014, following a review of future liquidity requirements, the company requested a reduction in the level of the facility to A\$50 million effective September 3, 2014.

As at June 30, 2015 A\$0.3 million of the facility was utilized for the purposes of guarantees.

Lease liabilities

We lease various plant and equipment that had a lease liability value at June 30, 2015 of A\$5.7 million under finance leases expiring within one to five years.

AUMS secured loans

AUMS has loans from banks and other lenders that are secured by substantially all its assets. None of the loans have recourse to Barmenco.

Adjusted contractual obligations and other commitments

The following table summarizes significant contractual obligations and commitments as of June 30, 2015.

(A\$ in millions)	Year ended June 30,			
	2016	2017-2018	2019-2020	after 2020
Operating leases	2.2	4.5	4.9	8.6
Finance leases	3.3	2.3	0.1	-
Capital commitments	29.6	-	-	-
9.00% Senior Notes due 2018 ⁽¹⁾	-	-	487.8	-
Redeemable preference shares	-	-	550.6	-
Shareholder loan notes	-	-	26.9	-
Total	35.1	6.8	1,070.3	8.6

(1) The disclosed value represents the principal amount only and excludes interest.

Other than the operating leases (which are primarily in relation to the rental of property) as set out above, Barmenco does not have any material off balance sheet arrangements.

Management

Directors and senior management

The following table lists the names and positions of directors and executive officers of the Parent Guarantor as of the date of this annual report. The directors have served in their respective capacities since their election or appointment and will serve until a successor is duly elected.

Name	Position
John (Jock) Muir ⁽¹⁾	Chairman
Peter Stokes	Chief Executive Officer
Peter Bryant	Chief Financial Officer
Victor Rajasooriar	Chief Operating Officer
Peter Bartlett ⁽¹⁾	Director
Jon Young	Alternate Director
Bruno Camarri AM	Director (Resigned 31 August 2015)
Peter Hatfull ⁽¹⁾	Director (Resigned 31 August 2015)
Barry Lavin	Director
Roger Casey	Director
Charles Graham	Alternate Director
Louis Mostert	General Counsel and Company Secretary
Bisica Gavranich	Executive Human Resources
Matthew Lloyd	Executive General Manager Health, Safety, Environment and Training

(1) This person is also a director of Barmenco Finance Pty Limited.

Set forth below is a description of the business experience each of the persons named in the table above.

John (Jock) Muir has been a Director and the Chairman of the Parent Guarantor since July 2011. Mr. Muir is Chairman of the Tenders and Capex Committee and a member of each the Audit and Risk, Safety and Sustainability and the Remuneration and Nominations Committees. From February 2012 until January 2013 Mr. Muir was acting Chief Executive Officer of Barmenco. Mr. Muir has over 30 years' experience in global mining and mining services companies working in senior management positions in firms with operations in Australia and internationally. Mr. Muir held the position of Non-Executive Director of Dyno Nobel Ltd prior to its merger with Incitec Pivot in 2008. In his 15 year career with Dyno Nobel from 1991 to 2005, Mr. Muir also held the positions of Managing Director of the Asia Pacific Region, Senior Vice President for Global Initiation Systems (based in the USA) and Senior Vice President for Global Marketing and Business Development. Mr. Muir is also a director of AUMS Ghana, AUMS Mali and AUMS BF.

Peter Stokes has been Chief Executive Officer of Barmenco since February 2013. Mr. Stokes has over 20 years of experience in the resources and mining service-related industries across a number of disciplines, including operations, marketing and geology. From 2006 to 2012, Mr. Stokes held a number of senior positions, including Chief Operating Officer and President Resources and Industrial for Asia Pacific, with Linfox Pty Ltd, an Australian logistics company. Prior to those roles, Mr. Stokes worked in the resources division at global management consultant company Accenture for more than 10 years, including four years as a Partner. Mr. Stokes is also a Director of AUMS Ghana, AUMS Mali and AUMS BF.

Peter Bryant has been Chief Financial Officer of Barmenco since April 2013. Prior to joining Barmenco, Mr. Bryant was Company Secretary of Seven West Media Limited (formerly known as West Australian Newspaper Group) and Chief Financial Officer of their operations in Western Australia from 2008. Mr. Bryant's work experience also includes eight years as the Chief Financial Officer and Company Secretary of the GRD Group, whose business interests included GRD Minproc, GRD Kirfield and Global Renewables Limited. He also previously worked in several financial and management roles with both public and private companies. Before that, Mr. Bryant worked as an auditor at Ernst & Young in Australia, the United Kingdom and the United States.

Victor Rajasooriar has been Chief Operating Officer of Barmenco since March 2014. Mr. Rajasooriar has almost 20 years' experience in the mining sector. He was most recently managing director of formerly ASX-listed company, Breakaway Resources until completion of the company's recommended takeover by Minotaur Exploration Ltd. He previously held operational management positions for mine owners such as Bass Metals, Gold Fields, Grange Resources and Newmont. He has extensive experience in hard rock underground mining in Australia and North America, and also has experience in contracting roles.

Peter Bartlett is the founder of Barmenco and was the Managing Director of Barmenco Limited from June 2004 to August 2007. Mr. Bartlett founded Barmenco in 1989 and has served as a Director since then. Mr. Bartlett is a member of the Tenders and Capex Committee. Mr. Bartlett has over 37 years in underground hard-rock mining experience, having joined Western Mining Company Limited as a graduate mining engineer in 1974, where he was promoted to resident manager at its Windara Nickel operations in 1978, before moving to its Leinster Nickel operation in 1980.

Jon Young has been an Alternate Director (as permitted under the Australian Corporations Act) for Mr. Bartlett since September 2008. As an Alternate Director, Mr. Young attends board meetings on behalf of Mr. Bartlett when Mr. Bartlett is unable to do so and has the same powers to attend, speak and vote at meetings as Mr. Bartlett does when acting on his behalf. Previously, Mr. Young was the Chairman and Director of Barmenco Ltd from June 2004 to August 2007 and since 1996, Mr. Young has been Chairman of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd). Mr. Young is also the Director of Private Clients with Patersons Securities Limited, a national stockbroking firm based in Perth, and a Director of Breakaway Resources Limited, a listed Australian exploration company.

Bruno Camarri AM has been a Director of the Parent Guarantor since July 2011. Mr. Camarri is Chairman of the Remuneration and Nominations Committee and a member of each the Audit and Risk and Tenders and Capex Committees. Mr. Camarri has worked 40 years as a corporate lawyer with a focus on the energy, natural resources, construction and technology industries. Mr. Camarri was a partner at the Australian law firm Freehills (now Herbert Smith Freehills) from 1973 to 2003 and is currently a senior consultant in its national energy and resources group. Mr. Camarri was Deputy Chairman of UGL Ltd from 1994 to 2010 (an engineering, property and management services provider). Mr. Camarri was also a Director from 2002 to 2009 and the Chairman until April 2013, of LinQ Capital Ltd, the responsible entity (trustee) for the LinQ Resources Fund. From 2005 to 2011 Mr. Camarri was the Chairman of Curcas Energy Limited. Mr. Camarri is currently the Local Resident Director or Local Agent for the Australian subsidiaries of Besix SA (a Belgian construction group), Havila Offshore AS (a Norwegian shipping service provider for offshore oil and gas companies), HeeremaMarine Contractors Nederland B.V. (a Dutch marine contractor in the offshore oil and gas industry), Hunt Oil, Nucor and Tecnomara SPA (an Italian design and engineering services provider to oil and gas companies).

Peter Hatfull has been a Director of the Parent Guarantor since April 2008. Mr. Hatfull is Chairman of the Audit and Risk Committee and a member of the Safety and Sustainability Committee. Mr. Hatfull has over 30 years experience in a range of senior executive positions with Australian and international companies, particularly in the areas of business optimization, capital raising and company restructuring. Since 2010 Mr. Hatfull has been Managing Director of Algae.Tec Limited. From November 2005 to January 2008, Mr. Hatfull was Managing Director of CMA Corporation Limited, an Australian integrated metal recycling and contracting company.

Barry Lavin has been a Director of the Parent Guarantor since October 2011. Mr. Lavin is Chairman of the Safety and Sustainability Committee and a member of each the Tenders and Capex and Remuneration and Nominations Committees. Mr. Lavin has over 25 years of international mining experience, with specific experience in development and implementation business strategy. Mr. Lavin trained as a mining engineer and commenced his career in line management in underground gold mining. From September 1991 until June 2009, Mr. Lavin held senior positions within Rio Tinto, including positions as Managing Director of the Northparkes Joint Venture, Managing Director of Rio Tinto Technical Services and

General Manager of Business Development for Rio Tinto Iron Ore. Mr. Lavin was a director of Oz Minerals Limited from August 2011 until March 2013. Mr. Lavin currently serves as a director of privately-owned companies Teviot Resources Pty Ltd (an Australian diversified junior mining company) and Ferrum Americas Mining Inc. (a Canadian iron ore explorer).

Roger Casey has been a director of the Parent Guarantor since October 2013. Roger has been working in both the advisory and private equity businesses of Gresham and is currently Deputy Chairman of Gresham Private Equity having previously been Head of Corporate Finance of Gresham Partners. He is a chartered accountant with extensive investment banking experience and has worked with Turnbull & Partners and ABN Amro where he was Head of M&A.

Charles Graham has been an Alternate Director (as permitted under the Australian Corporations Act) for Roger Casey since October 2013. Charles is the Managing Director of Gresham Partners. Prior to joining Gresham, Charles was a Managing Director at Goldman Sachs in New York and has previously worked for Rio Tinto (Comalco) in engineering roles covering operations and development. Charles is also a director of various Gresham companies, Musica Viva Australia and HCA Philanthropy in addition to being a director of the Foundation for National Parks and Wildlife.

Louis Mostert has been General Counsel and Company Secretary at Barmenco since March 2014. Mr Mostert joined Barmenco with over 12 years' experience as a General Counsel and Company Secretary after working with multi-national, listed construction and engineering group, GRD Limited (acquired by AMEC). He is highly skilled in developing and implementing risk management strategies, contract drafting and negotiation, managing mergers and acquisitions and advising on property law, employment law, insurance matters, trade practices and regulatory compliance.

Bisica Gavranich has been Executive General Manager, Human Resources at Barmenco since September 2013. Ms Gavranich is an experienced human resources professional with a significant track record in the development and implementation of broad based human resources initiatives and Workplace Relations solutions and leading large teams of human resources professionals. Previous to Barmenco, Bisica led the human resources team at Western Power where, with the support of her team, she successfully exceeded management's expectations, resulting in significant cultural and financial gains. Her key strengths are in strategic thinking, industrial relations, executing strategy, and navigating complexity.

Matthew Lloyd has been Executive General Manager of Health, Safety, Environment & Training at Barmenco since July 2014. Mr Lloyd has 25 years' experience in construction, mining and engineering industries. He has worked as an executive manager in both safety and health and broader general management roles within international organisations. His roles have given him detailed experience in all facets of commercial, mining and civil infrastructure projects. Mr Lloyd has significant experience in managing organisational change and led many cultural alignment programs. He has led and developed teams of direct and indirect reports across several functions in raising the performance capability of organisations.

Board of Directors

Pursuant to the Constitution of the Parent Guarantor, the Board must comprise at least one director. The Constitution allows for the removal of a Director by ordinary resolution at a general meeting.

The Board is currently comprised of seven directors. The Directors may appoint one or more Directors to the office of Managing Director or as an Executive Director or to any other office (except as auditor) or any position of employment with Barmenco for the period and on the terms they think fit. The Chief Executive Officer ("CEO") can also be appointed as the Chairman during his term as CEO. The Directors are appointed to the Board for a term as may be determined by contract. The tenure of all directors is subject to earlier removal by ordinary resolution.

The Board may exercise all of the powers that our Constitution and the Australian Corporations Act allow. The Board endorses the ASX Corporate Governance Principles and Recommendations, and has adopted corporate governance charters, policies and codes reflecting those recommendations. The Board has established the following additional committees to assist it in carrying out its responsibilities, which act by examining various issues and making recommendations to the Board:

Audit and risk committee

The Audit and Risk Committee assists the Board in meeting its oversight responsibilities in the areas of financial reporting, treasury, external audit, internal control, compliance and risk management. The Audit and Risk Committee may also undertake ad-hoc financial and governance related assignments if delegated by the Board.

The Audit and Risk Committee reviews, amongst other things, our compliance with accounting standards and financial reporting standards and monitors the effectiveness and adequacy of our accounting and internal control processes. The Audit and Risk Committee reviews the performance and independence of our external auditors and ensures that there are no material unresolved issues between the Board and the external auditors.

The Audit and Risk Committee also reviews Board representations in support of statutory financial statements, with particular reference to any areas of qualification, and makes recommendations to the Board to support directors' statutory resolutions surrounding interim and full year financial statements.

Risk management policies

Barmenco recognizes that the mining environment is inherently uncertain and that best practice in risk management is not only integral to achieving company objectives, but to ensuring that a safe and ethical culture is entrenched. Barmenco aims to measure, mitigate or control business risks wherever possible and accordingly, Barmenco operates pursuant to its Risk Management Policies. The Audit and Risk Committee also undertakes responsibilities related to risk management. The Audit and Risk Committee assists the Board in fulfilling its responsibilities in relation to the oversight of risk management by:

- ensuring an appropriate risk management culture is present in the organization,
- overseeing the processes for identifying and documenting areas of major risk,
- reviewing management's assessment of likelihood versus consequence with respect to major risk events,
- assessing risk mitigation strategies and the assignment of major risk accountabilities,
- ensuring that agreed major risk mitigation strategies are effectively implemented, ensuring an adequate process framework exists to gain assurance that functional or line management responsibility exists for addressing non-major risks, and
- ensuring insurance coverage is in place and that cover terms are appropriate having regard to the likelihood and consequence of insurable events.

Remuneration and nomination committee

The Remuneration and Nomination Committee was established to make recommendations to the Board on:

- fulfilling the Board's responsibilities to shareholders and employees of the Parent Guarantor to ensure that:
 - (i) the directors and senior executives of the Parent Guarantor are remunerated fairly and appropriately;
 - (ii) the remuneration policies and outcomes of the Parent Guarantor strike an appropriate balance between the interests of the Parent Guarantor's shareholders, and rewarding and motivating the executives and employees in order to secure the long term benefits of their energy and loyalty; and
 - (iii) the human resources policies and practices are consistent with and complementary to the strategic direction and objectives of the Parent Guarantor as determined by the Board;
- the composition of the Board and its Committees and the necessary and desirable competencies of Board members;
- a process for the evaluation of the performance of the Board, its committees and individual executive and non-executive directors;
- proper and effective succession plans; and
- the Parent Guarantor's superannuation (*i.e.*, retirement) arrangements.

In making its annual assessment of the nature and amount of remuneration for non-executive Directors and senior executives, the Remuneration and Nomination Committee considers relevant employment market conditions.

This process includes referring to relevant comparative market data.

Safety and sustainability committee

The Safety and Sustainability Committee is responsible for the assessment of the Group's overall performance in relation to workplace health and safety, the environment and the wider community and the development of sustainable business and industrial practices.

Tenders and capex committee

The Tenders and Capex Committee is responsible for considering and evaluating requests for capital expenditure and to ensure that the Board has undertaken an appropriate process in assessing the costs and benefits of capital expenditure and has followed due process in inviting and evaluating tenders.

Employment agreements

Barmenco has entered into employment agreements with each of its executive officers that set out the salary and superannuation (retirement) benefits as well as basic terms and conditions of employment. Under the terms of the agreements, Barmenco or the employee may terminate the employment at any time upon giving between three and twelve months written notice. No amounts for termination of executives and key management personnel have been agreed or contracted.

Principal Shareholders

The Issuer is a wholly owned subsidiary of the Parent Guarantor. The following table sets forth persons who beneficially own more than 5% of the ordinary shares of the Parent Guarantor as of June 30, 2015.

Shareholder	Number of shares owned	% of class
Gresham Private Equity affiliated entities (1)	3,000,500	60.1%
Wesfarmers Limited (2)	532,585	10.7%
MF Custodians Ltd (3)	532,585	10.7%
Bremerton Pty Ltd (4)	1,499,500	30.0%
Barholdco (EIS) Pty Ltd (5)	439,825	8.8%

(1) The entities affiliated with Gresham Private Equity are:

- Gresham Partners Capital Ltd, which holds 1,264,482 ordinary shares or 25.3% of the class as custodian for certain wholesale investors; Gresham Nominees 1 Pty Limited which holds 565,882 ordinary shares or 11.3% of the class in its capacity as trustee of the Gresham Private Fund No.2a;
- Gresham Nominees 2 Pty Limited, which holds 565,882 ordinary shares or 11.3% of the class in its capacity as trustee of the Gresham Private Fund No.2b;
- Perpetual Corporate Trust Limited, which holds 454,229 ordinary shares or 9.1% of the class as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund); and
- Gresham Private Equity Limited, which holds 150,025 ordinary shares or 3.0% of the class in its capacity as custodian for the Gresham Private Fund No.2 Co-Investment Plan.

(2) Wesfarmers Limited, which is a diversified Australian company that owns and operates retail, industrial, resources and insurance businesses and is listed on the Australian Securities Exchange, beneficially owns 532,585 of the ordinary shares held by Gresham affiliated entities (or 10.7% of all outstanding ordinary shares). Wesfarmers also owns a 50% interest in Gresham Partners Group Limited, which is the ultimate holding company for the Gresham Partners operations.

(3) MF Custodians Ltd, an Australian trust, beneficially owns 532,585 of the ordinary shares held by Gresham affiliated entities (or 10.7% of all outstanding ordinary shares).

(4) Bremerton Pty Ltd holds these ordinary shares in its capacity as trustee of the PM Bartlett Family Trust. PM Bartlett Pty Ltd holds 99.9% of the ordinary shares in Bremerton Pty Ltd and Peter Bartlett, a Director of the Parent Guarantor, is one of two directors of Bremerton Pty Ltd.

(5) Barholdco (EIS) Pty Ltd holds ordinary shares in its capacity as trustee on behalf of certain employees.

Shareholders' deed

The Parent Guarantor entered into a shareholders' deed with its major investors in August 2007 (as amended in February 2008) (the "Shareholders' Deed") in connection with Gresham Private Equity Limited's acquisition of a majority stake in the Parent Guarantor.

The Shareholder's Deed contains customary provisions, including those related to confidentiality, financial reporting obligations and access to information, board and management control, matters subject to board approval and "drag and tag along" rights. The Shareholders' Deed requires the consent of Gresham Private Equity and affiliated entities (as described in the table above, the "Gresham Shareholders") to certain matters. These matters include the following:

- the appointment and removal of any directors;
- the selection of the chairperson;
- entering into any related party arrangements;
- the appointment or removal of the auditor of the Parent Guarantor or its subsidiaries;
- a transfer of equity securities;
- the creation of any encumbrance by a shareholder over its securities;
- the consequences of an event of default in accordance the Shareholders' Deed;
- the decision to direct a manager or senior executive to transfer his or her interests in shares under the provisions of the rules of Barmarco's executive incentive plan or management incentive plan (as the case may be); and
- a proposal to undertake an exit of investment.

The Shareholders' Deed also contains restrictions on the ability of a party to transfer securities issued by the Parent Guarantor. Generally, a shareholder must not transfer any of its securities in the Parent Guarantor except:

- to any person with the consent of the Gresham Shareholders;
- in the case of the Gresham Shareholders, to an affiliate of a Gresham Shareholder;
- in the case of Bremerton Pty Ltd, to one of its affiliates; and
- any permitted transfer under Barmarco's management or employee incentive arrangements from time to time.

Under the Shareholders' Deed, the Gresham Shareholders are entitled to appoint two or more directors. Peter Bartlett is entitled to appoint one director to the Board and additional directors, not to exceed 29.99% of the number of directors appointed. The shareholders may, acting by a majority, appoint a person as a director who will also be the Chairperson. Any additional directors must be appointed by a unanimous resolution of the Board.

Risk Factors

Any investment in the notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this annual report before deciding whether to purchase the notes. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary statement regarding forward-looking statements" in this annual report.

Risks relating to our business and industry

A decline in the consumption of, or demand for, minerals could result in a significant decrease in demand for our mining services and have a material adverse effect on our results of operations.

Demand for our mining services depends in significant part upon the level of development and production activities conducted by our clients, which are mining companies, particularly with respect to gold, copper, nickel, zinc and tin. For fiscal 2015, 53.6% of our mining services revenues (excluding AUMS) were generated from the provision of mining services to gold mining companies, 20.5% to nickel mining companies, 12.9% to tin mining companies and 11.1% to zinc mining companies. Our activity levels and results of operations are dependent on development and production levels at our clients' mines and it remaining economic to continue development and production at existing mines or to bring new mines into operation. Our growth is dependent on mine operators continuing to seek to expand development and production at existing mines or bring new mines into operation.

The production of, or demand for, minerals could decline as a result of many factors, including:

- ***The price of gold, copper, nickel, zinc and other metals in the world market.*** The price of gold is affected by numerous factors, including international economic trends, foreign exchange fluctuations, expectations for inflation, speculative activities, consumption patterns, purchases and sales of gold bullion holdings by central banks and others, world production levels and political events. Historically, world gold prices have fluctuated. A significant, sustained fall in the price of gold and a resulting decrease in the demand for our services could have a material adverse impact on us. In particular, an improving global economy may limit demand for gold as a safe haven. The price of copper is influenced by global economic growth, trends in industrial production and conditions in the housing, automotive and other industries. Nickel and copper prices have historically exhibited a degree of correlation. As a result, it is unlikely that the price of one of them will fall significantly without the other falling as well. The price of zinc is mainly affected by global demand and conditions in steel and copper-related industries. Should demand for gold, copper, nickel, zinc or tin weaken or consumption patterns change, the price of gold, copper, nickel, zinc or tin could be adversely affected, which could negatively affect demand for our services.
- ***A significant amount of mining output is sold to China and India.*** The overall state of the Chinese and Indian economies, including lending rates, fluctuations in inflation, interest rates and changes in fiscal policy, would have an impact on either country's demand for gold, copper, nickel and other metals, which in turn could have a significant impact on the overall demand for our services. Recently, Chinese and Indian economies have seen subdued growth as they face cyclical and structural pressures and their demand for gold, copper, nickel and other metals remains uncertain.
- ***A general economic downturn could cause a decline in the demand for some of our services.*** In late 2008, our clients cut back on their expenditures, including spending on some of the mining services we offer. The resulting decline in demand for our services caused our revenue to decrease significantly in late 2008 and 2009. While the demand for our services has significantly increased from 2009, another economic downturn could result in decreased demand for our services and have a material adverse effect on our revenue.

When commodity prices are high, mining activities increase as mine owners seek to expand development and production to take advantage of the high prices and bring new mines into operation. One consequence of a sustained period of historically high commodity prices is that mine owners develop projects that would not otherwise have been economic to develop or operate at lower prices. Historically when commodities prices have fallen below the cash costs of production, mining activity has tended to decline. Therefore, the risk we are exposed to for any particular project depends on where the mine is situated on the cost curve of production compared to the price of the underlying commodity.

Because of the mix of projects for which Barmenco is contracted to provide services, its revenues are exposed to the prices of gold, copper, nickel, tin and zinc. If the price of any of these commodities fell below the level at which any of the projects to which Barmenco is contracted is profitable, the owner may suspend or close the project, in which case Barmenco's services would likely be terminated. While there may be significant variation among projects as to the commodity price at which a project ceases to be profitable, in the event of a significant fall in the price of the relevant commodity, several projects may close around the same time, as occurred in fiscal year 2009, when, as a result of the global financial crisis, commodity prices sharply declined and Barmenco's contracts at five copper and nickel projects, representing 31% of Barmenco's revenue in fiscal 2008, were terminated.

We have no control over demand for minerals and related commodity prices and any of the factors mentioned above could have a material adverse effect on our business, results of operations and financial condition.

A significant economic downturn may also impair the ability of our clients to pay for the services we have provided and, thus, a portion of our receivables may become uncollectible. Consequently, our results of operations could fluctuate during an economic downturn.

Our margins and results of operations could be adversely affected if we misprice our contracts during tendering or negotiation.

Our mining services contracts are generally awarded following a competitive tender process where price is one of the most important factors that a customer will consider in evaluating tenders. Even for those projects that are not put out to tender, we still must negotiate the pricing of the contract with the customer. In determining the price and other terms on which we will submit a tender or otherwise propose to a potential customer, we undertake modeling of the contract pricing based on a series of assumptions that we make about a range of factors such as the type and amount of equipment to be deployed, length of contract, life of mine, location of mine, mine cost curve position, the utilization rates, reliability and maintenance costs of such equipment, mining consumables expenditure, the amount of labor required to support the project and labor productivity levels. If any of the assumptions that we made during our modeling subsequently turns out to be materially incorrect, then we could be locked into a long-term contract with unfavorable economics that could adversely affect our margins and results of operations. We may have no right to renegotiate the contract with the customer should the economics become unfavorable to us.

Our results of operations depend on new contract awards; however, the tender process and timing for performing these contracts are not within our control.

Our revenue is dependent on winning new contracts. We operate in highly competitive markets and it is difficult to predict whether and when we will be awarded new contracts due to multiple factors influencing how customers evaluate potential service providers, such as rates, qualifications, experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe, and cost-efficient manner. In addition, a project can be cancelled or delayed due to the lengthy and complex bidding and selection process, customer capital investment decisions, market conditions, available financing, government approvals, permitting, and environmental matters. Consequently, we are subject to the risk of losing new awards to competitors and the risk that a project may experience significant delay or cancellation which will adversely impact our business, results of operations and financial condition. Our results of operations and cash flows may fluctuate from quarter to quarter depending on the timing and size of new contract awards and delays or cancellations.

Our revenues are subject to underlying contracts with varying terms and substantially all of our customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue.

The term of our customer contracts typically range from two to three years, with an option to extend exercisable by the customer. If we do not perform our obligations under a contract in accordance with the terms of the contract or our customer's expectations, we are at risk that the contract will be terminated or not renewed. Any such performance issue could also adversely affect our reputation in the marketplace which could adversely impact our ability to secure new contracts.

Our customer contracts generally permit the customer to terminate the contract for convenience on short notice (ranging from 30 to 90 days) providing for the cost of demobilization but typically without compensation for lost revenue. There is a risk that our contracts may be cancelled or may not be renewed if our clients decide to reduce their levels of spending, potentially reducing our revenue. A customer may have no further need for our services due to the closing of a mine or because it is seeking an alternative mining service provider or bringing the service in-house. In the event of a contract termination, we may not be able to redeploy the equipment used at that mining site to other sites on the same terms or at all and we may experience downtime between demobilization and redeployment.

Furthermore, because of these rights, if clients wish to suspend or cease operations at a mine serviced by Barmenco, they are able to do so without compensating Barmenco for the lost revenue. As a result, if the price of a mined commodity falls below the price at which it is economic for the mine owner to continue mining, they may shut the operations down and we will lose the associated revenue.

Our growth could also cause us to operate in sectors or assist customers in markets where we would be expected to assume a greater level of contract risk, potentially via engaging with customers under different contract structures than those employed by us today. If we enter into such contracts, we could be adversely impacted due to unforeseen or underestimated contract costs.

While we believe that replacing a contractor such as Barminco in an unplanned manner would involve significant challenges and costs for a customer and, historically, few of Barminco's clients have exercised its termination rights unless the mining operation was being suspended or closed, there can be no assurance that clients will not exercise these rights in the future. In addition, there may be certain circumstances where we work on a mine while a contract is still being negotiated for renewal or extension and, in such circumstances, we would be subject to the risks of not having a formal contract in place governing the work we engage in for a customer.

The early termination of a contract by one or more of our clients could have a material adverse effect on our business, results of operations and financial condition.

We may face the risk of liability if we are unable to deliver on production targets set in our mining contracts.

The achievement of production targets depends on many factors, many of which are outside of our control. These factors include, but are not limited to: our ability to use the anticipated mining methods; the presence of pre-existing and/or defective drill holes; the accuracy of representations made by the mine-owner regarding the mine site; or the lack of ventilation and/or availability of power in the mine. If we are unable, due to factors beyond our control, to achieve the production targets set in our mining contracts, we could face the risk of liability for the damages suffered by the mine-owner, or other contracting party and our business, results of operations and financial position could be adversely and materially affected thereby.

A deterioration in our safety record would harm our relationships with clients, make it less likely for clients to contract for our services and subject us to penalties and fines, which could adversely affect our business, operating results and financial condition.

Mining operations involve many risks and dangers to the personnel involved, including the risk of personal injury and, in exceptional circumstances, loss of life associated with operating heavy machinery, environmental hazards, using explosives and operating underground. Some of our activities, in particular drill and blast services are by their nature amongst the higher risk activities undertaken at a mine site. It is possible that we may experience accidents in the future resulting in a deterioration of our safety record. This may be more likely as we continue to grow, if we experience high employee turnover or add employees of lower experience due to cyclical shortages of skilled labor.

Our ability to operate safely and to keep our employees safe is fundamental to our business in a number of respects, including:

- a contractor's safety record is a key criterion that mine owners use when evaluating tenders for contract mining;
- our reputation for safety is a key element of our ability to attract and retain employees;
- we hold a number of licenses that are necessary to conduct our operations, such as explosives storage licenses for sites and mobile explosive manufacturing licenses for emulsion charging units, that could be suspended or withdrawn if we fail to maintain safe operating practices;
- safety incidents may result in operations at the affected site being suspended while the incident is being investigated;
- safety violations may expose us to legal liability that is not covered by our insurance policies; and
- our safety record and the procedures we have in place influence our ability to obtain insurance and the cost of the premiums we are required to pay.

As a consequence, if we fail to maintain adequate operating procedures and policies, or if our managers and employees fail to adhere to those policies and procedures, or even if accidents occur that are beyond our control, we may:

- fail to win new contracts for mining services, fail to have existing contracts renewed or have existing contracts terminated;
- experience increased difficulty in attracting and retaining employees;
- have key operating licenses suspended, cancelled or subjected to additional conditions;
- lose revenue as a result of operations being suspended;
- incur substantial legal liabilities;
- experience increased insurance premiums, or even be unable to obtain insurance at commercially acceptable rates; and/or
- face increased competition if mine contractors compare our safety.

Any of these consequences could have a material adverse effect on our business, results of operations and financial condition.

A large part of our business is dependent upon obtaining work through a competitive bidding process. Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our equipment. Existing and potential customers consider the safety record of their mining services providers to be of high importance in their decision to award service contracts. Because the majority of our customers are major mining companies with high safety standards, a general deterioration in our safety record could have a material adverse impact on our business.

In addition, Australian state and territory Work Health and Safety Acts (“WHS Acts”) set out general duties of employers, employees and others regarding Work Health and Safety (“WHS”). Under the legislation, employers have a general duty of care with respect to the safety of employees, as well as a range of more specific duties and obligations. Each state and territory has a range of WHS Regulations that provide more specific detail of the requirements that must be followed for a range of WHS issues or hazards. Non-compliance with either the WHS Acts or any WHS Regulation can result in prosecution, a prohibition notice, an improvement notice or a provisional improvement notice and, in some states, on-the-spot fines. Prohibition notices could result in work having to cease at a site, or even across the entire business, until a deficiency is rectified. Willful non-compliance with mining or WHS legislation can result in criminal sanctions.

We face intense competition.

We face intense competition and may not compete as successfully in the future as we have in the past. There are a number of competitors, both stand-alone companies and divisions of larger groups, that currently provide similar services to Barmenco and which may have significant additional capital, financial and other resources. We may also face competition from new competitors entering the market or existing competitors, such as the underground mining services divisions of large engineering firms or the Australian divisions of global contract mining firms, significantly expanding their current underground contract mining operations. In addition, we may also encounter increasing competition from both other mining services companies and owner operators in their efforts to hire experienced mining professionals.

In the contract mining industry, a substantial proportion of new business is won by competitive tender. Mine owners evaluate tenders on a mixture of criteria, including price, reputation for technical competence and reliability and safety record. If we fail to compete successfully on these criteria, and any others that mine owners may apply, we could fail to win new business or to have existing contracts renewed.

Any intensification of competition as a result of new entrants, existing entrants improving their competitive position or the preference of mine owners to operate a mine themselves, could result in reduced operating margins and loss of market share. This could have a material adverse effect on our operating and financial performance, current market share, plans for future growth and the ability to attract necessary capital funding on acceptable terms.

Our profitability and competitiveness depends on our ability to attract and retain skilled workers.

Our ability to remain productive, profitable and competitive and to implement our planned growth initiatives depends on our ability to attract and retain skilled workers. While every effort is made to retain key employees and to recruit new personnel to adequately meet demands in projects, the loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on our business, results of operation and financial condition.

Our mining services projects are often in remote locations in Australia and Africa and sometimes require our employees to endure harsh conditions. As a result, there can be shortages of labor that make it challenging to recruit employees with relevant industry and technical experience who are willing to relocate or endure such conditions. In the past this has resulted in cost increases for the supply of labor and management services. We also expend significant resources training our employees. If our employees choose to work for our competitors we may not realize any benefits from our investment in their training.

Cyclical labor shortages, combined with a high industry turnover rate and growing number of competing mining service companies (including drilling service providers), may affect our ability to continue with or expand our operations and may adversely impact our financial performance. While we have implemented various initiatives designed to remedy labor shortages, such as using international recruits, developing an internal up-skilling program for tradesmen, increasing apprentice numbers, entering into overseas training agreements and marketing at international career expositions, there is no guarantee that these measures will successfully reduce the impact of labor shortages in the future. Skilled labor shortages could limit our ability to grow our business or lead to a decline in productivity and an increase in training costs and adversely affect our safety record. Each of these factors could materially adversely impact our revenue and, if costs increase or productivity declines, our operating margins.

Earnings are dependent on a number of key contracts and business relationships.

Our three largest clients (Western Areas, AngloGold Ashanti, and Gold Fields) collectively contributed 56.9% of our revenues for fiscal 2015, and a further three clients (Metals X, MMG, and Centamin) collectively contributed 35.8% to our revenue for the twelve months ended June 30, 2015. Gold Fields, Western Areas, and AngloGold Ashanti contributed (across multiple projects) 19.8%, 18.7% and 18.4%, respectively, and Metals X, Centamin, and MMG contributed (across multiple projects) 12.9%, 11.9% and 11.1%, respectively, to our revenue for fiscal 2015.

In addition, clients are usually entitled to terminate contracts on short notice. See “—Our revenues are subject to underlying contracts with varying terms and substantially all of our customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue.”

If any of our key clients, or several smaller clients, were to terminate their relationship with us or fail to renew an expiring contract, our revenues and profits would be significantly adversely affected.

We depend on key management personnel and may not be able to attract and retain qualified personnel in the future.

We depend on the continued employment and performance of our senior executives and other key members of management. If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, our business operations and our ability to implement our strategies could be materially disrupted. We compete with mining services providers and other companies to attract and retain key executives and other employees with the appropriate technical skills and managerial experience necessary to continue to operate our business. The loss of members of senior management or key employees could materially adversely impact our business if we are unable to recruit suitable replacements in a timely manner. There can be no assurance that we will be able to attract and retain skilled and experienced employees and, should we lose any of our key management personnel or fail to attract qualified personnel, our business may be harmed and our results of operations and our financial condition could be adversely affected.

Our operations are subject to industrial relations risks and our profits may be adversely affected by union activity, as well as new and existing labor laws.

There has been an increase in union activity in some of the countries in which we operate and, in recent years, there have been new labor laws introduced or amendments to existing labor laws that impose additional obligations on us or grant additional rights to workers.

In the event that we experience work stoppages, delays, sabotage, go-slow actions, lower productivity levels than envisaged or any other industrial relations related interruptions at any of our operations or increased employment-related costs due to union or employee activity, such activities could cause production delays, increased labor costs and adversely impact our ability to fulfill our existing contracts or win new contracts. As a result, our business, results of operations, financial condition and reputation may be materially adversely affected.

We may also be affected by certain labor laws that impose obligations regarding worker rights. In addition, the Australian federal government has introduced a new industrial relations system that includes “good faith bargaining” obligations for employers, fewer restrictions on the content of collective agreements and an enhanced role for union officials as bargaining representatives, parties to agreements and participants in dispute resolution. Existing labor laws and any new or amended labor laws may increase our labor costs and have a material adverse effect on our business, operating results and financial condition.

We do not have collective bargaining agreements in place in Egypt. Our workforce in Egypt is not unionized. Nationals in Egypt are employed directly by Barmenco Egypt Underground Mining Services S.A.E and employment contracts with employees in Egypt are common law contracts that comply with Egyptian Labor Law no.12 of 2003. Egyptian labor law is highly regulated and employment conditions and dismissal procedures are prescribed by law.

In Mali and Burkina Faso, AUMS does not employ its workforce directly but sources its workers through local labor hire companies which deal with all labor-related issues. In Ghana, AUMS’ workforce is unionized and wage negotiations typically take place annually. AUMS typically negotiates collective bargaining agreements with its Ghanaian unions every three years.

If we are unable to implement cost cutting measures, transfer costs to the client or increase production levels to offset any increases in labor costs or production losses, these costs and losses could have a material adverse effect on our business, operating results and financial condition.

Our operations are dependent upon the availability and cost of underground mining equipment and any interruption in supply could adversely affect our business.

Whenever we enter new contracts, we need to acquire new capital equipment, typically mining equipment, if we do not have existing equipment available. We rely on certain original equipment manufacturers to source new equipment and related parts to perform under our existing and new contracts. Any change in our relationships with these manufacturers may result in a shortage of equipment and parts which would constrict our ability to enter new contracts or fulfill existing contracts and adversely impact our earnings and financial performance.

We have arrangements with a number of original equipment manufacturers and as is consistent in the industry, we order equipment from these manufacturers on an ongoing basis as required. However, if there is any change or deterioration in our relationships with these manufacturers or if our actual equipment requirements exceed our forecast requirements for new equipment, this may materially adversely impact our financial performance as well as our growth prospects.

To meet our contractual obligations, we depend on critical pieces of equipment, which will sometimes be put out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. The nature of our operations demands availability of equipment and spare parts, the supply of which can sometimes be insufficient to deal with production capacity and demand. An inability to secure an uninterrupted supply of all such necessary equipment at prices and times assumed within mine plans could, if supply disruptions persist, lead to an increase in costs and a slowdown in production and development.

Equipment delays may result from difficulties in procurement, due to funding constraints, late ordering of equipment, shipping and customs delays, or fabrication, drilling, blasting and loading problems. Supply shortages may also result from an excess of demand over supply for mining equipment and competition for supplies from competitors. Delays in procuring new equipment required for our on-going or new operations may impact our ability to achieve production targets set in our mining contracts.

We could be adversely impacted by any incidents affecting the ability of our manufacturers to produce and deliver mining equipment, including casualty events affecting production facilities, work stoppages or strikes, financial difficulties of our suppliers, transport disruptions, or other events or circumstances. It may be difficult to locate alternative manufacturers in the event of any disruptions which could have a material adverse impact on our revenue.

Our operations face the risk of interruption and casualty losses and our insurance does not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or uninsurable.

Our business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labor disputes, unscheduled stoppages or closings, unusual or unexpected geological conditions, change in the regulatory environment and natural phenomena such as weather conditions and floods, and the possibility of sabotage or community, governmental or other interference. Such occurrences could result in damage to our properties or equipment, personal injury or death of employees or third parties, environmental damage to our properties or those of others, delays in mining, monetary losses and possible legal liability. Our operations are also subject to delays in obtaining equipment and supplies and the availability of transportation for the purpose of mobilizing rigs and other equipment, particularly where rigs or mines are located in remote areas with limited infrastructure support.

We endeavor to maintain insurance with ranges of coverage in accordance with industry practice and our contractual exposure. However, our insurance may not cover all of the risks that we face or the full financial impact of an insured event. The occurrence of an event that is not covered at all or not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our operations are interrupted or suspended for a prolonged period as a result of any events which may not be insured or have the exposure contractually limited, our revenues could be materially adversely impacted.

Insurance of all of the risks associated with mining services is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where we consider it unreasonable or not in our interests to maintain insurance coverage at all or to a level of coverage which is in accordance with industry practice. No assurance can be given that we will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage we arrange will be adequate and available to cover claims. Losses from risks associated with mining services may cause us to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

If we fail to stay current with the technological innovations developed by our competitors or expected by our clients, our future performance and growth may be adversely affected.

The introduction of new competing technologies by our competitors, or the threat that they may do so, means we must stay current with technological trends in the underground mining industry in order to remain responsive to the technological expectations and needs of our clients. We implement technological innovations developed by certain original equipment manufacturers, which can be time consuming, costly and complex. The successful development and implementation of current technologies on a timely basis requires that we understand our clients' needs and the potential technological solutions for such needs, identify emerging technological trends in our industry and respond effectively to technological changes by our competitors. Delays in completing the development and implementation of technological innovations in our services could cause our revenues to decline. If we fail to effectively address the changing demands of clients and to maintain our competitive advantage, our business, results of operations and financial condition could be materially adversely impacted.

We may not be able to obtain funding on acceptable terms, or at all, due to a deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs.

Our business requires significant amounts of capital expenditure which is often a front ended investment for us given the contracting nature of our operations. Whenever we enter new contracts, we need to acquire new capital equipment, typically underground mining equipment which has a useful life of between three and five years, if we do not have existing equipment available. Capital expenditures are also required to maintain such capital equipment over its useful life. Consequently, during periods of high or rapid growth in revenues, our capital requirements increase. Historically, our capital expenditures have been funded by a combination of operating cash flow and secured finance arrangements. We intend to finance our future capital expenditures primarily through cash flow from operations and secured finance arrangements. Our cash flow from operations and access to debt capital are subject to a number of variables, including:

- our activity levels;
- margins under our services contracts;
- global credit and securities markets; and
- the ability and willingness of lenders and investors to provide capital and the cost of the capital.

If our revenues or margins decrease as a result of adverse changes in contract terms, operating difficulties or disruptions, lending requirements or regulations, or for any other reason, we may not be able to obtain the capital necessary to sustain our operations at current levels. As a result, we may require additional capital to fund our operations, and we may not be able to obtain debt or equity financing to satisfy our capital requirements.

In recent years, global financial markets have experienced disruptions and general economic conditions have been volatile, which has caused deterioration in the credit and capital markets. The continuation of these conditions or a recurrence of similar conditions, including as a result of prolonged or further deterioration of economic, fiscal or credit market conditions, could make it difficult for us to obtain financing for our ongoing capital needs. In volatile financial markets, the cost of raising money in the debt and equity capital markets can fluctuate widely and the availability of funds from those markets may diminish significantly. Due to these factors, we cannot be certain that funding will be available if needed and, to the extent required, on acceptable terms. If we cannot meet our capital needs, we may be unable to implement our development plans, enhance our existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our operations may cause damage to the environment and violate applicable environmental laws and regulations and the conditions of our licenses.

There is a risk that our operations may cause damage to the environment and violate applicable environmental laws and regulations and the conditions of our licenses. If our operations violate environmental standards, we may incur costs to control and rectify the damage, legal liabilities including damages, and damage to our reputation as a responsible operator, which may affect our ability to retain existing business and win new business.

The principal environmental hazard involved in our operations is contamination from a release of hydrocarbons (for example, fuel or lubricant).

There are extensive Australian state and federal laws and regulations regarding environmental standards, as well as equivalent environmental laws in the African jurisdictions. In addition, we require various environmental licenses to operate our business, including licenses to handle certain potentially hazardous materials, and these licenses are often subject to numerous conditions. In the future, changes in law may result in even stricter regulation. Environmental incidents, particularly if they result from a failure to comply with laws or license conditions, may result in substantial penalties, costs to remediate damage and loss of licenses, any of which may materially adversely affect our business.

In addition, our actions or failures to act may result in the mine owners for which we perform services incurring environmental liabilities, regulatory penalties, or having licenses suspended, cancelled or subjected to additional conditions. Some of our customer contracts contain indemnities under which we are obliged to compensate the customer for certain losses resulting from environmental incidents for which we are responsible. However, certain of these indemnities contain a cap on our potential liability. As a result, environmental incidents may result in us incurring substantial obligations to compensate our clients, including, in some cases, for consequential losses, which could have a material adverse effect on its business, operating results and financial condition.

We have insurance coverage to address certain environmental risks, for example, pollution or contamination caused by a sudden and unexpected incident (not extending to contamination occurring over time). There can be no assurance that these insurance policies will be adequate to cover our costs and losses, and insurers may dispute insurance claims.

The mining industry in Australia is highly regulated.

Provision of our mining services is dependent upon our client securing the grant and maintenance of required licenses and permits, which, if restricted, revoked or denied, could affect our operations. The grant and maintenance of appropriate licenses, permits and regulatory consents, may be withdrawn or be made subject to limitations. Obtaining renewals may require successfully obtaining statutory approvals and fulfilling contractual obligations for proposed activities and the renewal of licenses, permits and consents as and when required. There can be no assurance that such renewals will be approved as a matter of course, that existing permits and licenses will not be revoked, that existing leases will be renewed, or that new conditions will not be imposed in connection therewith. If the client fails to obtain or renew required licenses, or additional restrictions on such licenses or permits are imposed, this could cause production delays or increased costs and could adversely impact our ability to fulfill our existing contracts and expand our service offering under a new contract. As a result, our business, results of operations and financial condition could be materially adversely affected.

In Australia, the mining industry is highly regulated by environmental and health and safety regulations that could have a material impact on the functioning, financial stability and future earnings potential of the Group. There is a risk that the Australian federal and/or state governments will introduce new policies and legislation that relate to the mining industry. Any such policies or legislation, or more stringent implementation of policies or legislation already in place, may have an adverse effect on the mining industry generally and this could have a negative impact on our operating and financial performance.

To the extent we fail to comply with applicable laws and regulations, we could be subject to monetary fines, suspension of operations, enforcement actions or other civil or criminal penalties. In addition, any significant governmental investigation or enforcement of health and safety requirements could damage our reputation as a responsible mining services provider and employer. Our clients place a premium on safety and any damage to our reputation may have an adverse effect on our ability to win new contracts or keep existing contracts. Furthermore, damage to our safety record or our reputation for safety could make it difficult for us to hire or retain skilled labor. Any of these factors could have a material adverse impact on our results of operations and financial condition. In addition, legislation and regulations affect our mineral exploration clients and changes to law may influence their decision whether to conduct mineral exploration and development.

We may be exposed to liabilities under anti-corruption laws and any determination that the Group has violated any anti-corruption laws could have a material adverse effect on our business.

The Group operates in a number of countries, including some countries that rank poorly in published indices of perceived public corruption. In these and other countries, our operations may be subject to anticorruption laws (including laws in Australia relating to corruption), which generally prohibit companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, agents or distributors that could be in violation of applicable anti-corruption laws, even though these parties are not always subject to our control.

We have internal controls, policies and procedures to help protect against such risks and have implemented training and compliance programs for our employees, agents and distributors with respect to these laws. We adopted a policy dedicated to anti-bribery and anti-corruption measures in June 2012. However, we cannot assure you that our controls, policies, procedures and programs always will protect us from potentially improper or criminal acts committed by our employees, agents or distributors. In the event that we believe or have reason to believe that our employees, agents or distributors have or may have violated applicable anti-corruption laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. Violations of anti-corruption laws or regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

To our knowledge, we do not believe we have violated applicable anti-corruption laws or regulations. We cannot assure you, however, that any future investigation will not reveal violations of Australian or other anti-corruption laws or regulations. In addition, as we continue to evaluate existing and new anti-corruption laws, regulations or local laws, we may cease conducting business in certain high risk countries where these types of payments may often be required to operate. This could significantly affect the Group's revenue if our mining clients continue to pursue new exploration projects in areas where we decide not to conduct business.

We operate in and are subject to tax regimes of many different countries.

We provide services in a number of countries. Therefore, we are subject to tax regimes of many different countries and are subject to risks of changes in taxes, or interpretation or enforcement. We operate in countries that have tax regimes in which the rules may not be clear, may not be consistently applied and may be subject to sudden change. This is especially true with regard to international transfer pricing. Our earnings could be reduced by the uncertain and changing nature of these foreign locations. In addition, given the number of jurisdictions in which we operate, the tax positions we have taken or tax attributes of our contracts could be challenged and this could have a material adverse impact on our business, financial condition and results of operations.

Our operations across several different countries subject us to various political, economic and other risks that could negatively impact our operations and financial condition.

Barmenco currently has operations in Australia and Egypt while AUMS has operations in Ghana, Mali and Burkina Faso. Barmenco may seek growth and expansion in additional markets in Africa, Asia and Latin America. Our operations are subject to political, economic and other risks normally associated with the conduct of business in foreign countries as well as factors specific to the particular region. Some of these risks to which we are exposed include, among others:

- changes in foreign laws or regulations;
- changes in laws and policies governing operations of foreign based companies;
- changes in tax laws;
- changes in mining policies;
- royalty and tax increases or claims by governmental entities;
- labor disputes;
- corruption;
- transparency of the legal system;
- retroactive tax or royalty claims;
- revocation of consents or approvals;
- restrictions on the use of land and natural resources;
- restrictions on production, supplies and essential services;
- export controls;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- restrictions on the remittance of dividend and interest payments offshore;
- environmental controls and permitting;
- opposition to mining from environmental or other non-governmental organizations;
- obtaining various approvals from regulators;
- invalidation of government orders and permits;

- foreign exchange restrictions and currency fluctuations;
- changing political conditions, currency controls and governmental regulations that favor or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of or purchase supplies from a particular jurisdiction;
- loss due to civil strife, acts of war, guerrilla activities, acts of sabotage, territorial disputes, insurrection and terrorism; and
- other risks arising out of foreign sovereignty issues.

Such risks could potentially arise in any country in which we operate, although risks may be higher in the developing countries in which we conduct some of our activities. Our operations in these areas increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, piracy, tribal conflicts and governmental policies that may:

- disrupt our operations;
- require us to incur greater costs for security;
- restrict the movement of funds or limit repatriation of profits;
- lead to international sanctions; or
- limit access to markets for periods of time.

Several of the countries in which we currently operate, or have a presence, and the countries in which we are seeking further growth, have experienced in the recent past or are currently experiencing political, social and economic instability, and should be considered by investors to be less predictable than those countries in which the majority of investors are likely to be resident.

Countries in Africa in particular have experienced political instability in the past. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. For example, Mali and Egypt have in the recent past experienced, and may continue to experience, a difficult security environment as well as political instability. In Egypt in 2011, Barmenco demobilized expatriate staff at the Sukari gold project for 14 days as a precautionary measure due to the civil unrest, although Barmenco's operations in Egypt were not otherwise affected. In Mali, there was a coup in March 2012 and a French military intervention in January 2013, however AUMS' operations in Mali were not affected by these events. In Burkina Faso in September 2015, Troops belonging to the elite Presidential Security Regiment corps announced that they were overthrowing the President and dissolving his government.

We take out political risk insurance when operating overseas whenever it is available. We have political risk insurance in Egypt. These insurance policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war. Even in countries where we have political risk insurance, there can be no assurance that such insurance will cover all relevant contingencies or will adequately compensate us for losses we may suffer as a result of operating in these foreign countries. Risk assessments may also categorize threats as serious enough to require resort to public security forces, such as national police or military units on a near-permanent basis. In the event that continued operation in some countries compromises the Group's security or business principles, the Group may withdraw from these countries on a temporary or permanent basis. This could have a material adverse impact on the Group's business, financial condition and results of operations.

We may be unsuccessful in integrating businesses and assets we acquire in the future.

We occasionally evaluate opportunities to acquire additional assets and businesses. Future acquisitions may be significant in size, may change the scale of our business and may expose us to new geographic, political, operating, financial and geological risks. Barmenco has limited acquisition and integration experience. The success in our acquisition activities depends on our ability to identify suitable acquisition opportunities, acquire acquisition targets on acceptable terms and integrate their operations successfully. Our ability to identify, consummate and to integrate effectively any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources, competition from other companies and, to the extent necessary, our ability to obtain financing on satisfactory terms, if at all. In addition, we compete for attractive acquisition targets with other potential buyers that have more financial and other resources than us. Any acquisition we make will require a significant amount of attention and time of management as well as resources that could otherwise have been spent on the operation and development of our existing business.

There can be no assurance that any business or assets acquired in the future will prove to be profitable, that we will be able to integrate the acquired businesses or assets successfully or that we will identify all potential liabilities during the course of due diligence due to our limited experience in acquisitions. Because we may pursue acquisitions around the world and may actively pursue a number of opportunities simultaneously, we may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight. To the extent we encounter problems integrating any of our acquisitions, our operations could be impaired as a result of business disruptions and lost management time, which could materially adversely affect the Group's business, financial condition and results of operations.

Unfavorable fluctuations in currency values and exchange rates and the imposition of currency exchange controls could have an adverse impact on our business.

Currency exchange rate risk. Broadly speaking, our Australian operations are Australian dollar denominated. At Barmenco's Egyptian operations, our revenue and certain of our costs are Australian dollar denominated, however costs related to our local workforce in Egypt and other locally incurred costs, are denominated in Egyptian pounds, United States dollars, and Euros. Therefore for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus other currencies. Because our consolidated financial results are reported in Australian dollars, if we generate sales or earnings or have assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and our net assets. Barmenco is exposed to foreign currency risk on heavy equipment purchases, which are primarily denominated in U.S. dollars. We do not hedge our translated foreign currency exchange rate exposure in relation to operations. Fluctuations in foreign currency exchange rates may also make period to period comparisons of our results of operations difficult.

Transaction risk. Our African operations also are exposed to significant transaction risk. We often bid on contracts in U.S. dollars but may be paid in local currency. We also purchase some of our major capital equipment in U.S. dollars. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue we earn from these contracts may be affected where rise and fall mechanisms in the contract are not perfectly correlated. During the period in which we earn our revenue in a local currency and prior to exchanging that currency into another currency, we are exposed to further exchange rate risk. Any of these factors could have a material adverse impact on our business.

Exchange controls risk. We operate in several countries and some of the countries in which we operate may impose currency exchange controls in the future. Exchange controls may prevent us from being able to freely convert these currencies into currencies of other countries. The increased hold time of these currencies would further expose us to exchange rate risk. See "—Some of the cash that appears on our balance sheet may not be available for use in our business or to meet our debt obligations."

Our operations may be adversely affected if we fail to maintain strong government and community relationships.

Relationships with a number of foreign governments and employees may be adversely affected by various issues ranging from breaches of contract, safety incidents, or changes in government or popular opinion. Any change in our relationship with the government or community may adversely affect our operations in the following ways:

- disruption of labor;
- labor supply shortages (due to visa restrictions or otherwise);
- revoking licenses/permits;
- difficulty in obtaining future permits; and
- change in tax regime.

A failure to maintain strong government and community relationships could impact our ability to obtain the required licenses, permits, or labor supply necessary to continue operating, which in turn would have a material adverse impact on our operating results and financial condition.

Our operations are vulnerable to interruption that could be beyond our control.

Our operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond our control, including the following:

- prolonged heavy rainfall or cyclone (as was the case in Sunrise Dam in February 2011);
- geological instability, including strong seismic activity, landslides, mudslides, rockfalls, cave-ins, or conditions that threaten to result in such an event;
- accidents or unsafe conditions;
- issues with mine ventilation;
- equipment breakdowns;
- industrial relations issues (see "—Our operations across several different countries subject us to various political, economic and other risks that could negatively impact our operations and financial condition"); and
- scarcity of materials and equipment.

A severe interruption satisfying the contractual definition of *force majeure* may result in the customer terminating the contract. Our contracts vary in the rights and remedies which flow from an event of *force majeure* and a termination on that basis.

Depending on the cause of the delay and the terms of the relevant contract, we may not be entitled to compensation for revenue lost as a result of such interruptions. Some of our contracts entitle us to claim delay payments for short term delays caused by the customer and standby payments in circumstances where the customer has suspended the contracted work. However, even where we believe that we are entitled to recover under such provisions, there can be no assurance that we will be successful in seeking such payments.

In addition, delays to the commencement of projects for which we have been contracted to provide services may occur as a result of the factors listed above or other factors beyond our control, such as the mine owner underestimating the lead time required to commence operations.

Any interruption to an existing operation or delay in commencing an operation may result in lost revenue and, in some circumstances, result in us incurring additional costs, which may have a material adverse effect on our business, results of operations and financial condition.

We have a significant joint venture arrangement and may experience disputes or difficulties with our joint venture partner.

We have a 50% interest in AUMS. The other 50% interest is held by Ausdrill Limited, an Australian public company. AUMS is comprised of three companies, AUMS Ghana, AUMS Mali and AUMS BF, which are incorporated in Ghana, Mali and Burkina Faso, respectively. AUMS is overseen by a joint management board that is required to make decisions by consensus. Under each AUMS Shareholders' Agreement (of which there are three; one for each jurisdiction), (each, an "AUMS Shareholders' Agreement," and collectively, the "AUMS Shareholders' Agreements"), the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Côte d'Ivoire and Guinea through AUMS though the shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS.

While we believe that we have a good working relationship with Ausdrill, our interest in AUMS is subject to the risks normally associated with the conduct of joint ventures. In particular, each AUMS Shareholders' Agreement governing the three AUMS companies contains provisions under which one of the parties may make an offer ("the initiating party") to the other party to sell their shares at a nominated price. If the other party rejects that offer, then they will be deemed to have made a counteroffer to sell their own shares to the initiating party, and the initiating party will be compelled to buy the other party's shares in AUMS, at the nominated price. Should Barmenco be unable to meet a call from AUMS or satisfy other capital obligations under the AUMS Shareholders' Agreements, our shareholding in AUMS could be diluted and we could lose the ability to participate in the decision making process regarding AUMS. See "Business—Overview of material contracts and agreements—AUMS—AUMS Shareholders' Agreements."

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on our profitability or the viability of our interests held through the joint venture, which could have a material adverse impact on our future results of operations:

(i) disagreement with Ausdrill on how to develop and operate projects efficiently; (ii) inability of Ausdrill to meet its obligations, including funding for capital expenditure, to the joint venture or third parties; and (iii) litigation between joint venture partners regarding joint venture matters.

Furthermore, our ability to receive dividends from AUMS is dependent upon agreement with Ausdrill. During 2015 AUMSG and AUMSM paid dividends to the Company in the amounts of US\$4.6 million (A\$6.0 million) and EUR8.1 million (A\$11.7 million) respectively and repaid loan amounts owing.

Increased energy prices could adversely affect our results of operations and financial condition.

Mining operations and facilities make extensive use of electricity and carbon-based fuels. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices could materially and adversely affect our business, results of operations and financial condition.

If the price of energy at which any of the projects to which we are contracted is exorbitant, the owner may suspend or close the project, in which case our services would likely be terminated. While there may be significant variation among projects as to the access to, and cost of, energy, in the event of a significant increase in the price or unavailability of energy, a mine at which we perform services may cease operations.

A sustained increase in the price or unavailability of energy and the ensuing termination of some of our mining contracts could materially and adversely affect our business results of operations and financial condition.

Affiliates of Gresham Private Equity Limited own a majority of the equity interests in us and may have conflicts of interest with us or investors in the future.

Affiliates of Gresham Private Equity collectively beneficially own 60% of our ordinary shares as of June 30, 2015 and Gresham Private Equity designees hold two of the seats on our Board of Directors. As a result, affiliates of Gresham Private Equity have control over our decisions to enter into corporate transactions and have the ability to prevent transactions that require the approval of shareholders regardless of whether holders of the notes believe that any such transactions are in their own best interests. For example, affiliates of Gresham Private Equity could collectively cause us to make acquisitions that increase the amount of indebtedness or to sell assets, or could cause us to issue additional shares or declare dividends. So long as affiliates of Gresham Private Equity continue to directly or indirectly own a significant amount of our outstanding shares, they will continue to be able to strongly influence or effectively control our decisions. In addition, Gresham Private Equity has no obligation to provide us with any additional debt or equity financing.

Additionally, Gresham Private Equity and its affiliates are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us, subject to its fiduciary duties to unit holders and its statutory obligations to manage conflicts of interests as Australian Financial Services License Holder. Gresham Private Equity and its affiliates may also pursue acquisition opportunities that may be complementary to our business and, as a result, those acquisition opportunities may not be available to us.

Certain of our contracts give the customer an option to buy the capital equipment used by Barmenco in connection with the contract, which could reduce our available fleet of equipment to service other customers.

Some of Barmenco's mining contracts give the customer an option to purchase from Barmenco the equipment used to perform mining services at its operation, at an agreed market price. This means that a customer may terminate its contract with Barmenco and exercise an option to purchase Barmenco's equipment where the customer has chosen to move to an owner-operated model. The price at which equipment can be purchased by a customer in these circumstances is to be mutually agreed between Barmenco and the customer at the relevant time, but historically has been the greater of the equipment's market value or the written down value. Even if the purchase price is above market value for such equipment, this could have an adverse impact on our revenues and profits since there is a substantial lead time to obtain new equipment and this would also reduce our available fleet of unutilized equipment to service other existing or new clients.

We rely on our information systems to conduct the administrative aspects of our business, and failure to protect these systems against security breaches could adversely affect our business. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

We rely on computer, information, and communications technology and related systems in order to properly operate the administrative aspects of our business. From time to time, we experience occasional system interruptions and delays. We have processes in place to respond to system interruptions and delays and our daily mining operations do not depend on information, communications technology and related systems. However, in the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of our systems, the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, our computer systems are subject to the risks of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to our and our customers' proprietary or classified information. We rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate confidential or proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, results of operations and financial condition.

Risks relating to the notes and the note guarantees

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the notes.

We have a significant amount of indebtedness. As of June 30, 2015, Barmenco's total debt was A\$861.0 million. Excluding Redeemable Preference Shares and Shareholder Loan Notes that are subordinated to the notes and for which interest is capitalized, however, Barmenco's total debt would have been A\$500.6 million as of June 30, 2015.

The debt recorded in the balance sheet is based on prevailing exchange rates however US\$386.0 million of this debt has been fully hedged using a cross currency interest rate swap, with principle and interest payments fixed in Australian Dollars at an effective exchange rate fixed at 0.7915 resulting in an Australian dollar equivalent value of A\$487.8 million. The swap is being accounted for as a cash flow hedge and is 100% effective in eliminating currency risk with respect to the senior notes.

For further information on our indebtedness, see "Management's discussion and analysis of financial condition and results of operations—Liquidity, capital expenditures and capital resources—Indebtedness."

As of June 30, 2015, we had unused commitments of A\$49.7 million under our Credit Facility, and capacity to use up to A\$50 million equipment financing lines.

Subject to the limits contained in the Credit Facility and the indenture governing the notes, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the notes, including the following:

- making it more difficult for us to satisfy our obligations with respect to the notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under our Credit Facility, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We may not be able to generate sufficient cash to service all of our indebtedness, including the notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our shared debt service obligations. The Credit Facility and the indenture that governs the notes will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct our operations through our subsidiaries certain of which are not Guarantors. Accordingly, repayment of our indebtedness, including the notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are Guarantors, our subsidiaries do not have any obligation to pay amounts due on the notes or to make funds available for that purpose. Our subsidiaries or joint venture companies (such as AUMS) may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the notes. Each subsidiary and joint venture company is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from them. While the indenture that governs the notes and certain of our other existing indebtedness will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries or joint venture companies, we may be unable to make required principal and interest payments on our indebtedness, including the notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the notes could declare all outstanding principal and interest to be due and payable, the lenders under our Credit Facility could terminate their commitments to extend further credit, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events could result in you losing your investment in the notes.

The terms of our Credit Facility and the indenture that governs the notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indenture that governs the notes and the Credit Facility contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in our Credit Facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under the indenture that governs the notes or under our Credit Facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event our lenders or holders of the notes accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

The notes and note guarantees are effectively subordinated to our secured indebtedness.

The notes and the note guarantees are unsecured and rank equally with the Issuer's and the Guarantors' other unsecured debt. If we were to default on the notes or after any bankruptcy, liquidation or reorganization of the Issuer or a Guarantor, then to the extent that we have granted security over assets, the assets that secure our debt would be used to satisfy the obligations under that secured debt before payment on the notes or the note guarantees could be made.

As of June 30, 2015 we had A\$5.7 million of secured indebtedness. In addition, the terms of the notes allow us to incur additional secured indebtedness, which would rank in priority to the notes.

Some of our subsidiaries do not guarantee the notes and your claims are subordinated to all of the creditors of these subsidiaries and the Guarantors may be released from their obligation to guarantee the notes in certain circumstances.

The notes and the note guarantees are structurally subordinated to the indebtedness of our subsidiaries that do not guarantee the notes. Other than the Guarantors, our subsidiaries are separate and distinct legal entities with no obligation to pay any amounts due pursuant to the notes or to provide us with funds (whether by dividend, distribution, loan or otherwise) for our payment obligations. Payments to us by our subsidiaries are contingent upon their earnings, their business considerations, and their ability to service their own liabilities.

In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries other than the Guarantors, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets of the subsidiaries are made available for distribution to us.

In addition, the indenture that governs the notes, subject to some limitations, permits the non-Guarantor subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by the non-Guarantor subsidiaries.

As of June 30, 2015, Barmenco's non-Guarantor subsidiaries represented 10.6% of Barmenco's total assets and 18.3% of our EBITDA (excluding AUMS).

In addition, the Guarantors will automatically be released from their obligations under the note guarantees upon the occurrence of certain events, including the following:

- the designation of that Guarantor as an unrestricted subsidiary;
- the release or discharge of any guarantee or indebtedness that resulted in the creation of the Note Guarantee of the notes by such Guarantor; or
- the sale or other disposition, including the sale of substantially all the assets, of that Guarantor.

If any Note Guarantee is released, no holder of the notes will have a claim as a creditor against that Guarantor, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that Guarantor will be effectively senior to the claim of any holders of the notes.

Some of the cash that appears on our balance sheet may not be available for use in our business or to meet our debt obligations.

We are required to make cash deposits to support bank guarantees of our obligations under certain office leases or amounts we owe to certain vendors from whom we purchase goods and services. These cash deposits are not available for other uses as long as the bank guarantees are outstanding. In addition, Egypt has regulations that may restrict our ability to send cash out of the country. As a result, cash at our subsidiary in Egypt (which was approximately A\$3.6 million as at June 30, 2015) may not be available to meet obligations we have in other countries. In light of the foregoing factors, the amount of cash that appears on our balance sheet may overstate the amount of liquidity we have available to meet our business or debt obligations, including obligations under the notes.

Despite our current level of indebtedness, we and our subsidiaries may still be able to incur substantially more debt.

We and our subsidiaries may be able to incur significant additional indebtedness in the future. Although the indenture that governs the notes and our Credit Facility contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If we incur any additional indebtedness that ranks equally with the notes, subject to collateral arrangements, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. This may have the effect of reducing the amount of proceeds paid to you. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. As of June 30, 2015, the Credit Facility provided for unused commitments of A\$49.7 million. All of those borrowings were secured indebtedness. If new debt is added to our current debt levels, the related risks that the Issuer and the Guarantors now face could intensify.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our Credit Facility are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

We may be unable to purchase the notes upon a change of control.

Upon the occurrence of specific kinds of change of control events, the Issuer will be required to offer to repurchase all outstanding notes at 101% of their principal amount, plus accrued and unpaid interest to the purchase date. Additionally, under our Credit Facility, a change of control (as defined therein) constitutes a mandatory prepayment event that permits the lenders to accelerate the maturity of borrowings under the credit agreement and the commitments to lend would terminate. The source of funds for any purchase of the notes and repayment of borrowings under our Credit Facility would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. The Issuer may not be able to repurchase the notes upon a change of control because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon a change of control and repay our other indebtedness that will become due. If the Issuer fails to repurchase the notes in that circumstance, we will be in default under the indenture that governs the notes. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the notes may be limited by law. In order to avoid the obligations to repurchase the notes and events of default and potential breaches of the credit agreement governing our Credit Facility, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the indenture that governs the notes, constitute a "change of control" that would require the Issuer to repurchase the notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the notes.

The exercise by the holders of notes of their right to require us to repurchase the notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when Barmingo is prohibited from purchasing notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing notes. In that case, our failure to purchase tendered notes would constitute an event of default under the indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of notes upon a repurchase may be limited by our then existing financial resources.

Holders of the notes may not be able to determine when a change of control giving rise to their right to have the notes repurchased has occurred following a sale of "substantially all" of our assets.

One of the circumstances under which a change of control may occur is upon the sale or disposition of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of notes to require the Issuer to repurchase such holder's notes as a result of a sale of less than all our assets to another person may be uncertain.

If the Issuer defaults on the notes or the Guarantors default on the note guarantees, your right to receive payments on the notes or the note guarantees may be materially adversely affected by Australian insolvency laws.

The Issuer and each of the Guarantors are organized under the laws of Australia and, therefore, insolvency proceedings with respect to them would be likely to proceed under, and be governed by, Australian insolvency law. Such laws are different from the insolvency laws of the United States. If the Issuer or any of the Guarantors become insolvent, the treatment and ranking of holders of the notes, other creditors of our company and our shareholders under Australian law may be different to the resulting treatment and ranking if it was subject to the bankruptcy laws of the United States or other jurisdictions.

In Australia, the voluntary administration procedure under the Australian Corporations Act, which is the most usual path for the potential re-organization of an insolvent company, differs significantly from Chapter 11 under the U.S. Bankruptcy Code. If the Issuer or any of the Guarantors becomes insolvent and a restructure is attempted through the voluntary administration model, the treatment and ranking of holders of the notes, other creditors and shareholders under Australian law may be different from the treatment and ranking of holders of the notes, other creditors and shareholders that would apply if the Issuer or any of the Guarantors were subject to the bankruptcy laws of the United States or other jurisdictions. For instance, the Australian High Court ruled in 2007 that shareholders in a voluntary administration which preserves the winding-up distribution priorities may, in certain circumstances, rank alongside unsecured creditors where shareholders have an independent damages claim against the debtor company arising out of the purchase of their shares. The decision in question is the decision of the High Court of Australia in *Sons of Gwalia v Margaretic* (2007) HCA 1. The Australian parliament has recently passed the Corporations Amendment (Sons of Gwalia) Act 2010 of Australia ("SG Act") to reverse the effect of the decision on claims made in an insolvent administration commencing after December 17, 2010. The SG Act preserves the ability of shareholders to obtain damages or other compensation by virtue of their position as a shareholder, but any such claims would be both (a) postponed (subordinated) until all other claims of a company are satisfied, and (b) restricted from voting in external administration proceedings of a company unless the leave of court (court permission) is obtained. Although creditors of a company in external administration (with a simple majority in number and value) can vote to accept a restructure which varies the winding-up priorities, the starting point for any bargaining with creditors will be the default priority and return otherwise available to creditors in a winding-up scenario.

The note guarantees, along with any future guarantees of the notes, are subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.

The Issuer and each of the Guarantors are organized in Australia. The Guarantors guarantee the payment of the notes on a senior unsecured basis, which provides the holders of the notes with a direct claim against each Guarantor. However, enforcement of the note guarantees are subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference or similar laws, regulations or defenses affecting the rights of creditors generally.

Under Australian law, if a liquidator were to be appointed to any Guarantor, the liquidator would have the power to investigate the validity of past transactions and may seek various court orders, including orders to void certain transactions entered into prior to the winding-up of such Guarantor and for the repayment of money. These transactions are known as “voidable transactions” and include transactions which:

- are insolvent transactions;
- are uncommercial transactions;
- result in an unfair preference being given to a creditor; or
- otherwise defeat, delay or interfere with the rights of creditors.

There are various time periods within which a liquidator can take such action depending on the nature of the transaction being challenged. The test for insolvency in Australia in this context is whether the relevant company is able to pay its debts as and when they become due and payable.

Under Australian law, a guarantee given by a company may also be set aside on a number of additional grounds. For example, a guarantee may be unenforceable against a guarantor if the directors of the guarantor did not comply with their duties to act in good faith for the benefit of the guarantor and for a proper purpose in giving the guarantee. The issue is particularly relevant where a company provides a guarantee in relation to the obligations of another member of its corporate family, as is the case for the note guarantees with respect to the notes. In determining whether there is sufficient benefit, all relevant facts and circumstances of the transaction need to be considered by the directors, including the benefits and detriments to the guarantor in giving the guarantee, and the respective benefits to the other parties involved in the transaction.

Whether a guarantee entered into in breach of directors’ duties can be avoided against a party relying on the guarantee depends on certain factors, including the state of knowledge of that party, and whether the party knew of or suspected the breach. Also, under Australian law, a person is entitled to assume that the directors have properly performed their duties to the company unless that person knows or suspects that they have not done so. In addition, other debts and liabilities of the Guarantors and the Issuer, such as certain employee entitlements or amounts owed to tax authorities, may rank ahead of claims under the note guarantees in the event of insolvency, administration or similar proceedings. If any of the note guarantees are avoided, it is possible that you will be left with a claim solely against the Issuer.

You might have difficulty enforcing against us, the Guarantors and our directors and officers.

The Issuer and the Guarantors are organized outside of the United States. All of our directors and officers reside in Australia or elsewhere outside the United States. Because the Issuer, the Guarantors and such persons are located outside the United States, it may not be possible for you to effect service of process within the United States on them. Furthermore, it may not be possible for you to enforce against them judgments obtained in United States courts, because all or a substantial portion of their assets are located outside the United States. Your rights under the notes and the note guarantees are subject to the laws of multiple jurisdictions, and you may not be able to enforce effectively your rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors’ rights. In addition, treaties may not exist in all cases for the recognition of the enforcement of a judgment or order of a foreign court.

Australia has a procedure for recognizing and enforcing foreign judgments by registration of the foreign judgment in an Australian court in accordance with the procedure set out in the Australian Foreign Judgments Act 1991 or by recognition in accordance with common law principles. The United States is not one of the countries to which the Foreign Judgments Act 1991 applies. As a result, the recognition and enforcement in Australian courts of judgments in U.S. courts requires the application of common law principles, as the procedure set out in the Foreign Judgments Act 1991 will not apply. Further, any action taken by or on behalf of the holders of the notes would need to be brought in Australian courts on the basis of the merits of the case as well as the judgment from the relevant U.S. court. Accordingly, there are risks as to the enforceability, in original actions in Australian courts, of liabilities predicated solely on the U.S. federal or state securities law and as to the enforceability, in Australian courts, of judgments of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities law. Also, judgments of U.S. courts (whether or not such judgments relate to U.S. federal or state securities laws) may not be enforceable in Australia in certain other circumstances, including, among others, to the extent that such judgments (as a matter of applicable Australian law) contravene public policy, breach the rules of natural justice or general principles of fairness or are obtained by fraud, are not for a fixed or readily ascertainable sum, are subject to appeal, dismissal, stay of execution or are otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts were of a revenue or penal nature.

The consequences of the multiple jurisdictions involved in the transaction could trigger disputes over which jurisdiction’s laws should govern which could adversely affect your ability to enforce your rights and to collect payment in full under the notes and the note guarantees.

Your ability to transfer the notes may be limited by the absence of an active trading market and an active trading market may not develop for the notes.

The notes have been listed on the SGX-ST. However, there can be no assurance that we will be able to maintain such listing or that a trading market will develop for the notes on the SGX-ST.

Therefore, an active market for the notes may not develop or be maintained, which would adversely affect the market price and liquidity of the notes. In such case, the holders of the notes may not be able to sell their notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the notes may be volatile and will depend on many factors, including:

- the number of holders of notes;
- prevailing interest rates;
- our operating performance and financial condition;
- time remaining to the maturity of the notes;
- outstanding amount of the notes;
- terms related to optional redemption of the notes;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the notes. The market, if any, for the notes may experience similar disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your notes. In addition, subsequent to their initial issuance, the notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may affect the trading price of the notes.

The notes have a non-investment grade rating and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the notes. Credit ratings are not recommendations to purchase, hold or sell the notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the notes.

Any future lowering of our ratings likely could make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your notes without a substantial discount.

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BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Annual Financial Report

For the year ended 30 June 2015

Barmenco Holdings Pty Limited
Annual Financial Report
For the year ended 30 June 2015

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Barmenco Holdings Pty Limited

Directors' Report

For the year ended 30 June 2015

The directors present their report on the Group comprising of Barmenco Holdings Pty Limited, and its subsidiaries, and the Group's interest in jointly controlled entities both during the year and as at 30 June 2015.

Directors

The directors in office at any time during the financial year or since the end of the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Jock Muir	Chairman, Non-executive Director
Experience	Jock has over 30 years' experience in global mining services companies. Jock held the positions of non-executive director of Dyno Nobel prior to its acquisition by Incitec Pivot. He was President of Dyno Nobel's Asia Pacific operations, Senior Vice President of Global Initiation Systems and various executive marketing positions. He was also MD of Mitchell Cotts Australia, a mining engineering company. Jock acted as Chief Executive Officer of Barmenco from February 2012 until 1 February 2013 when Peter Stokes commenced in that role.
Peter M Bartlett	Non-executive Director
Qualifications	Graduate of the WA School of Mines, Kalgoorlie; member of Australasian Institute of Mining and Metallurgy; First Class Mine Manager Certificate – WA.
Experience	Peter was the founder and former Managing Director and Chief Executive Officer of Barmenco Group of companies. He founded the company in 1989 and has been an integral member of the board with over 32 years of mining experience. Prior to Barmenco, Peter joined Western Mining as a graduate mining engineer in 1974 and was promoted to Resident Manager at its Windara Nickel operations in 1978 before moving to its Leinster Nickel operation in 1980. Peter is Managing Director of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd).
Bruno Camarri AM	Independent Non-executive Director
Qualifications	Bachelor of Laws, University of Western Australia and member of the Australian Institute of Company Directors.
Experience	Bruno has worked as a corporate lawyer since 1969, primarily representing clients in the energy, mining, construction and technology industries. He was a partner at Australian law firm Freehills (now Herbert Smith Freehills) for 30 years and now acts as a consultant with that firm. Bruno has held a number of board positions on listed and unlisted companies in the construction, manufacturing and mining industries. Previous directorships include being Deputy Chairman of UGL Ltd from 1994 to 2010 (ASX:UGL), a Director from 2002 to 2009 and the Chairman until April 2013 of LinQ Capital Ltd, the responsible entity for the LinQ Resources Fund and a Director of Bristle Ltd from 1996 to 2003. Bruno was made a member of the Order of Australia in June 2008. He is in the Australian Best Lawyers List in the specialty of mining.

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

Peter E Hatfull	Non-executive Director
Qualifications	Qualified as a Chartered Accountant with the Institute of Chartered Accountants of England and Wales; member of Institute of Company Directors.
Experience	Peter Hatfull has over 35 years' experience in a range of senior executive positions with Australian and international companies. He has an extensive skill-set in the areas of business optimisation, capital raising and company restructuring. Since 2010 Peter has been Managing Director of Algae.Tec Limited and currently holds a number of private and public Board roles. Prior to this, he held senior board and management positions in Australia, Africa and the UK. Peter qualified and practiced in Manchester, before moving to Malawi, Central Africa, where he spent 9 years. He has been in Australia for over 20 years.

Jon A Young	Alternate Non-executive Director
Qualifications	Bachelor of Commerce Degree, University of Western Australia; a member of the Institute of Chartered Accountants Australia; a Fellow of the Financial Services Institute of Australia.
Experience	Jon holds a Bachelor of Commerce Degree from the University of Western Australia and qualified as a Chartered Accountant with Price Waterhouse where he worked for several years in their Perth, Melbourne and Sydney offices. For nearly 30 years, Jon has worked in the financial markets and is currently Director Private Clients with leading Perth based national stockbroking firm Patersons Securities Limited. For 12 years, until the sale of the contracting business (Barmenco) in August 2007, Jon served as Non-Executive Chairman of the Barmenco Group of companies, including Barmenco Limited. Jon has been an Alternate Director for Mr Bartlett since September 2008. He continues as the Chairman of FMR Investments Pty Ltd (formerly Barmenco Investments Pty Ltd and prior to that Barmenco Pty Ltd) and Director of Private Clients with Paterson Securities Limited.

Barry Lavin	Independent Non-executive Director
Qualifications	Bachelor of Science (Hons) Mining Engineering, Chartered Engineer, MBA from Cranfield Business School.
Experience	Barry has over 25 years of international mining experience, optimising shareholder value through the development and implementation business strategy. As a mining engineer, Barry commenced his career in line management in deep underground gold mining, moving onto senior positions. From September 1991 until June 2009 Barry held senior positions within Rio Tinto, including positions as Managing Director of the Northparkes Joint Venture, Managing Director of Rio Tinto Technical Services and General Manager of Business Development for Rio Tinto Iron Ore. Barry was a Director of Oz Minerals Limited from August 2011 until March 2013 and currently is a Director of privately-owned companies Teviot Resources Pty Ltd (an Australian diversified junior mining company) and Ferrum Americas Mining Inc (a Canadian iron ore explorer).

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

Roger Casey	Non-executive Director
Qualifications	Bachelor of Economics and Master of Economics from Macquarie University.
Experience	Roger has worked in both the advisory and private equity businesses of Gresham and is currently Deputy Chairman of Gresham Private Equity and a Director of Gresham Partners. He is also an Honorary Fellow of Macquarie University's Applied Finance Centre and is a member of the Institute of Chartered Accountants in Australia. He has extensive investment banking experience, and has previously worked with KPMG, Turnbull & Partners and ABN Amro, where he was Head of Mergers and Acquisitions. Roger has represented Gresham Private Equity as a board member across a variety of investment portfolios, from later stage management buyouts to earlier stage expansion capital.
Charles Graham	Alternate Non-executive Director
Qualifications	Bachelor of Engineering from Sydney University, Bachelor of Commerce from Sydney University, Masters of Technology from Deakin, MBA from Harvard University, Member of the Australian Institute of Company Directors.
Experience	Charles is Managing Director of Gresham Partners Limited. Prior to joining Gresham, Charles was a Managing Director at Goldman Sachs in New York and has previously worked for Rio Tinto (Comalco) in engineering roles covering operations and development. Charles is the alternate director for Roger Casey. Charles is also a director of various Gresham companies, Musica Viva Australia and HCA Philanthropy in addition to being a director of the Foundation for National Parks and Wildlife.

Principal activities

The Group's principal activities in the course of the financial year to date were underground contract development and production mining, underground diamond drilling, and surface crushing and screening for owners of mining projects in Australia, Egypt, and West Africa. The West African business is carried on through several jointly controlled entities referred to as African Underground Mining Services "AUMS" and as described in Note 12.

Review of operations and results

Operating result including 50% share of AUMS proportionately consolidated

	Notes	2015 \$'000	2014 \$'000
Revenue			
Barmenco Group	5	492,917	537,938
AUMS (50%)	12(b)	113,878	133,225
Total revenue		606,795	671,163
Earnings before interest, tax, depreciation and amortisation ("EBITDA")			
Barmenco Group		95,088	106,467
AUMS (50%)	12(b)	29,534	22,805
Total EBITDA		124,622	129,272
Total EBITDA Margin		20.5%	19.3%

The accounting standards require the Group to equity account for the jointly controlled investment in AUMS. However the table above includes AUMS on a proportionately consolidated basis to reflect the Group's share of revenue and EBITDA from AUMS. The AUMS revenue and EBITDA represent 50% of the revenue and 50% of operating profit less depreciation set out in Note 12(b).

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Revenue	5	492,917	537,938
Earnings before interest, tax, depreciation and amortisation ("EBITDA")		95,088	106,467
EBITDA Margin		19.3%	19.8%

Revenue

The Group primarily earns revenue for performing underground contract development and production mining, underground diamond drilling and surface crushing and screening for owners of mining projects.

Consolidated revenue decreased by \$45,021,000 or 8.4% to \$492,917,000 for the year ended 30 June 2015 ("the year") compared to \$537,938,000 for the year ended 30 June 2014 ("the prior year").

2015 revenue was adversely impacted by the discontinuation of operations at Mt Lyell during 2014 and the completion of the Ernest Henry contract ending July 2014. These were partially offset by revenue from two new contracts, being Rosebery and Nova Bollinger, which began operations during December 2014 and January 2015 respectively.

Operating expenses

The majority of the Group's operating expenses are the direct costs of performing contract mining, drilling and crushing services. The components of the Group's expenses include consumables used, employee benefits expense, contractor and consulting expenses, and other expenses.

Consolidated operating expenses decreased by \$34,145,000 or 7.9% to \$398,988,000 for the year compared to \$433,133,000 for the prior year the discontinuation of operations at Mt Lyell and the completion of the Ernest Henry contract, coupled with management's focus on cost management across the business.

EBITDA

Consolidated earnings before financing costs, share of profits from equity accounted investments net of tax, income tax expense, depreciation and impairment of property, plant and equipment, and amortisation of intangible assets ("EBITDA") for the year decreased by \$11,379,000 or 10.7% to \$95,088,000 for the year compared to \$106,467,000 for the prior year. EBITDA has been calculated from the Consolidated Statement of Comprehensive Income by adding back to "Results from operating activities" the depreciation and impairment of property, plant & equipment and the amortisation of intangible assets.

The consolidated EBITDA margin (consolidated EBITDA/consolidated revenue) was 19.3% for the year compared to 19.8% for the prior year.

Depreciation

As the Group operates a large fleet of capital equipment, depreciation is a significant component of expenses. At 30 June 2015 the book value of the Group's property, plant and equipment was \$114,456,000 (2014: \$123,112,000).

Consolidated depreciation decreased by \$6,094,000 or 10.4% to \$52,298,000 for the year compared to \$58,392,000 for the prior year. The decrease in depreciation reflects the contraction in the fleet through better utilisation of currently held equipment.

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

Amortisation of intangible assets

At the time of acquisition of the Company in 2007, the fair value of the Company's then-existing customer contracts and customer relationships were recorded as intangible assets on Barmenco Holdings' balance sheet. These assets are being amortised over their useful lives. If events or changes in circumstances indicate that the carrying value exceeds the recoverable amount, Barmenco Holdings recognises an impairment charge equal to the difference.

Consolidated amortisation and impairment of intangible assets decreased by \$6,000 or 0.6% to \$1,017,000 for the year compared to \$1,023,000 for the prior year. The decrease is primarily a result of the reduction in the written down value of the customer relations asset.

Financing costs

	Notes	2015 \$'000	2014 \$'000
Interest paid/payable on high yield bonds/bank borrowings	6 (d)	(59,416)	(60,316)
Gain on repurchase of high yield bonds	6 (d)	4,206	-
Other financing costs, net		(9,205)	(7,667)
		(64,415)	(67,983)
Capitalised financing costs on redeemable preference shares and shareholder loans (non-cash)	6 (d)	(44,264)	(38,828)
Total net financing costs	6 (d)	(108,679)	(106,811)

Net financing costs for the year were \$108,679,000 (2014: \$106,811,000), comprising \$59,416,000 of high yield bond interest (2014: \$60,316,000), \$4,206,000 gain on repurchase of high yield bonds, \$9,205,000 of other net financing costs (2014: \$7,667,000), and \$44,264,000 of capitalised interest on the redeemable preference shares and shareholder loan notes, (2014: \$38,828,000). The increase of \$1,868,000 compared to total net financing costs for the prior year of \$106,811,000 is primarily due to the compounded interest on the redeemable preference shares and shareholder loan notes offset by the gain on the repurchase of high yield bonds.

Cash flow and capital expenditure

Cash at year end increased from \$95,818,000 at 30 June 2014 to \$104,844,000 at 30 June 2015.

Cash flow from operating activities was \$35,657,000 down from \$50,271,000 in the prior year due to the group's reduced operating results.

Cash paid for capital expenditure (excluding finance leased assets) totalled \$45,178,000 up from \$40,001,000 in the prior year.

Net Assets/(Liabilities)

Under AASB139, Financial Instruments, the redeemable preference shares and shareholder loans, which represent the capital investment made in the business by its shareholders are classified as debt in the balance sheet. The following table reflects the impact on the company's net assets/liabilities if this shareholder investment was to be classified as equity.

	Notes	2015 \$'000	2014 \$'000
Net liabilities, as per consolidated statement of financial position		(299,311)	(250,846)
Add back redeemable preference shares and shareholder loans	17	360,434	316,170
Net assets excluding redeemable preference shares and shareholder loans		61,123	65,324

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

Borrowings

The following table reflects the impact on the company's borrowings if the redeemable preference shares and shareholder loans were to be classified as equity, and incorporates the impact of the cross currency interest rate swap on the High Yield Bonds.

High Yield Bonds		504,302	514,917
Redeemable preference shares and shareholder loans		360,434	316,170
Finance lease liabilities		5,744	13,526
		870,480	844,613
Capitalised borrowing costs		(9,478)	(15,973)
Total borrowings	17	861,002	828,640
<i>Deduct</i>			
Redeemable preference shares and shareholder loans		(360,434)	(316,170)
Impact of cross currency interest rate swap on High Yield Bonds		(20,887)	(27,136)
Total borrowings excluding redeemable preference shares, shareholder loans and incorporating impact of cross currency interest rate swap		479,681	485,334
<i>Deduct</i>			
Cash and cash equivalents		(104,844)	(95,818)
Net borrowings excluding redeemable preference shares, shareholder loans and incorporating impact of cross currency interest rate swap		374,837	389,516

The Group issued High Yield Bonds (Bonds) in United States Dollars. The currency risk attached to these Bonds is being hedged 100% by a cross currency interest rate swap which has fixed principal and interest rate repayments over the life of the bond in AUD. The swap is being accounted for as a cash flow hedge and is 100% effective in eliminating currency risk with respect to the Bonds.

Funding

On 3 September 2014 the Group negotiated a reduction in the Revolving Credit Facility (RCF) from \$100,000,000 to \$50,000,000 following a review of the future liquidity requirements of the Group.

In addition to the \$50,000,000 draw down facility available under the RCF, the terms of the agreement allow the Group to draw up to an additional \$50,000,000 in finance leasing from approved third party finance lease providers for plant and equipment purchases.

In May 2013 Barmenco raised US\$485,000,000 through a High Yield Bonds offering with a fixed rate of interest payable semi-annually, which is due to mature on 1 June 2018. During the year management took the opportunity to extract value from the cross currency interest rate swap hedge and repurchased 98,957,000 of the issued US dollar Bonds. At 30 June 2015 the remaining Bonds on issue were valued at US\$386,043,000. Repurchase of the Bonds has been fully funded through proceeds from the reset of the cross currency interest rate swap.

The remaining Bonds have been fully hedged using a reset cross currency interest rate swap with principle and interest payments fixed in Australian Dollars. This is an unsecured borrowing and remains repayable on 1 June 2018.

The Group will benefit from a lower fixed interest rate on the Australian dollar leg of the swap, with an annual saving of A\$6,294,000.

Dividends

The directors do not recommend the payment of a dividend and no dividends were declared by the Company during the year ended 30 June 2015.

Barmenco Holdings Pty Limited

Directors' report (continued)

For the year ended 30 June 2015

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the year ended 30 June 2015.

Significant events subsequent to reporting date

With an effective date of 24 July 2015, the Group repurchased 25,000,000 high yield bonds with a face value of US\$25,000,000. As a result of strengthening of the United States Dollar against the Australian dollar since the start of the year there was an opportunity to utilise the fair value of the swap asset to repurchase bonds. The Swaps were reset on 24 July 2015 with funds used to settle the repurchase of the bonds. This results in a reduction of annual interest repayments into the swaps in the amount of \$1,274,000, while the amount required to settle the principle repayment of the Bond in May 2018 in Australian dollars remains unchanged at A\$487,781,000.

Since the Group commenced repurchasing Bonds in December 2014 the combined annual interest repayment savings are \$7,568,000.

Likely developments

Other than as otherwise stated in this report, likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group is not subject to any significant environmental regulations, however, the Group's clients have obligations under state-based environmental regulations and are reliant upon the Group to assist them in ensuring that their operations comply with those regulations.

Indemnification and insurance of directors and officers

The Group indemnifies all directors and officers of the group against liability for all costs and expenses incurred in proceedings brought against them in their role as a director or officer of the Group to the extent permitted under the law. An insurance policy has been taken out to cover any such costs. The policy prohibits the disclosure of the nature of the liability covered by the policy, the limit of the liability, and the premium paid.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor independence

The auditor, KPMG, has provided a written independence declaration to the directors in relation to its audit of the financial report for the year ended 30 June 2015. The independence declaration which forms part of this report is on page 8.

This report is made in accordance with a resolution of the directors.



J. Muir

Chairman

Perth, WA, 27th August 2015



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Barmenco Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Denise McComish'.

Denise McComish
Partner

Perth

27 August 2015

Barmenco Holdings Pty Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Revenue	5	492,917	537,938
Other income		1,159	1,662
Consumables used		(152,521)	(168,488)
Employee benefits expense	6	(207,205)	(232,685)
Contractor and consultant expenses	6	(20,023)	(14,846)
Depreciation & impairment of property, plant & equipment	13	(52,298)	(58,392)
Amortisation of intangible assets	14	(1,017)	(1,023)
Other expenses	6	(19,239)	(17,114)
Results from operating activities		41,773	47,052
Share of profit from equity accounted investments, net of tax	12	14,615	1,933
Net financing costs	6	(108,679)	(106,811)
Profit/(loss) before income tax		(52,291)	(57,826)
Income tax expense	8(a)	(377)	(714)
Profit/(loss) for the year attributable to equity holders of the Company		(52,668)	(58,540)
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges	19	1,384	(7,690)
Foreign currency translation differences – foreign operations	19	2,816	(103)
Other comprehensive income/(loss) for year, net of tax		4,200	(7,793)
Total comprehensive income/(loss) attributable to equity holders of the Company		(48,468)	(66,333)
		\$	\$
Earnings/(Loss) per share			
Basic and diluted earnings/(loss) per share	9	(10.560)	(11.781)

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Consolidated statement of financial position As at 30 June 2015

	Notes	30 June 2015 \$'000	30 June 2014 \$'000
ASSETS			
Cash and cash equivalents		104,844	95,818
Trade and other receivables	10	57,473	56,819
Inventories	11	25,292	24,187
Prepayments		5,574	4,785
Total current assets		193,183	181,609
Other non-current assets	10	1,653	8,110
Investments accounted for using the equity method	12	67,342	67,574
Derivative financial instruments	16	10,545	15,410
Property, plant and equipment	13	114,456	123,112
Intangibles	14	259,235	260,252
Deferred tax asset	8(d)	765	853
Total non-current assets		453,996	475,311
TOTAL ASSETS		647,179	656,920
LIABILITIES			
Trade and other payables	15	53,959	49,052
Borrowings	17	70	5,345
Employee benefits	18	28,783	27,255
Provisions		20	74
Current tax liabilities		-	528
Total current liabilities		82,832	82,254
Borrowings	17	860,932	823,295
Employee benefits	18	2,726	2,217
Total non-current liabilities		863,658	825,512
TOTAL LIABILITIES		946,490	907,766
NET LIABILITIES		(299,311)	(250,846)
EQUITY			
Contributed equity	19	4,722	4,719
Reserves	19	(2,367)	(6,954)
Accumulated losses		(301,666)	(248,611)
TOTAL EQUITY		(299,311)	(250,846)

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Consolidated statement of cash flows For the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from customers		530,545	617,858
Payments to suppliers and employees		(433,889)	(500,921)
Interest received		1,723	3,376
Interest paid		(61,905)	(68,134)
Income taxes received/(paid)		(817)	(1,908)
Net cash inflow from operating activities	23	35,657	50,271
Cash flows from investing activities			
Payments for property, plant and equipment		(45,177)	(40,001)
Proceeds from sale of property, plant and equipment		6,321	6,428
Loans repaid by joint venture entities		7,411	-
Dividends received from joint venture entities		17,663	-
Repurchase of Shares		-	(1)
Net cash outflow from investing activities		(13,782)	(33,574)
Cash flows from financing activities			
Proceeds from reset of cross currency interest rate swaps		118,791	-
Repurchase of senior notes		(119,451)	-
Finance lease payments		(10,209)	(26,882)
Payments for transaction costs related to loans and borrowings		(200)	(588)
Loans to key management LTI scheme		(1,780)	-
Net cash outflow from financing activities		(12,849)	(27,470)
Net increase/(decrease) in cash and cash equivalents		9,026	(10,773)
Effect of exchange rate fluctuations on cash held		-	-
Cash and cash equivalents at beginning of the year		95,818	106,591
Cash and cash equivalents at end of the year		104,844	95,818

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited
Consolidated statement of changes in equity
For the year ended 30 June 2015

	Notes	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2014		4,719	(11,726)	4,772	-	(248,611)	(250,846)
Total comprehensive income for the year							
Profit/(loss) for the year		-	-	-	-	(52,668)	(52,668)
Other comprehensive income/(loss)							
Changes in the fair value of cash flow hedges, net of tax	19	-	1,384	-	-	-	1,384
Changes in the foreign exchange translation reserve	19	-	-	2,816	-	-	2,816
Changes in the legal reserve	19	-	-	-	387	(387)	-
Total other comprehensive income/(loss)		-	1,384	2,816	387	(387)	4,200
Total comprehensive income/(loss) for the year		-	1,384	2,816	387	(53,055)	(48,468)
Transactions with owners of the Company							
Ordinary shares allotted		3	-	-	-	-	3
Total transactions with owners of the Company		3	-	-	-	-	3
Balance at 30 June 2015		4,722	(10,342)	7,588	387	(301,666)	(299,311)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Barmingo Holdings Pty Limited

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2014

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Notes					
Balance at 1 July 2013	4,720	(4,036)	4,875	(190,071)	(184,512)
Total comprehensive income for the year					
Profit/(loss) for the year	-	-	-	(58,540)	(58,540)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	19	(7,690)	-	-	(7,690)
Changes in the foreign exchange translation reserve	19	-	(103)	-	(103)
Total other comprehensive income/(loss)	-	(7,690)	(103)	-	(7,793)
Total comprehensive income/(loss) for the year	-	(7,690)	(103)	(58,540)	(66,333)
Transactions with owners of the Company					
Repurchase of ordinary shares	(1)	-	-	-	(1)
Total transactions with owners of the Company	(1)	-	-	-	(1)
Balance at 30 June 2014	4,719	(11,726)	4,772	(248,611)	(250,846)

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

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Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

1. Corporate information

Barmenco Holdings Pty Limited ("the Company") is a for profit company limited by shares, incorporated and domiciled in Australia. The Company was registered on 5 July 2007. The address of the Company's registered office is 390 Stirling Crescent Hazelmere, Western Australia, 6055. The Group is a for profit entity and is primarily involved in underground contract development and production mining, and development projects in Australia, Egypt, and West Africa.

The annual financial report of the Company for the year ended 30 June 2015 comprises the Company and its subsidiaries (the "Group") and the Group's interest in jointly controlled entities.

The annual financial report was authorised for issue by the Board of Directors on 26th of August 2015.

2. Basis of preparation

a) Statement of Compliance

The annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The annual financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of measurement

The annual financial report is prepared in accordance with the historical cost convention, except for certain derivative financial instruments which, as noted, are at fair value.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial report is presented in Australian dollars, which is Barmenco Holdings Pty Limited's functional and presentation currency and also the functional currency of the majority of the Group.

d) Going concern basis

The financial report has been prepared on the going concern basis which contemplates realisation of assets and settlement of liabilities in the normal course of business.

Applicable accounting standards require the Group to record redeemable preference shares and accrued interest of \$343,617,000 (2014: \$301,418,000) as a liability rather than as equity. The redemption date on the redeemable preference shares is in 2019, or earlier should the Board of Directors declare. Consequently, the Group has a deficiency of capital and reserves of \$299,331,000 (2014: \$250,846,000). Based on the longer term refinancing and the expected growth of the Group over the next five years, the Directors have a reasonable expectation that these liabilities will be met when due.

The Group reported a loss for the year after tax of \$52,668,000 (year ended 30 June 2014: loss of \$58,540,000). These financial results include an expense of \$42,199,000 and \$2,065,000 (year ended 30 June 2014: \$37,016,000 and \$1,812,000) for capitalised interest on redeemable preference shares and shareholder loans within the Group.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

e) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimated impairment of goodwill

The Group annually tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 3(k). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations required the use of assumptions.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group Audit and Risk Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 20 – Financial Instruments
- Note 24 – Share based payments

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(ii) Critical judgements in applying the entity's accounting policies

Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. The Group's business depends on a large quantity of plant and equipment. At 30 June 2015, the Group's property, plant and equipment had a total book value of \$114,456,000 (2014: \$123,112,000) largely consisting of heavy mining equipment that has a finite operational life. As a result, depreciation has a significant impact on the Group's financial results.

When the Group acquires new heavy mining equipment, it is recorded as an asset on the balance sheet at cost, and then depreciated on a usage basis over its estimated useful life, after which it is carried at a predetermined residual value until sold, disposed of or rebuilt.

The estimation of the useful lives of this equipment therefore has a substantial effect on the amount of depreciation charged to the income statement and the residual book value of the plant and equipment recorded on the balance sheet.

The usage basis of depreciation means when strategic heavy mining equipment is not working at a site for an extended period, usually a minimum of one month, depreciation is charged to the income statement at a rate of 10% until the equipment returns to service.

From time to time, the Group sells used equipment, this includes sales under some of its mining contracts that include the option to purchase. If the sale price differs from the carrying value of the equipment at the time, the gain or loss is recorded as other income on the Group's income statement.

When the Group rebuilds equipment, the direct costs of the labour and materials, together with an allocation of the fixed workshop overhead costs, are added to the carrying value of the rebuilt asset, and the asset continues to be depreciated based on a revised estimated useful life, determined by management on the basis of historical average operational usage for rebuilt equipment.

f) Removal of parent entity financial statements

The Group has applied amendments to the Corporations Act (2001) that remove the requirement for the Group to lodge parent entity financial statements. Parent entity financial statements have been replaced by the specific parent entity disclosures in note 29.

g) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

h) New accounting standards and interpretations

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the year of initial application. They are available for early adoption at 1 July 2014, but have not been applied in preparing this financial report.

- AASB 9 Financial Instruments; includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Group's 30 June 2016 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2013 or earlier. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.
- AASB 15 Revenue from Contracts with Customers; The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards. The standard permits modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application, i.e. without restating the comparative period. The Group will only need to apply the new rules to contracts that are not completed as of the date of initial application. The Group has not yet determined the potential effect of the standard and has chosen not to early adopt.

i) Changes in accounting policies

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and
- Continuation of Hedge Accounting Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards

The adoption of these standards did not have an impact on the current period or any prior period and is not likely to affect future periods.

The group has not elected to adopt any new accounting standards early.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these annual financial reports, and have been applied consistently by the Group, except as explained in note 2(i), which address changes in accounting policies.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Interests in equity-accounted investees

A joint venture is an arrangement in which the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the net assets of the arrangement, rather than direct rights to underlying assets and obligations for underlying liabilities.

Interests in the joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising for intra-group transactions, are eliminated. Unrealised gains arising for transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in those entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards are exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred.

If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

c) Foreign Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial report is presented in Australian dollars, which is Barmenco Holdings Pty Limited's functional and presentation currency and also the functional currency of the majority of the Group.

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances and rebates.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(i) Rendering of services

Sales of contracting and consulting services are recognised in the accounting year in which the services are rendered.

(ii) Sale of goods

Revenue on sale of goods is recognised once risks of ownership have been transferred to the buyer.

e) Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial report. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences only if it is probable that future taxable amounts will be available to utilise those temporary differences.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Barmenco Holdings Pty Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Barmenco Holdings Pty Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

f) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known accounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment (note 3(k)). Trade receivables are generally due for settlement within 15 to 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in the profit or loss in other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

h) Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of the replaced part is derecognised. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant of dismantling the items and an appropriate proportion of production overheads. All other repairs and maintenance are charged to the profit and loss during the reporting year in which they are incurred.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

Land is not depreciated. Depreciation on other assets is calculated using the straight-line or the usage method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment (including finance leased items)	1 – 10 years
Motor vehicles	2 – 8 years
Buildings	2 – 25 years
Furniture and fittings	2 – 15 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

i) Inventories

Stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Costs of purchased inventory are determined after deducting rebates and discounts. The cost of work in progress comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a weighted average cost basis.

Barmenco inventory is categorised into a number of groupings across consumables and equipment spares.

Management carries out a detailed review of inventory in these groups to determine the level of obsolescence required based on usage, recoverable amounts, and alignment to current equipment fleet.

Net realisable value is the estimated ordinary selling price less the costs necessary to make the sale.

j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested annually for impairment (note 3(k)), or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Customer contracts and customer relationships

Customer contracts and customer relationship intangibles arising from a business combination are recorded at fair value at the date of acquisition (separate from goodwill), being the present value of identified contracted net cash flow streams and estimated net cash flow streams on estimated contract renewals, respectively, and are amortised based on their expected pattern of consumption of the expected future economic benefits embodied in the contracts and relationships. Accumulated impairment losses are deducted from the cost of the customer contracts and relationships.

The estimated useful life of customer relationships is 2 – 13 years.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

k) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, the recoverable amount is estimated annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liabilities.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 21). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

m) Investments and other financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) 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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) or other non-current assets in the statement of financial position.

(iii) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date, that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs with the exception of financial assets carried at fair value through the profit or loss which are recognised at fair value with transaction costs expensed to the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iv) Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(v) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired (note 3(k)).

n) Derivatives and hedging activities (cash flow hedges)

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 16.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within finance costs.

Amounts accumulated in equity are recognised in the profit or loss in the years when the hedged item affects profit or loss. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 – 60 days of recognition.

p) Borrowings and financing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the year of the borrowings using the effective interest method.

Transaction costs that are directly related to financing facilities are recognised as an expense on a straight line basis over the commitment period. Transaction costs for facilities are recognised as a prepayment in the statement of financial position.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs incurred on the construction of qualifying assets are capitalised during the period of time required to complete and prepare the asset for its sale or use. Other borrowing costs are expensed.

Interest expense is recognised on a time proportion basis using the effective interest method.

q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share based payment transactions

The Group provides benefits to employees in the form of share based payment transactions, approved by shareholders, whereby employees render services in exchange for shares or rights over shares. There are currently share option and performance rights programmes which provide benefits to executives and other employees.

The fair value of awards granted are recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest except where forfeiture is only due to total shareholder returns or market prices not achieving the threshold for vesting.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

s) 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. Mandatorily redeemable preference shares are classified as liabilities.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

t) 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 taxation authority. 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 taxation authority is included with other receivables or payables in the statement of financial position.

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 taxation authority, are presented as operating cash flows.

u) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), who are collectively the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are regularly reviewed by the Group's CEO and COO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. Financial risk management

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

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

a) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee ("ARC") is responsible for the review of the risk management policy which identifies, assesses, monitors, and manages the material risk throughout the Group. The ARC reports regularly to the Board of Directors on its activities.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the ARC.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

b) Credit risk

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

(i) Cash and cash equivalents

The cash and cash equivalents of the Group are held with management approved financial institutions. Currently these institutions are Secured Creditors of the Group. Counterparty credit worthiness is assessed on an ongoing basis.

(ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 19% (year ended 30 June 2014: 17%) of the Group's revenue is attributable to sales transactions with a single customer. Geographically, the concentration of credit risk is in Australia.

Under the Group's systems and procedures each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The exposure to credit risk is monitored on an ongoing basis. The Group's review includes external ratings, when available.

Credit risk is minimised by entering into credit insurance for customers whose individual exposure is considered to be material to the Group. Currently all customers have been assessed as credit worthy and no credit insurance is in place.

More than 79.8% (2014: 77.8%) of the Group's trade receivables exposed to credit risk are from customers who have been transacting with the Group for over three years.

The Group has established a process to review for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No impairment charges were recognised for the year (year ended 30 June 2014: Nil).

(iii) Guarantees

The Group's policy is to provide financial guarantees only to or for subsidiaries.

(iv) Derivatives

The derivatives are entered into with management approved bank and financial institution counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has banking facilities that mature as follows:

- High Yield Bonds: \$504,302,000 (in 1 June 2018)
- Revolving credit facility: \$50,000,000 (in 14 May 2016)

The Group's high yield bonds were issued subject to various covenants. A future breach of covenant may require the Group to repay the bonds earlier than indicated in the table presented in note 20.

The Group's revolving credit facility is subject to debt covenants. A future breach of covenant may prevent the Group from drawing down against the facility or result in any future drawdowns becoming due before the maturity date of 14

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

May 2016. The Revolving Credit Facility, finance leases and the cross currency interest rate swap are secured by the Barmenco Group Australian assets. Refer to note 17.

d) Market risk

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

The Group enters into derivative contracts to hedge market risk on its variable interest bearing financial liabilities. The Group applies hedge accounting to manage volatility in profit and loss.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, primarily of the Australian dollar (AUD). Other currencies in which these transactions primarily are denominated are United States Dollar (USD), and Egyptian Pound (EGP).

The Group is exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currency giving rise to this risk is primarily USD.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

In May 2013 the Group issued high yield bonds in United States Dollars for US\$485 million. During the financial year the Group repurchased 98.9 million of the bonds. The remaining face value of the high yield bonds as at 30 June 2015 is US\$386 million (note 17). The currency risk attached to the remaining bonds is being hedged 100% by a cross currency interest rate swap which has fixed principal and interest rate repayments over the life of the bond in AUD (note 16). The swap is being accounted for as a cash flow hedge and is 100% effective in eliminating currency risk with respect to the high yield bonds.

(ii) Interest rate risk

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology, and infrastructure, and from external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management at the project level. This responsibility is supported by the development of overall Group's standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

- training and professional development;
- ethical and business standards; and
- risk mitigation, including insurance, where this is effective.

f) Capital management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, and accumulated losses as disclosed in note 19. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors monitors the capital structure periodically. As a part of this process the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board the Group will balance its overall capital structure through new share issues and the issue of new debt.

(i) *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 returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings excluding redeemable preference shares less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the statement of financial position plus redeemable preference shares plus net debt. Redeemable preference shares are considered equity for purposes of the gearing ratio consistent with Directors' expectation that shareholder agreements would be put in place to allow satisfactory settlement of all liabilities under the redeemable preference shares should redemption be triggered early through an IPO or sale of all ordinary shares.

The gearing ratios at 30 June 2015 and 30 June 2014 were as follows:

		2015	2014
	Notes	\$'000	\$'000
Total borrowings excluding redeemable preference shares	17	526,863	543,195
Less: Cash and cash equivalents		(104,844)	(95,818)
Net debt		422,019	447,377
Total equity (including redeemable preference shares)		43,356	50,572
Total capital		465,375	497,949
Gearing ratio (excluding RPS)		91%	90%

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015	2014
\$'000	\$'000

5. Revenue

Services	490,635	535,702
Sale of goods	2,282	2,236
	492,917	537,938

6. Expenses

a) Employee benefits expenses

Wages and salaries	(189,061)	(218,006)
Compulsory superannuation payments	(16,107)	(17,463)
(Increase)/decrease in employee leave entitlements	(2,037)	2,784
	(207,205)	(232,685)

b) Contractor and consultant expenses

Contractors – mechanical	(1,043)	(1,987)
Contractors – electrical	(7,042)	(7,007)
Contractors – mining	(604)	(1,049)
Contractors - other	(8,649)	(2,519)
Consultants – other	(2,685)	(2,284)
	(20,023)	(14,846)

c) Other expenses

Other expenses for the year include the following specific expenses:

Operating lease expense	(6,802)	(7,774)
Foreign currency gain/(loss) (net)	1,539	(194)

d) Net financing costs

Interest payable on redeemable preference shares and shareholder loan notes	(44,264)	(38,828)
Amortisation of borrowing costs	(8,188)	(5,823)
Interest and finance charges paid/payable on borrowings	(59,416)	(60,316)
Interest paid/payable on finance leases	(660)	(1,690)
Gain on repurchase of high yield bonds	4,206	-
Other interest paid/payable	(2,462)	(3,560)
Net change of financial liabilities at fair value through profit or loss	-	30
Interest income	2,105	3,376
	(108,679)	(106,811)

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015	2014
\$	\$

7. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

a) Audit services

KPMG Australia

Audit of financial report

161,404	151,284
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Overseas KPMG firms

Assurance services

53,317	74,366
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214,721	225,650
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b) Other services

KPMG Australia

Tax compliance and advisory services

104,796	279,539
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Overseas KPMG firms

Tax compliance services

4,894	110,394
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109,690	389,933
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8. Income tax

a) Income tax expense

(i) Tax recognised in profit and loss

Current income tax

Current year

-	(801)
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Adjustments in respect of current income tax of previous years

(289)	(104)
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(289)	(905)
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Deferred income tax

Origination and reversal of temporary differences

(88)	191
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(88)	191
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Total tax recognised in profit and loss

(377)	(714)
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(ii) Tax recognised directly in equity

No income tax amounts were charged or credited directly to equity for the year ending 30 June 2015 (year ended 30 June 2014: \$ Nil).

(iii) Tax recognised in other comprehensive income

No net income tax amounts were recognised in other comprehensive income for the year ending 30 June 2015 (year ended 30 June 2014: \$ Nil).

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

b) Numerical reconciliation of income tax expense to prima facie tax payable

	2015 \$'000	2014 \$'000
Profit/(loss) for the year before income tax	(52,291)	(57,826)
Tax benefit at the Australian tax rate of 30%	15,688	17,348
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses (1)	(14,655)	(12,145)
Taxable gain on swap close out	(28,595)	
Effect of tax rates in foreign jurisdictions	3,545	2,481
Effect of share of profits of equity accounted investees	4,385	580
Tax losses utilised in the current year	21,022	-
Tax losses not recognised	-	(8,736)
Temporary differences not recognised	(1,441)	-
Tax losses from foreign subsidiary not recognised	(37)	-
Foreign tax credits not recoverable	-	(138)
Adjustments in respect of current income tax of previous years	(289)	(104)
	(377)	(714)

(1) Primarily tax effect of thin capitalisation adjustment of \$13,631,000 (2014: \$11,701,000)

c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect on the following items:

Tax losses (gross)	94,695	166,645
Other deferred tax assets (gross)	108,028	-
Total unrecognised deferred tax assets (gross)	202,723	166,645

A deferred tax asset has not been recognised as at 30 June 2015, given tax losses incurred in the Australian tax consolidated group in recent years, the taxable profits earned during the current period do not provide sufficient justification at this stage to recognise unused tax losses. The Group reviews evidence of the recoverability of these tax losses at each reporting date and additional evidence indicating recoverability may result in recognition at a future reporting date.

During 2015 Group CCIRS swaps were reset in order to extract value from the swap and repurchase High Yield Bonds. The gains on the swaps are assessable for income tax immediately on reset. The gain on swaps was \$99,524,000. Movements in the carrying value of the high yield bonds create a temporary difference of \$116 million for which no deferred tax asset has been recognised.

The availability of these carried forward tax losses to offset profits in future years depends on the Group's continued ability to satisfy the requirements under Australian tax law.

\$81,833,000 (2014: 141,041,000) of these tax losses relates to the deduction of interest expense on the redeemable preference shares.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

d) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	-	-	66	117	66	117
Inventories	-	-	1,025	908	1,025	908
Property, plant and equipment	(765)	(853)	8,269	9,589	7,504	8,736
Accrued interest on derivative financial instruments	(159)	(224)	-	-	(159)	(224)
Trade and other payables	(486)	(438)	-	-	(486)	(438)
Employee benefits	(9,142)	(8,569)	-	-	(9,142)	(8,569)
Provisions	(33)	(36)	-	-	(33)	(36)
Borrowings	(34,814)	-	-	-	(34,814)	-
Other items	(344)	(839)	3,210	236	2,866	(603)
Tax loss carry forwards	-	(744)	-	-	-	(744)
Tax (assets)/ liabilities	(45,743)	(11,703)	12,570	10,850	(33,173)	(853)
Set off of liabilities	12,570	10,850	(12,570)	(10,850)	-	-
DTA not recognised	32,408	-	-	-	32,408	-
Net tax (assets)/liabilities	(765)	(853)	-	-	(765)	(853)

The above recognised deferred tax asset and deferred tax liabilities are payable/refundable from different tax authorities and have been disclosed in the consolidated statement of financial position separately as follows:

e) Movement in temporary differences during the year

	Balance	Recognised	Balance	Recognised	Recognised	Balance
	1 July	in profit or	30 June	in profit or	in equity	30 June
	2013	loss	2014	loss		2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade and other receivables	(1)	118	117	(51)	-	66
Inventories	1,472	(564)	908	117	-	1025
Property, plant and equipment	8,909	(173)	8,736	(1,232)	-	7,504
Accrued interest on derivative financial instruments	(458)	234	(224)	65	-	(159)
Trade and other payables	-	(438)	(438)	(48)	-	(486)
Employee benefits	(9,462)	893	(8,569)	(573)	-	(9,142)
Provisions	(7)	(29)	(36)	3	-	(33)
Borrowings	(61)	61	-	-	(34,814)	(34,814)
Other items	(1,054)	451	(603)	366	3,103	2,866
Tax loss carry forwards	-	(744)	(744)	744	-	-
DTA not recognised	-	-	-	697	31,711	32,408
	(662)	(191)	(853)	88	-	(765)

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

9. Earnings per share

2015 \$'000	2014 \$'000
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a) Basic earnings per share

The calculation of basic earnings/(loss) per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of \$52,668,000 (loss 2014: \$58,540,000) and a weighted average number of ordinary shares outstanding of 4,987,241 (2014: 4,969,081) calculated as follows:

(i) Profit/(loss) attributable to ordinary shareholders

Profit/(loss) attributable to ordinary shareholders	(52,668)	(58,540)
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(ii) Weighted average number of ordinary shares

Issue ordinary shares at 1 July	4,969,081	4,969,081
Effect of ordinary shares issued 1 Sep 14	18,160	-

Weighted average number of ordinary shares	4,987,241	4,969,081
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	\$	\$
Basic earnings/(loss) per share	(10.560)	(11.781)

b) Diluted earnings per share

There were no dilutive instruments outstanding during the year.

10. Trade and other receivables

a) Trade and other receivables - current

Trade receivables	9,923	12,136
Unbilled revenue	46,708	43,755
Related party receivables*	275	259
Other receivables	567	669
	57,473	56,819

b) Other non-current assets

Loans to related parties *	-	6,689
Loan – Management incentive plan (Note 24)	1,570	-
Prepayments	83	1,421
	1,653	8,110

*Related party receivables represent trade receivables from jointly controlled entities. The amount was repaid during the year.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015	2014
\$'000	\$'000

11. Inventories

a) Inventory balances at end of year

Stores at cost

25,292 24,187

b) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year were \$265,000 (2014: \$357,000).

12. Jointly controlled entities

The Group has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 2015 %	Ownership 2014 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50

There are no other investments in equity in any of the above entities. AUMS has a 30 June reporting date whilst AUMSM and AUMSB have a 31 December reporting date.

The terms of the shareholder agreement require the Company to meet any shareholder cash calls to AUMS on a 50:50 basis with its joint venture partner.

The investments in AUMS are accounted for using the equity method in accordance with AASB 128.

During 2015 AUMS and AUMSM paid dividends to the Company in the amounts of US\$4,600,000 (A\$5,966,000) and EUR8,129,000 (A\$11,697,000) respectively.

Summarised financial information for AUMS is set out below:

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

a) Share of net assets/(liabilities) of jointly controlled entities

	2015	2014
	\$'000	\$'000
Current assets	150,646	166,733
Non-current assets	39,095	50,918
Total assets	189,741	217,651
Current liabilities	(49,382)	(77,036)
Non-current liabilities	(5,683)	(5,470)
Total Liabilities	(55,065)	(82,506)
Net assets (100%)	134,676	135,145
Group's share of net assets (50%)	67,338	67,572
Elimination of unrealised profit on downstream sales	4	2
Carrying amount of interest in joint venture	67,342	67,574

b) Share of profits from jointly controlled entities

Revenue	227,756	266,450
Other income	2,160	7,110
Operating and administration expense	(170,849)	(227,950)
Depreciation	(25,906)	(38,738)
Operating profit	33,161	6,872
Net finance income/(costs)	194	(2,922)
Income tax expense	(6,033)	(1,140)
Profit and total comprehensive income (100%)	27,322	2,810
Profit and total comprehensive income (50%)	13,661	1,405
Elimination of unrealised profit on downstream sales	2	528
Realised exchange gain on dividend received	952	-
Group's share of profit and total comprehensive income	14,615	1,933

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

13. Property, plant and equipment

a) Reconciliation of the movement in carrying amounts

30 June 2015

	Plant and equipment \$'000	Leased plant and equipment \$'000	Land and buildings \$'000	Furniture and fittings \$'000	Total \$'000
Opening net book amount	99,764	18,245	3,379	1,724	123,112
Additions	46,235	2,427	6	136	48,804
Disposals	(5,097)	(13)	(47)	(5)	(5,162)
Transfers	3,461	(3,461)	-	-	-
Depreciation charge	(42,380)	(9,100)	(279)	(539)	(52,298)
Closing net book amount	101,983	8,098	3,059	1,316	114,456

Cost	330,553	12,928	4,950	4,567	352,998
Accumulated depreciation	(228,570)	(4,830)	(1,891)	(3,251)	(238,542)
Net book amount	101,983	8,098	3,059	1,316	114,456

30 June 2014

Opening net book amount	95,004	32,635	3,698	1,970	133,307
Additions	37,432	12,961	-	2,569	52,962
Disposals	(4,765)	-	-	-	(4,765)
Transfers	19,312	(17,051)	-	(2,261)	-
Depreciation charge	(47,219)	(10,300)	(319)	(554)	(58,392)
Closing net book amount	99,764	18,245	3,379	1,724	123,112

Cost	338,807	32,566	5,675	4,462	381,510
Accumulated depreciation	(239,043)	(14,321)	(2,296)	(2,738)	(258,398)
Net book amount	99,764	18,245	3,379	1,724	123,112

b) Assets in the course of construction

The carrying amounts of the assets disclosed above include \$3,535,000 (2014: \$11,572,000) in expenditure recognised in relation to property, plant and equipment which is in the course of construction.

c) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

14. Intangibles

a) Reconciliation of the movement in carrying amounts

30 June 2015

Opening net book amount

Amortisation charge

Impairment charge

Closing net book amount

Cost

Accumulated amortisation and impairment

Net book amount

	Goodwill	Customer relationships & contracts	Total
	\$'000	\$'000	\$'000
Opening net book amount	256,930	3,322	260,252
Amortisation charge	-	(1,017)	(1,017)
Impairment charge	-	-	-
Closing net book amount	256,930	2,305	259,235
Cost	256,930	76,400	333,330
Accumulated amortisation and impairment	-	(74,095)	(74,095)
Net book amount	256,930	2,305	259,235

30 June 2014

Opening net book amount

Amortisation charge

Impairment charge

Closing net book amount

Cost

Accumulated amortisation and impairment

Net book amount

Opening net book amount	256,930	4,345	261,275
Amortisation charge	-	(1,023)	(1,023)
Impairment charge	-	-	-
Closing net book amount	256,930	3,322	260,252
Cost	256,930	76,400	333,330
Accumulated amortisation and impairment	-	(73,078)	(73,078)
Net book amount	256,930	3,322	260,252

b) Impairment loss – customer relationships

Each year the Group reviews the recoverable amount of intangible assets represented by customer relationships by assessing whether the originally assessed future economic benefits continue to exist based on estimated contracts renewals and cash flows. This resulted in no impairment of customer relationships during the current year (2014: \$Nil).

2015	2014
\$'000	\$'000

c) Impairment testing for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

Barmenco Australia

256,930	256,930
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Goodwill is reviewed at each reporting year for indications of impairment and an impairment test is performed annually. A goodwill impairment test was last conducted at 30 April 2015 and a review of the impairment indicators was conducted at 30 June 2015.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

A review of impairment indicators at 30 June 2015 does not indicate impairment of the asset.

At 30 June 2015 the recoverable amount of the Barmenco Holdings cash-generating units was based on value in use calculations and the resulting value exceeded the carrying amount of the unit including goodwill.

The value in use calculations used cash flow projections based on the budget forecast for the 2016 to 2020 financial years. Financial years from 2017 to 2020 (2014: 2016 to 2019) incorporate an estimated annual EBITDA growth rate of 5% to 32% (2014: 8% to 28%). The 2016 budget forecast was determined as a result of a comprehensive exercise where the operational divisions evaluate each individual contract and project and update the forecast on which the revenues and costs are based. Additionally, a terminal value was calculated after 5 years incorporating a perpetual growth rate of 1.5% (2014: 2.90%).

Weighted average cost of capital post-tax discount rates in the range of 10.0% and 11.1% (2014:10.7% to 12.4%) were used in discounting projected cash flows. The present value of cash flows is sensitive to the growth and discount rates used. A higher discount rate will result in a lower value in use.

15. Trade and other payables

Trade payables	29,042	24,823
Other creditors and accruals	24,917	24,229
	53,959	49,052

16. Derivative financial instruments

Non-current asset

Cross currency interest rate swap contract cash flow hedge (i)	10,545	15,410
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The Group entered into cross currency interest rate swaps in May 2013 for a notional principal of US\$485,000,000 maturing on 1 June 2018. As a result of a strengthening US dollar and consequent increase in the fair value of the swap asset, management took the opportunity to extract value from the swap and repurchase 98,957,000 of issued US dollar bonds.

The swaps were reset several times during the year and remain fixed interest to fixed interest United States Dollar/Australian Dollar swaps under which the Group receives a United States Dollar fixed interest payment and pays an Australian Dollar interest payment, with interest settled on 1 June and 1 December each year respectively until maturity. On maturity the Group will receive US\$386,043,000 and pay A\$487,781,000 in final settlement of the swaps (Note 20).

The Group will benefit from a lower fixed interest rate paid into the swap, with an average annual saving of A\$6,294,000.

The reset swaps have been re-designated for cash flow hedge accounting against the remaining high yield bonds and remain a highly effective hedge of exchange exposure.

Barmingo Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

17. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	30 June 2015		30 June 2014	
					Current	Non-current	Current	Non-current
					\$'000	\$'000	\$'000	\$'000
							Restated	Restated
High Yield Bonds	(a)	USD	9%	2018	-	504,302	-	514,917
Shareholder loans	(c)	AUD	14.00%	2019	-	16,817	-	14,752
Redeemable preference shares	(d)	AUD	14.00%	2019	-	343,617	-	301,418
Finance lease liabilities	(b)	AUD	7.35%	2015 - 2017	3,316	2,428	9,426	4,100
Capitalised borrowings costs		AUD			3,316	867,164	9,426	835,187
					(3,246)	(6,232)	(4,081)	(11,892)
Total interest bearing liabilities					70	860,932	5,345	823,295

a) High Yield Bonds

The High Yield Bonds relate to the senior notes issued on 20 May 2013 for the issue price of US\$485,000,000 and due for repayment 1 June 2018. During 2015 the Group repurchased 98,957,000 of the issued notes, with notes remaining on issue of US\$386,043,000. The terms of the remaining notes remain unchanged. The notes were issued by Barmingo Finance Pty Ltd are unsecured and have been guaranteed by Barmingo Holdings Pty Limited and Barmingo Limited. Under the terms of the notes issue, interest is payable on 1 June and 1 December. The high yield bonds are quoted on the Singapore Stock Exchange.

b) Finance lease liabilities

Lease liabilities are effectively secured, as the rights to the leased assets which are recognised in the financial statements revert to the lessor in the event of a default.

c) Shareholder loan notes

Capitalised interest of 14% is added to the Shareholder loan notes balance annually on 30 August each year. The Shareholder loan notes mature on 31 January 2019. Refer to note 250(i) for further details.

d) Redeemable preference shares

Redeemable preference shares (RPS) were issued on 31 August 2007 at \$1 each with an interest rate of 14% compounded annually and unpaid interest is capitalised to the RPS balance. The RPS's are subordinated to the High Yield Bonds. Refer to note 25 for further details.

Barmenco Holdings Pty Limited Consolidated Group

Notes to the financial statements (continued)

For the year ended 30 June 2015

19. Capital and reserves

a) Share capital

Ordinary shares

	2015		2014	
	#'000	\$'000	#'000	\$'000
Ordinary shares – fully paid	4,991	4,722	4,687	4,719
Ordinary shares – paid to \$0.001	-	-	281	-
	4,991	4,722	4,968	4,719

At 30 June 2015 all ordinary shares had been fully paid with no ordinary shares partly paid (30 June 2014: 280,885).

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. This is subject to the prior entitlements of the redeemable preference shares, which are classified as liabilities (note 17).

b) Options

Information relating to options over unissued shares is set out in note 24.

	2015 \$'000	2014 \$'000
	(11,726)	(4,036)
	917	(7,690)
	467	-
	(10,342)	(11,726)

c) Hedging reserve

Balance at the beginning of the year
Revaluation
Transferred to profit or loss

	(11,726)	(4,036)
	917	(7,690)
	467	-
	(10,342)	(11,726)

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 3(k). Amounts are recognised in the profit or loss when the associated hedged transaction affects profit or loss.

d) Translation reserve

Balance at the beginning of the year
Currency translation differences

	4,772	4,875
	2,816	(103)
	7,588	4,772

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group.

e) Legal reserve

Balance at the beginning of the year
Legal reserve increase

	-	-
	387	-
	387	-

The Group have an Egyptian subsidiary that is required by Egyptian law to set aside a percentage of its retained earnings as a legal reserve.

Barmenco Holdings Pty Limited Consolidated Group
Notes to the financial statements (continued)
For the year ended 30 June 2015

20. Financial instruments

a) Accounting classifications & fair value

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Barmingo Holdings Pty Limited Consolidated Group

Notes to the financial statements (continued)

For the year ended 30 June 2015

30 June 2015	Carrying amount			Fair value				
	Fair value hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Cross currency interest rate swaps used for hedging								
	10,545	-	-	10,545	-	10,545	-	10,545
	10,545	-	-	10,545				
Financial assets not measured at fair value								
Cash and cash equivalents	-	104,844	-	104,844	-	-	-	-
Trade and other receivables	-	59,043	-	59,043	-	-	-	-
	-	163,887	-	163,887				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(53,959)	(53,959)	-	-	-	-
Finance lease liabilities	-	-	(5,744)	(5,744)	-	(5,811)	-	(5,811)
High Yield Bonds	-	-	(504,302)	(504,302)	(478,941)	-	-	(478,941)
Redeemable preference shares	-	-	(343,617)	(343,617)	-	-	(343,617)	(343,617)
Shareholder loans	-	-	(16,817)	(16,817)	-	-	(16,817)	(16,817)
	-	-	(924,439)	(924,439)				
	10,545	163,887	(924,439)	(750,007)				

Barmingo Holdings Pty Limited Consolidated Group

Notes to the financial statements (continued)

For the year ended 30 June 2015

30 June 2014	Carrying amount			Fair value				
	Fair value hedging instruments \$'000	Loans and receivables \$'000	Other financial liabilities \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets measured at fair value								
Cross currency interest rate swaps used for hedging	15,410	-	-	15,410	-	15,410	-	15,410
	15,410	-	-	15,410				
Financial assets not measured at fair value								
Cash and cash equivalents	-	95,818	-	95,818	-	-	-	-
Trade and other receivables	-	64,929	-	64,929	-	-	-	-
	-	160,747	-	160,747				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(49,052)	(49,052)	-	-	-	-
Finance lease liabilities	-	-	(13,526)	(13,526)	-	(13,608)	-	(13,608)
High Yield Bonds	-	-	(514,917)	(514,917)	(499,331)	-	-	(499,331)
Redeemable preference shares	-	-	(301,418)	(301,418)	-	-	(301,418)	(301,418)
Shareholder loans	-	-	(14,752)	(14,752)	-	-	(14,752)	(14,752)
	-	-	(893,665)	(893,665)				
	15,410	160,747	(893,665)	(717,508)				

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Cross currency interest rate swaps	<i>Market comparison technique</i>	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities	<i>Discounted cash flows</i>	Not applicable

(ii) Transfers between level 1 and 2

There were no transfers between level 1 and 2 during the year (2014: Nil).

(iii) Level 3 fair values

Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	Redeemable preference shares \$'000	Shareholder loan notes \$'000	Warrants \$'000
Balance at 1 July 2013	(264,402)	(12,940)	(30)
Net change in fair value	-	-	30
Interest included in finance costs	(37,016)	(1,812)	-
Balance as at 30 June 2014	(301,418)	(14,752)	-
Balance at 1 July 2014	(301,418)	(14,752)	-
Net change in fair value	-	-	-
Interest included in finance costs	(42,199)	(2,065)	-
Balance as at 30 June 2015	(343,617)	(16,817)	-

There were no transfers out of level 3 during the year (2014: Nil).

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(iv) Interest rates used for determining fair value

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables, bank loans and interest rate swaps is considered to be equal to carrying amount as carrying amount is considered to be a reasonable approximation of fair value.

The carrying amount of redeemable preference shares at 30 June 2015 is \$343,617,000 (as at 30 June 2014: \$301,418,000). Fair value information has not been disclosed for the redeemable preference shares because their fair value cannot be measured reliably. There is no active market for the instruments and fair value cannot be estimated reliably because of uncertainty of redemption value upon a redemption trigger event. An IPO, sale of all ordinary shares, or asset sale of the main undertaking of the Group will trigger redemption of the redeemable preference shares that will otherwise not have to be redeemed until 31 January 2019.

The carrying amount of the High Yield Bonds, excluding capitalised borrowing costs, recognised at 30 June 2015 was US\$386,043,000 (A\$504,302,000) (as at 30 June 2014: US\$485,000,000, A\$514,917,000). Fair value reflects the closing price of the notes of as listed on the Singapore stock exchange as at 30 June 2015.

2015	2014
\$'000	\$'000

b) Credit risk

(i) Exposure to credit risk (refer also to note 4(b))

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	104,844	95,818
Trade and other receivables	59,043	63,507
Derivatives	10,545	15,410
	174,432	174,735

The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

Australia	53,319	48,966
Africa	5,724	14,541
	59,043	63,507

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Mining customers	57,198	56,559
Jointly controlled entity	275	6,948
Other	1,570	-
	59,043	63,507

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015 \$'000	2014 \$'000
280	4,761
21	(7)
-	19
301	4,773

The aging of the Group's trade receivables which are past due at the reporting date but not impaired was:

Past due 0-30 days
Past due 31-60 days
Past due more than 90 days

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables as all customers have a good credit history with the Group.

(ii) Impairment losses

There were no impairment losses recognised with respect to receivables during the year (2014: Nil).

(iii) Liquidity risk (refer also to note 4(c))

The following are contractual maturities of financial liabilities at reporting date. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2015

Non-derivative financial liabilities

Trade and other payables*
Finance lease liabilities
High Yield Bonds
Redeemable preference shares
Shareholder loan notes

Carrying amount \$'000	Contractual cash flows \$'000	12 months or less \$'000	1-5 years \$'000	More than 5 years \$'000
53,959	(53,959)	(53,959)	-	-
5,744	(6,131)	(3,621)	(2,510)	-
504,302	(640,558)	(45,394)	(595,164)	-
343,617	(550,479)	-	(550,479)	-
16,817	(26,950)	-	(26,950)	-
924,439	(1,278,077)	(102,974)	(1,175,103)	-

Derivative financial (assets)/liabilities

Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds

- Inflows
- Outflows

Cross currency interest rate swaps used for hedging

-	640,558	45,394	595,164	-
-	(650,403)	(54,307)	(596,096)	-
-	(9,845)	(8,913)	(932)	-

* The contractual cash flows for 12 or less months excludes deferred revenue and accrued High Yield Bond interest of A\$3,782,000 (2014: A\$3,733,000).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

The following are contractual maturities of financial liabilities. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2014

Non-derivative financial liabilities

	Carrying amount \$'000	Contractual cash flows \$'000	12 months or less \$'000	1-5 years \$'000	More than 5 years \$'000
Trade and other payables*	49,052	(49,052)	(49,052)	-	-
Finance lease liabilities	13,526	(14,370)	(10,020)	(4,350)	-
High Yield Bonds	514,917	(700,287)	(46,343)	(653,944)	-
Redeemable preference shares	301,418	(550,629)	-	(550,629)	-
Shareholder loan notes	14,752	(26,950)	-	(26,950)	-
	893,665	(1,341,288)	(105,415)	(1,235,873)	-

Derivative financial liabilities

Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds

- Inflows	-	700,287	46,343	653,944	-
- Outflows	-	(730,206)	(60,565)	(669,641)	-
Cross currency interest rate swaps used for hedging	-	(29,919)	(14,222)	(15,697)	-

* The contractual cash flows for 12 or less months excludes deferred revenue and accrued High Yield Bond interest of A\$3,782,000 (2014: A\$3,733,000).

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2015			
	AUD \$'000	USD \$'000	ZAR \$'000	EGP \$'000
Cash and cash equivalents	104,667	145	-	32
Trade and other receivables	59,043	-	-	-
Trade and other payables	(53,959)	-	-	-
Borrowings	(366,178)	(504,302)	-	-
Derivative financial instruments	-	10,545	-	-
Gross statement of financial position exposure	(256,427)	(493,612)	-	32

	2014			
	AUD \$'000	USD \$'000	ZAR \$'000	EGP \$'000
Cash and cash equivalents	95,786	11	-	20
Trade and other receivables	62,804	6,689	3	218
Trade and other payables	(49,052)	-	-	-
Borrowings	(313,723)	(514,917)	-	-
Derivative financial instruments	-	15,410	-	-
Gross statement of financial position exposure	(204,185)	(492,807)	3	238

The following significant exchange rates applied during the year:

	2015 USD	2014 USD
Reporting date spot rate	0.7655	0.9419
Average rate	0.8369	0.9179

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(ii) Sensitivity analysis

The Group is subject to the impact of changes in foreign currency exchange rates due to exposures to USD, and EGP. A strengthening of each of the following currencies against AUD at 30 June would have increased/ (decreased) profit and loss by the amounts shown below. The analysis is based on foreign currency exchange rate variances of 10% against all other currencies, and reflects a variation that the Group considered to be reasonably possible at the end of the reporting years. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for each reporting year, albeit that reasonably possible exchange rate variances were different, as indicated below.

	2015		2014	
	Strengthening \$'000	Weakening \$'000	Strengthening \$'000	Weakening \$'000
United States Dollars (USD)	(49,361)	49,361	(49,280)	49,280
Egyptian Pound (EGP)	3	(3)	24	(24)

d) Interest rate risk

(i) Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2015 \$'000	2014 \$'000
Fixed rate instruments		
Financial liabilities	(870,480)	(844,612)
Variable rate instruments		
Financial assets	101,078	73,633

(ii) Fair value sensitivity analysis for fixed rate instruments

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

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

(iii) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	Profit or loss		Equity	
	100 bp Increase \$'000	100 bp Decrease \$'000	100 bp Increase \$'000	100 bp Decrease \$'000
30 June 2015				
Variable rate instruments	1,011	(1,011)	-	-
Cross currency interest rate swap *	-	-	841	(841)
	1,011	(1,011)	841	(841)
30 June 2014				
Variable rate instruments	736	(736)	-	-
Interest rate swap	-	-	(1,325)	1,325
	736	(736)	(1,325)	1,325

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barmenco. Independently calculated, the AUD leg of the swaps are valued at A\$16,904,000 (2014: A\$21,327,000) and USD leg A\$16,063,000 (2014: A\$22,652,000).

Master netting or similar agreements

The group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

The following table set out the carrying amounts of recognised financial instruments that are subject to the above agreements.

30 June 2015

Financial assets

Other investments, including derivatives

- Cross currency Interest rate swaps used for hedging

Gross and net amounts of financial instruments in the statement of financial position \$'000	Related financial instruments that are not offset \$'000	Net amount \$'000
10,545	-	10,545
10,545	-	10,545

30 June 2014

Financial assets

Other investments, including derivatives

- Cross currency interest rate swaps used for hedging

15,410	-	15,410
15,410	-	15,410

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015	2014
\$'000	\$'000

21. Commitments

a) Operating leases

Non-cancellable operating lease rentals are payable as follows:

In thousands of dollars

Within one year	2,170	2,070
Later than one year but not later than five years	9,477	8,953
Later than five years	8,605	11,130
	20,252	22,153

During the year an amount of \$6,802,000 was recognised as an other expense (refer to note 6(c)) in profit or loss in respect of operating leases (2014: \$7,774,000).

The Group leases various offices, warehouses and items of IT equipment under non-cancellable operating leases expiring within two to fifteen years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

b) Finance leases

Commitments in relation to finance leases are payable as follows:

Within one year	3,621	10,120
Later than one year but not later than five years	2,510	4,250
Minimum lease payments	6,131	14,370
Future finance charges	(387)	(844)
Recognised as a liability	5,744	13,526

Representing lease liabilities

Current	17	3,316	9,426
Non-current	17	2,428	4,100
		5,744	13,526

Leased assets carrying amount	8,098	18,245
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The Group leases various plant and equipment with a carrying amount at 30 June 2015 of \$8,098,000 (2014: \$18,245,000) under finance leases expiring within one to five years. Finance leases, net of future finance charges are recognised as a liability in the consolidated statement of financial position.

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

2015	2014
\$'000	\$'000

c) Capital commitments

Capital commitments are as follows:

Within one year

29,560 20,621

Later than one year but not later than five years

- -

29,560 20,621

22. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO and COO in assessing performance and in determining the allocation of resources.

Management has determined that the nature of the company's services and products are the same across the whole business. The same equipment is acquired from the same suppliers in order to perform similar services contracted by the respective clients. The same types of equipment are used, and the same processes are applied as they relate to each underground mine. Additionally, the company's customers are involved in the same industry and several customer sites are operated under common client ownership. Accordingly, management believes there is only the single segment.

Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets.

	2015		2014	
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	435,484	375,709	488,938	395,811
Africa	58,592	10,945	50,662	11,926
Africa – AUMS Joint Venture	-	67,342	-	67,574
	494,076	453,996	539,600	475,311

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

23. Notes to the consolidated statement of cash flows

	2015 \$'000	2014 \$'000
a) <u>Reconciliation of cash flows from operating activities</u>		
Profit/(loss) for the year after tax	(52,668)	(58,540)
Adjusted for non-cash items:		
Share of profit from equity accounted investments	(14,615)	(1,933)
Depreciation and impairment of property, plant and equipment	52,298	58,392
Amortisation of intangibles	1,017	1,023
Gain on disposal of property, plant and equipment	(1,159)	(1,662)
Accrued interest on redeemable preference shares	42,199	37,016
Accrued interest on other loans	2,065	1,812
Accrued interest on bank loans	(169)	(2,570)
Fair value adjustment to derivatives	501	(30)
Gain on repurchase of high yield bonds	(4,206)	-
Amortisation of borrowing costs	8,188	5,827
Non-cash employee benefit	59	-
Net unrealised foreign exchange (gain)/loss	(723)	209
Income tax expense/(benefit)	377	575
Changes in net operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(657)	31,372
Decrease/(increase) in inventories	(1,105)	1,736
Decrease/(increase) in other assets	(789)	(358)
(Decrease)/increase in trade and other payables	3,878	(16,667)
Decrease in current tax liability	(817)	(3,134)
(Decrease)/increase in employee benefits and other provisions	1,983	(2,797)
Net cash inflow from operating activities	35,657	50,271

b) Non-cash financing and investing activities

During the financial year there were no non-cash financing or investing transactions not reflected in the statement of cash flows.

c) Proceeds from borrowings

The Group has acquired property, plant and equipment of \$2,427,000 (2014: \$12,961,000) using finance leases during the year.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

24. Share-based payments

a) Executive incentive and share option plan

(i) *Description of share-based payments arrangements*

In August 2007 the Company introduced the Barmenco Holdings Executive Incentive Share and Option Plan which provides eligible Executives with an opportunity to acquire an ownership interest or exposure to an ownership interest in the Company.

The last options expired during the year. There is no expectation that further options will be issued in the future.

(i) The number and weighted average exercise prices of share options are as follows:

	2015		2014	
	Weighted average exercise price \$	Number of options #’000	Weighted average exercise price \$	Number of options #’000
Outstanding at 1 July	0.999	8,977	0.999	8,977
Forfeited during the year	0.999	(8,977)	-	-
Outstanding at end of year	-	-	0.999	8,977
Exercisable at end of year	-	-	0.999	8,977

The options expired on 20 November 2014.

b) Management incentive plan

In August 2014 the Company introduced the Barmenco Holdings Management Incentive Plan which provides key management with an opportunity to purchase ordinary shares and redeemable preference shares. The plan also provides for interest bearing and non-interest bearing loans to purchase the shares.

A summary of the main aspects of the plan are as follows:

- The Board may determine the key management (and/ or their Nominees) who are eligible to participate in the Plan and make an invitation to participate in the Plan.
- An invitation to apply for Plan Shares or Plan Interests may be made on such terms and conditions as the Board decides from time to time.
- Interest bearing loans of \$510,000 have been provided with a fixed interest rate granted at market rates and interest payments due quarterly, with principle repayments due in August 2017.
- Interest free loans of \$1,274,000 have been provided and currently have a maximum term of 9 years from the date of agreement. These loans may be net settled against proceeds from disposal of equity interests.
- Loans are non-recourse with plan issued redeemable preference shares and ordinary shares held as collateral.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

25. Related parties

2015	2014
\$	\$

a) Key management personnel compensation

Key management personnel compensation comprised:

Short term employee benefits	3,158,083	3,025,903
Termination payments	14,942	116,162
Other long term benefits	211,118	162,166
	3,384,143	3,304,231

b) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

(i) *Mr P M Bartlett - Director of Barmenco Holdings*

Shareholding

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), in its capacity as trustee of the PM Bartlett Family Trust is the holder of 1,499,500 ordinary shares representing 30% of the ordinary shares on issue as at 30 June 2015 and 30 June 2014, and 35,859,973 redeemable preference shares at \$1 each with an interest rate of 14%, representing 29% of the redeemable preference shares on issue as at 30 June 2015 and 30 June 2014. The redemption date of the preference shares is 31 January 2019.

Interest is compounded annually and the accumulated interest as at 30 June 2015 is \$64,402,872 (2014: \$52,416,425). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Loan notes

A loan note with a face value of \$6,015,000 was issued to Bremerton Pty Ltd on 31 August 2007 at an interest rate of 14% with an expiry date of 31 July 2017, which was extended to 31 January 2019 in 2013 by mutual consent. The loan is subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap. The accumulated interest as at 30 June 2015 is \$10,802,463 (2014: \$8,737,160).

Miners Rest Hotel – Kalgoorlie

Peter Bartlett and his associated entities have a 5.87% shareholding in Ausdrill Limited, Barmenco's partner in the AUMS joint ventures. A subsidiary of Ausdrill Limited operates the Miners Rest Hotel located in Kalgoorlie, Western Australia, which Barmenco utilises for the provision of accommodation for certain Barmenco staff. These services are provided at commercial rates.

Costs incurred during the year: \$160,922 (2014: \$22,139).

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

Provision of electrical services – Hahn Electrical Contracting Pty Ltd

Hahn Electrical Contracting Pty Ltd (“Hahn”) supplies Barmenco with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Each contract with Hahn either contains price management mechanisms or has a limited term (generally one year) at the end of which Barmenco can review Hahn’s pricing against that of other suppliers. Settlement of payables to Hahn is in line with similar third party creditors.

Costs incurred during the year: \$11,521,571 (2014: \$12,244,021).

Consulting fee

A consultancy agreement between Peter Bartlett and the Group was made in August 2007 as part of the sale of Barmenco Limited to Barmenco Finance Pty Ltd. The consultancy fee of \$333,333 per annum (exclusive of GST) is payable for the provision of management advice. Costs incurred during the year: \$333,333 (2014: \$333,333).

Director fees and business expenses

Peter Bartlett was paid director fees during the year (exclusive of GST) and is reimbursed for all business related expenses. The directors fee was waived from January 2015 for the time being.

Costs incurred during the year: \$40,000 (2014: \$60,000).

Leased property – 390 Stirling Crescent Hazelmere, Western Australia

The Group has entered into a contract, negotiated at arm’s length, with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia.

The terms and conditions of the lease are as follows:

- Commencement date: 29 July 2008
- Annual rent: \$1,650,000 (before rent review increases)
- Expiry date: 28 July 2023
- Options: two five year options to extend the lease to 29 July 2033
- Annual fixed rent review (annual increase of 5%)

Costs incurred during the year: \$2,175,784 (2014: \$2,035,120).

(ii) Existing Gresham Investors

Shareholding

The Existing Gresham Investors hold 3,000,500 ordinary shares representing 60% of the ordinary shares on issue as at 30 June 2015 and 2014 and 83,713,028 (2014: 84,239,500) redeemable preference shares at \$1 with a 14% interest rate, representing 68.0% of the redeemable preference shares on issue as at 30 June 2015 (2014: 68.6%).

Interest is compounded annually and the accumulated interest as at 30 June 2015 is \$150,344,776 (2014: \$122,363,095). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap. The redemption date of the preference shares is 31 January 2019.

Existing Gresham Investors comprise Perpetual Corporate Trust Limited as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund), Gresham Nominees 1 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2a, Gresham Nominees 2 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2b, Gresham Private Equity Limited in its capacity as custodian for the Plan Members in the Gresham Private Fund No.2 Co-Investment Plan, and Gresham Partners Capital Limited in its capacity as custodian for the wholesale investors.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

Consulting fees

A consultancy agreement between Gresham Private Equity Limited and the Group was made in August 2007 as part of the sale of Barmenco Limited to Barmenco Finance Pty Ltd. The consultancy fee of \$666,666 (2014: \$666,666) per annum (exclusive of GST) is payable for the provision of corporate and financial advice.

Director fees

Board members on the Barmenco Holdings Board representing Gresham Private Equity are entitled to director fees. Gresham directors have waived their directors fees from January 2015 for the time being.

Costs incurred during the year: \$86,667 (2014: \$160,000).

c) Other related party transactions

(i) Management

At 30 June 2015 management are the beneficial owners of 491,029 ordinary shares representing 10% of Barmenco Holdings (2014: 468,081) and 3,379,808 redeemable preference shares at \$1 each with a 14% interest rate representing 2% of the redeemable preference shares on issue at that date (2014: 2,627,804).

Interest is compounded annually and the accumulated interest as at 30 June 2015 is \$4,788,053 (2014: \$3,685,673). The redemption date of the preference shares is 31 January 2019.

(ii) AUMS Joint Ventures

Barmenco has a 50% interest in the AUMS Joint Ventures, which provides underground hard-rock contract mining services to mining companies in certain countries in West Africa. The other 50% is owned by ASX-listed Ausdrill Limited (Ausdrill). 5.87% of Ausdrill is owned by Peter Bartlett. Ausdrill provide services to AUMS at normal commercial terms.

At 30 June 2015 a subsidiary of the Group, Barmenco Ltd had a related party trade debtor of \$275,164 (2014: \$259,261) which is recognised in the Group's statement of financial position.

26. Subsequent events

With an effective date of 24 July 2015, the Group repurchased 25,000,000 high yield bonds with a face value of US\$25,000,000. As a result of strengthening of the United States Dollar against the Australian dollar since the start of the year there was an opportunity to utilise the fair value of the swap asset to repurchase bonds. The Swaps were reset on 24 July 2015 with funds used to settle the repurchase of the bonds. This results in a reduction of annual interest repayments into the swaps in the amount of \$1,274,000, while the amount required to settle the principle repayment of the Bond in May 2018 in Australian dollars remains unchanged at A\$487,781,000.

There have been no other matters or significant events that have arisen since 30 June 2015 that have or may significantly affect the operations, results, or state of affairs of the Group.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

27. Subsidiaries

The annual financial report incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3(a).

Name of entity	Country of incorporation	Class of shares	Equity holding 2015 %	Equity holding 2014 %
Barmenco Finance Pty Limited (formerly Barbidco Pty Limited)	Australia	Ordinary	100	100
Barmenco Limited	Australia	Ordinary	100	100
SLR Australia Pty Limited	Australia	Ordinary	100	100
Barmenco Holdings (EIS) Pty Limited	Australia	Ordinary	100	100
Barmenco (Egypt) LLC	Egypt	Ordinary	100	100
Barmenco Egypt Underground Mining Services	Egypt	Ordinary	100	100
Barmenco South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Barmenco AUMS Holdings Pty Limited	Australia	Ordinary	100	100

28. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed below are relieved from the Corporations Act 2001 requirements for preparation and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the deed are Barmenco Holdings Pty Limited, Barmenco Finance Pty Ltd, and Barmenco Ltd.

A consolidated statement of comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2015 is set out as follows:

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

Statement of profit and loss and other comprehensive income and retained earnings

	2015	2014
	\$'000	\$'000
Revenue	434,325	487,275
Other income	1,194	1,662
Consumables used	(138,738)	(158,419)
Employee benefits expense	(187,635)	(214,948)
Contractor and consultant expenses	(18,491)	(13,592)
Depreciation and impairment of property, plant & equipment	(46,969)	(54,305)
Amortisation and impairment of intangible assets	(1,016)	(1,023)
Other expenses	(12,943)	(10,196)
Results from operating activities	29,727	36,454
Share of net loss from joint venture	(935)	-
Net financing costs	(108,607)	(106,350)
Profit/(loss) before income tax	(79,815)	(69,896)
Income tax (expense)/benefit	-	(138)
Profit/(loss) for the year	(79,815)	(70,034)
Other comprehensive income/(loss)		
Effective portion of changes in fair value of cash flow hedges	1,384	(7,690)
Foreign currency translation differences	4,069	-
Other comprehensive income for year, net of tax	5,453	(7,690)
Total comprehensive profit/(loss) attributable to equity holders of the Company	(74,362)	(77,724)

Barmenco Holdings Pty Limited
Notes to the financial statements (continued)
For the year ended 30 June 2015

Statement of financial position

	2015	2014
	\$'000	\$'000
Assets		
Cash and cash equivalents	101,223	95,788
Trade and other receivables	51,750	42,308
Inventories	18,656	17,871
Other assets	5,190	4,567
Total current assets	176,819	160,534
Receivables	3,424	17,235
Investments	23,965	16,830
Property, plant and equipment	104,362	112,037
Intangibles	259,235	260,252
Derivative financial instruments	10,545	15,410
Total non-current assets	401,531	421,764
Total assets	578,350	582,298
Liabilities		
Trade and other payables	50,686	46,363
Borrowings	69	5,346
Employee benefits	27,749	26,348
Provisions	20	74
Total current liabilities	78,524	78,131
Borrowings	860,933	823,295
Borrowings – related parties	21,181	-
Employee benefits	2,726	2,217
Total non-current liabilities	884,840	825,512
Total liabilities	963,364	903,643
Net liabilities	(385,014)	(321,345)
Equity		
Contributed equity	4,722	4,719
Reserves	(5,887)	(11,726)
Accumulated losses	(383,849)	(314,338)
Total equity	(385,014)	(321,345)

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

29. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2015 the parent entity of the Group was Barmenco Holdings Pty Limited.

Result of parent entity

Loss for the year

Other comprehensive income

Total comprehensive income/(loss) for the year

2015 \$'000	2014 \$'000
(44,298)	(38,798)
-	-
(44,298)	(38,798)

Financial position of parent entity at year end

Current assets

Total assets

Current liabilities

Total liabilities

Total equity of the parent comprising of:

Share capital

Revaluation reserve

Accumulated losses

Total equity

72	1
122,222	122,253
-	-
(360,434)	(316,170)
4,722	4,719
-	-
(242,934)	(198,636)
(238,212)	(193,917)

a) Parent entity contingencies

Barmenco Holdings Pty Limited has no contingent liabilities as at 30 June 2015. (2014: Nil)

b) Parent entity capital commitments

Barmenco Holdings Pty Limited has no capital commitments as at 30 June 2015. (2014: Nil)

c) Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 28.

Barmenco Holdings Pty Limited

Notes to the financial statements (continued)

For the year ended 30 June 2015

30. Contingencies

a) Contingent liabilities

Contingent liabilities include;

- (i) bank guarantees provided under the syndicated debt working capital facilities;
- (ii) insurance performance bonds for mining clients.

The table below outlines the exposure and limits respectively.

	Outstanding as at 30 June 2015 \$'000	Limit as at 30 June 2015 \$'000	Outstanding as at 30 June 2014 \$'000	Limit as at 30 June 2014 \$'000
Bank guarantee	310	310	3,102	3,102
Insurance bond	1,000	1,000	1,000	1,000
	1,310	1,310	4,102	4,102

A jointly controlled entity (AUMS Mali) has recently been the subject of a routine taxation inspection by the Mali tax authority. The authority has assessed additional taxes. The company's responses are being reviewed by the authority. Based on independent tax advice received, the company believes that no additional tax liability exists and therefore no additional taxation provision is recognised. The maximum assessment for additional tax is the equivalent of A\$2,200,000 being the Group's share.

b) Off balance sheet arrangements

Other than operating leases, as set out in note 21, the Group does not have any material off balance sheet arrangements.

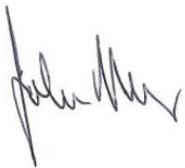
Barmenco Holdings Pty Limited

Directors' Declaration

For the year ended 30 June 2015

- 1) In the opinion of the directors of Barmenco Holdings Pty Limited:
 - a) the annual financial report and notes that are set out on pages 9 to 67, are in accordance with the Corporations Act 2001, including:
 - i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and
 - ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - b) 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) There are reasonable grounds to believe that the Company and the group entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.
- 3) The directors draw attention to note 2(a) to the annual financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:



J Muir

Chairman

Perth, WA, 27th August 2015



Independent auditor's report to the members of Barmenco Holdings Pty Limited

We have audited the accompanying financial report of Barmenco Holdings Pty Limited (the company), which comprises the consolidated statement of financial position as at 30 June 2015, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, Notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility 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 is free from material misstatement whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



Auditor's opinion

In our opinion:

- (a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'Denise McComish'.

Denise McComish
Partner

Perth

27 August 2015