

Barmenco Finance Pty Limited

Interim Report

For the nine month period ended March 31, 2014

Pursuant to Section 4.06(a)(2) of the
Indenture dated as of May 20, 2013

among

Barmenco Finance Pty Limited,
Barmenco Holdings Pty Limited,
Barmenco Limited and
The Bank of New York Mellon,
as Trustee

*This Interim Report should be read in conjunction with
Barmenco's Annual Report for the fiscal year ended June 30, 2013*

Notice

We have submitted this interim report confidentially to holders (the "Holders") of our outstanding 9.00% Senior Notes due 2018 (the "Notes") pursuant to the Section 4.06(a)(2) of the Indenture, dated as of May 20, 2013 and as amended (the "Indenture"), among Barmenco Finance Pty Limited, the Guarantors named therein and The Bank of New York Mellon, as trustee (the "Trustee"). We have not authorized its use for any other purpose. This interim 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 report, you agree to these restrictions.

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

Terms not defined in this Interim Report have the meaning given to them in our fiscal 2013 Annual Report. The terms "Barmenco", "we", "us" and "our" refer to Barmenco Holdings Pty Limited and its subsidiaries.

Cautionary statement regarding forward-looking statements

This Interim 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," "estimates," "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 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 Barmenco 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. Barmenco believes that these risks and uncertainties include, but are not limited to, those described in the "Risk factors" section of our most recent annual report.

Although Barmenco bases these forward-looking statements on assumptions that Barmenco believes are reasonable when made, Barmenco 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 Barmenco operates may differ materially from those made in or suggested by the forward-looking statements contained in this Interim report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which Barmenco operates are consistent with the forward-looking statements contained in this 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 Barmenco makes in this report speak only as of the date of those statements, and Barmenco 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 interim report and our most recent annual report. Barmenco does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Barmenco urges you to read the sections of our most recent annual report entitled "Business", "Risk factors," 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 Barmenco operates.

Highlights for the nine month period ended March 31, 2014

- Strong liquidity levels maintained
- Revenue for the March quarter down due to impact of temporary closure at Mt Lyell
- Effective management of project and overhead costs results in an solid EBITDA position being maintained

Summary of results by division

The following table provides a summary of Barmenco's revenue and EBITDA by division (excluding AUMS).

	9 month period ended March 31,	
	2013 A (\$000)	2014 A (\$000)
Revenue		
Underground mining	447,311	376,005
Diamond drilling	55,441	32,232
Crushing and screening	15,328	404
Shared services (unallocated) and other	2,715	1,836
Total Barmenco revenue	520,795	410,477
EBITDA		
Underground mining	89,205	75,525
Diamond drilling	6,874	4,529
Crushing and screening	2,615	(340)
Shared services (unallocated) and other	(354)	3,188
Total EBITDA before redundancy costs	98,340	82,902
Redundancy costs	916	4,992
Total EBITDA after redundancy costs	97,424	77,910
 EBITDA margin before redundancy costs	 18.9%	 20.2%
EBITDA margin after redundancy costs	18.7%	19.0%

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

The following discussion of our recent quarter three results and financial condition should be read together with our unaudited condensed consolidated interim financial statements and the related notes to such financial statements.

Results of Operations

During the nine month period ended March 31, 2014, Barmenco generated revenue of A\$410.4 million and EBITDA of A\$77.9 million.

Compared to the corresponding period last year, revenue declined 21.2% from A\$520.8 million for the nine months ended March 31, 2013 to A\$410.4 million for the nine month period ended March 31, 2014. Similarly, EBITDA decreased 20.0% from A\$97.4 million for the nine month period ended March 31, 2013. EBIT (excluding redundancy costs of A\$5.0 million) was A\$35.9 million and was down 31.7% on the comparative nine month period.

As previously reported, the results for the nine month period ended March 31, 2014 continue to be impacted by the transitional nature of the order book, with the corresponding period including a number of contracts in Barmenco's portfolio which were operating at full capacity during the nine month period ended March 31, 2013, but which came to a conclusion by the end of the 2013 fiscal year. These contracts, which were disclosed in the offer memorandum released May 2013, included Tindals, Gwalia Deeps, Rubicon, and Marvel Loch - all of which contributed significant revenue and (with the exception of Gwalia Deeps) strong EBITDA margins, to the group in the first six months of the 2013 fiscal year.

Results for the second quarter reflected some revenue softening, due to a number of clients (particularly in the gold sector) refocusing their operations to target higher grade ore body (effectively reducing volume) in an effort to reduce costs and improve margins as a response to pressure from falling commodity prices.

Third quarter results were consistent with internal targets, with the exception of Mt Lyell which was negatively impacted by a temporary closure as a result of a 'mud rush'. Although this has impacted budgeted earnings on the project, Barmenco has focused on working with the client to reduce variable costs, and has maintained a cash neutral position on the Mt Lyell project for the duration of the mine closure. The mine is schedule to re-commence operations in June 2014.

Barmenco continues to manage costs aggressively in response to pressure on production volumes and achieved a 28.4% reduction in overhead costs which enabled the group to maintain an EBITDA margin of 20.2% (pre redundancy costs) which was stronger than the preceding period and consistent with internal targets.

As part of the cost reduction process and the focus on improving the operational performance of the business, the group incurred A\$5.0 million of redundancy costs which were recognized during the nine month period ended March 31, 2014.

AUMS's equity accounted contribution to the group was A\$6.2 million for the nine month period ended March 31, 2014 (which now shows AUMS's net profit after tax reported as a single line item). This was down on the corresponding nine month period last year due to tougher trading conditions experienced in West Africa.

Financing costs were A\$80.0 million for the nine month period ended March 31, 2014, an increase of A\$25.8 million from A\$54.2 million for the nine month period ended March 31, 2014. The increase was primarily due to the higher cost of borrowing associated with Senior Notes and commitment fees for the Revolving Credit Facility. These costs included A\$28.9 million of accrued interest in relation to Redeemable Preference Shares and Shareholder Loan Notes, which is a non-cash expense and is reflective of a normal private equity structure.

Outlook

The effect of the downwards pressure on volumes, particularly during quarter two, was caused by industry response to falling commodity prices, and continues to be reflected in the results for the current period. Market confidence is improving but we expect the softness to continue into the final quarter of this financial year.

In addition, fourth quarter results will continue to be impacted by the temporary closure of CMT's Mt Lyell copper mine, as a consequence of the 'mud rush' which occurred mid-January 2014. This site is scheduled to recommence operations in June 2014.

Despite these challenges, Barmenco continues to manage revenue and costs effectively and remains confident in its ability to deliver a solid result in the final quarter of the financial year. The full year EBIT result will be down on the preceding period, but not substantially different from the recent internal full year targets.

We believe that our expertise, long established presence and our ability to adapt quickly to changing economic conditions, gives us a competitive advantage within the mining industry, and that we remain well placed to deliver strong results beyond the current financial year.

Liquidity, capital expenditures and capital resources

Liquidity

Following the raising of US\$485 million aggregate principal amount of 9.00% Senior Notes due 2018, in May 2013, Barmenco remains well positioned, with a suitable longer term debt structure and a strong level of available liquidity, to underpin the Group's growth and ongoing funding requirements.

As at March 31, 2014 there had been no cash drawings under the A\$100 million revolving credit facility, although A\$2.8 million of the facility was used for the purposes of guarantees under an ancillary facility arrangement with one of the lenders.

Internal modeling indicates that funds generated from operations will provide sufficient liquidity for the Group to meet its working capital, capital expenditures and other cash requirements for the foreseeable future, and at this time the Group has no plans to draw on the Revolving Credit Facility.

Indebtedness

As of March 31, 2014 the Group had A\$16.8 million of equipment financing in place. During the first quarter of the financial year the Group successfully secured approval for an additional A\$50 million of equipment financing facilities through original equipment manufacturers.

As of March 31, 2014, the Group had debt of A\$524.1 million, excluding Redeemable Preference Shares and Shareholder Loan Notes (1).

- (1) The debt is based on prevailing exchange rates however US\$485 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 AUD/USD 0.9943 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.

Capital expenditures

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

Our capital expenditures can fluctuate significantly depending on the business cycle and the status of existing and new projects.

During the nine months ended March 31, 2014 the Group continued to expand its asset base, and acquired A\$38.8 million of plant and equipment.

Of the A\$38.8 million, A\$19.0 million (or 49.0%) was in relation to growth and the remaining A\$19.8 million (or 51.0%) was stay in business capital expenditure.

The Group seeks to prudently manage its capital expenditure spend, and expects capital expenditures to be approximately A\$55 million in fiscal 2014.

The Tenders and Capex Committee is responsible for considering and evaluating requests for capital expenditure ensuring that the Board has undertaken an appropriate process in assessing the costs and benefits of capital expenditure.

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

Cash flows

Below is a summary of cash flow of Barmenco (excluding AUMS) for the periods indicated:

	9 month period ended March 31,	
	2013 A (\$m)	2014 A (\$m)
Net cash inflow from operating activities	72.8	62.1
Net cash inflow/(outflow) from investing activities	(29.7)	(25.1)
Net cash inflow/(outflow) from financing activities	(31.0)	(22.2)
Net increase/(decrease) in cash and cash equivalents	12.1	14.8

Nine month period ended March 31, 2014 compared with the nine month period ended March 31, 2013

Net cash inflow from operating activities decreased A\$10.7 million from A\$72.8 million in the nine month period ended March 31, 2013 to A\$62.1 million in the nine month period ended March 31, 2014. The decrease was principally due to a A\$13.4 million increase in (net) interest paid during the period, as a result of the new funding structure. This was partially offset by a reduction in supplier payments of \$57.3 million, and a reduction in tax paid of A\$0.5 million, offset by a reduction in cash flow from operating revenue of A\$55.1 million.

Net cash outflow for investing activities decreased A\$4.6 million from A\$29.7 million in the nine month period ended March 31, 2013 to A\$25.1 million in the nine month period ended March, 31 2014. This decrease was due to a reduction of \$7.6 million in purchases of equipment, which was offset by a A\$3.0 million decrease in proceeds from the sale of equipment in the nine month period ended March 31, 2014.

Net cash outflow from financing activities was A\$22.2 million in the nine month period ended March 31, 2014, a decrease of A\$8.8 million from an outflow of A\$31.0 million in the nine month period ended March 31, 2013. The decreased outflow was primarily due to a net partial repayment towards the old senior debt facility of A\$17.6 million in the nine month period ended March 31, 2013. This reduction was partially offset by a A\$8.2 million increase in finance lease payments in the nine month period ended March 31, 2014 (due to the conversion of operating leases to finance leases at the end of the 2013 fiscal year) and A\$0.6 million of payments in relation to the debt refinancing which were paid during the nine month period ended March 31, 2014.