



## FY17 BUSINESS UPDATE PRESENTATION



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# INTRODUCTIONS



**Peter Bryant**

*Chief Financial Officer and Company Secretary*

- Peter Bryant was appointed Chief Financial Officer in April 2013 and has over 25 years of financial and company secretarial experience
- Prior to joining Barminco, Peter held leadership roles, including Chief Financial Officer and Company Secretary, at Seven West Media and engineering and development group GRD Limited, both of which were in the ASX 100
- Peter is a Chartered Accountant, he commenced his career with Ernst & Young working in Australia, UK and USA



**Michael Ellis**

*General Manager – Finance and Corporate Services*

- Commenced with Barminco in February 2014 as Group Financial Controller
- Previously held senior roles including GM Finance and Company Secretary at Seven West Media, and Financial Controller of West Australian Newspapers
- Michael is a Chartered Accountant

# FY17 SUMMARY

- Continued excellent safety record:
  - Lost Time Injury Frequency Rate (LTIFR) of 0.25
  - Total Recordable Injury Frequency Rate (TRIFR) of 11.1
- Adjusted EBITDA of \$107.0M down on LTM December 2016 result of \$112.3M
- Contract extensions secured:
  - Sukari contract extension to 2021
  - MMG (Rosebery and Dugald River) extension to 2021
  - Western Areas (Flying Fox and Spotted Quoll) contract extension to 2020
- Rampura Agucha contract renegotiated
- Kundana contract exited June 2017
- CEO transition – Paul Muller appointed CEO, commencing in December 2017
- Refinance completed April 2017

# FULL YEAR ADJUSTED EBITDA

- Adjusted EBITDA was a key reference in the refinance process
  - Comprises trading EBITDA plus AUMS dividend, and excludes redundancies
  - Trading EBITDA excludes Rampura Agucha onerous provision
- FY17 Adjusted EBITDA down 4.7% on LTM December 2016

|                 | June 17<br>A\$M | LTM Dec 16<br>A\$M | June 16<br>A\$M |
|-----------------|-----------------|--------------------|-----------------|
| Trading EBITDA  | 86.0            | 106.4              | 103.6           |
| Dividend AUMS   | 20.7            | 4.1                | 8.8             |
| Redundancies    | 0.3             | 1.8                | 3.0             |
| Adjusted EBITDA | 107.0           | 112.3              | 115.4           |

# PROPORTIONATELY CONSOLIDATED P&L (BARMINCO AND 50% SHARE OF AUMS)

- Proportionately consolidated EBITDA down 10.5% PCP
- AUMS converted to A\$ at 0.7686

|                       | Jun-17           |                  |               | Jun-16           |                  |               |
|-----------------------|------------------|------------------|---------------|------------------|------------------|---------------|
|                       | Barmenco<br>A\$M | AUMS 50%<br>A\$M | TOTAL<br>A\$M | Barmenco<br>A\$M | AUMS 50%<br>A\$M | TOTAL<br>A\$M |
| Revenue               | 601.7            | 89.4             | 691.1         | 507.9            | 77.5             | 585.4         |
| Project Costs         | 515.7            | 59.1             | 574.8         | 404.3            | 51.2             | 455.5         |
| <b>Trading EBITDA</b> | <b>86.0</b>      | <b>30.3</b>      | <b>116.3</b>  | <b>103.6</b>     | <b>26.3</b>      | <b>129.9</b>  |
| Depreciation          | 62.0             | 11.0             | 73.0          | 48.9             | 8.1              | 57.0          |
| Amortisation          | 0.9              | -                | 0.9           | 0.8              | -                | 0.8           |
| <b>Trading EBIT</b>   | <b>23.1</b>      | <b>19.3</b>      | <b>42.4</b>   | <b>53.9</b>      | <b>18.2</b>      | <b>72.1</b>   |
| Onerous Contract      | 3.7              | -                | 3.7           | -                | -                | -             |
| <b>EBIT</b>           | <b>19.4</b>      | <b>19.3</b>      | <b>38.7</b>   | <b>53.9</b>      | <b>18.2</b>      | <b>72.1</b>   |

# FY17 BARMINCO RESULTS

## (EXCLUDING AUMS)

- Second half negatively impacted by Kundana and Rampura Agucha projects
- Trading EBITDA margin at 14.3%
- Kundana contract transferred back to client on 30 June 2017
- Onerous contract provision raised for Rampura Agucha
  - Contract renegotiated with new terms commencing 1 September 2017
  - Forecast to make positive contribution for remainder of FY18

|                                               | H1 FY17<br>\$M | H2 FY17<br>\$M | FY17<br>\$M  | FY16<br>\$M  |
|-----------------------------------------------|----------------|----------------|--------------|--------------|
| <b>Revenue</b>                                |                |                |              |              |
| Mining                                        | 267.9          | 283.5          | 551.4        | 454.9        |
| Diamond drilling                              | 22.5           | 22.6           | 45.1         | 48.5         |
| Crushing                                      | -              | -              | -            | 0.1          |
| Other                                         | 1.6            | 3.6            | 5.2          | 4.4          |
| <b>Total revenue</b>                          | <b>292.0</b>   | <b>309.7</b>   | <b>601.7</b> | <b>507.9</b> |
| <b>Project costs</b>                          | <b>241.0</b>   | <b>279.3</b>   | <b>520.3</b> | <b>400.7</b> |
| <b>Project EBITDA</b>                         |                |                |              |              |
| Mining                                        | 48.1           | 27.4           | 75.5         | 100.8        |
| Diamond drilling                              | 2.7            | 2.6            | 5.3          | 5.6          |
| Crushing                                      | 0.1            | 0.2            | 0.3          | 0.5          |
| Other                                         | 0.1            | 0.2            | 0.3          | 0.3          |
| <b>EBITDA – projects</b>                      | <b>51.0</b>    | <b>30.4</b>    | <b>81.4</b>  | <b>107.2</b> |
| <b>Shared services costs</b>                  |                |                |              |              |
| Operational & admin services                  | 15.5           | 15.8           | 31.3         | 31.4         |
| Redundancies                                  | 0.3            | -              | 0.3          | 3.0          |
| Shared services allocation                    | (17.5)         | (18.7)         | (36.2)       | (30.8)       |
| <b>Trading EBITDA</b>                         | <b>52.7</b>    | <b>33.3</b>    | <b>86.0</b>  | <b>103.6</b> |
| Depreciation of property, plant and equipment | 30.4           | 31.6           | 62.0         | 48.9         |
| Amortisation of intangible assets             | 0.5            | 0.4            | 0.9          | 0.8          |
| <b>Trading EBIT</b>                           | <b>21.8</b>    | <b>1.3</b>     | <b>23.1</b>  | <b>53.9</b>  |
| Onerous contract expense                      | -              | 3.7            | 3.7          | -            |
| <b>EBIT</b>                                   | <b>21.8</b>    | <b>(2.4)</b>   | <b>19.4</b>  | <b>53.9</b>  |

# AUMS RESULTS BY HALF

## (BARMINCO 50% SHARE)

- EBITDA up 15.2% with solid margins
- Revenue and earnings expected to continue to increase into FY18 driven by Subika project
- Tender pipeline presenting solid growth opportunities
- Regulatory changes in Tanzania could present challenges

| Barminco 50% Share of AUMS                     | H1 FY17<br>A\$M | H2 FY17<br>A\$M | FY17<br>A\$M | FY16<br>A\$M |
|------------------------------------------------|-----------------|-----------------|--------------|--------------|
| Revenue                                        | 41.8            | 47.6            | 89.4         | 77.5         |
| EBITDA                                         | 14.4            | 15.9            | 30.3         | 26.3         |
| <i>EBITDA margin</i>                           | <i>34.4%</i>    | <i>33.4%</i>    | <i>33.9%</i> | <i>33.9%</i> |
| Depreciation                                   | 4.4             | 6.6             | 11.0         | 8.1          |
| <b>EBIT</b>                                    | <b>10.0</b>     | <b>9.3</b>      | <b>19.3</b>  | <b>18.2</b>  |
| Net interest                                   | 0.2             | 0.4             | 0.6          | -            |
| Tax                                            | 2.7             | 3.2             | 5.9          | 9.1          |
| <b>NPAT</b>                                    | <b>7.1</b>      | <b>5.7</b>      | <b>12.8</b>  | <b>9.1</b>   |
| Elimination entries and adjustments (AUD)      | 0.6             | 1.0             | 1.6          | 0.9          |
| <b>Equity accounted share of profits (AUD)</b> | <b>7.7</b>      | <b>6.7</b>      | <b>14.4</b>  | <b>10.0</b>  |

# BALANCE SHEET

## (BARMINCO)

- New bond issue – US\$350M fully swapped at 0.749c
- Strong liquidity
  - Cash on hand of \$77.9M
  - Revolving credit facility of \$100M which is effectively undrawn
- Deferred tax asset written down
- Working capital management continues to outperform internal targets

|                          |                                                          | Jun-17<br>\$M | Jun-16<br>\$M |
|--------------------------|----------------------------------------------------------|---------------|---------------|
| Current assets           | Cash and cash equivalents                                | 77.9          | 70.6          |
|                          | Trade and other receivables                              | 79.1          | 48.5          |
|                          | Inventories                                              | 18.8          | 19.7          |
|                          | Other                                                    | 4.0           | 3.1           |
|                          | <b>Total current assets</b>                              | <b>179.8</b>  | <b>141.9</b>  |
| Non-current assets       | Property, plant & equipment                              | 124.3         | 116.4         |
|                          | Intangible assets                                        | 259.8         | 260.8         |
|                          | Investments accounted for using the equity method (AUMS) | 58.4          | 69.5          |
|                          | Deferred tax asset                                       | 47.6          | 75.3          |
|                          | Other non-current assets                                 | 1.9           | 1.9           |
|                          | <b>Total non-current assets</b>                          | <b>492.0</b>  | <b>523.9</b>  |
| <b>Total assets</b>      |                                                          | <b>671.8</b>  | <b>665.8</b>  |
| Current liabilities      | Trade, other payables                                    | 78.9          | 57.2          |
|                          | Borrowings                                               | 11.8          | 2.6           |
|                          | Employee benefits                                        | 26.4          | 26.2          |
|                          | Provisions                                               | 4.1           | 0.2           |
|                          | <b>Total current liabilities</b>                         | <b>121.2</b>  | <b>86.2</b>   |
| Non-current liabilities  | Borrowings                                               | 476.0         | 425.2         |
|                          | Derivative financial instruments                         | 23.7          | 5.4           |
|                          | Employee benefits                                        | 4.1           | 1.7           |
|                          | <b>Total non-current liabilities</b>                     | <b>503.8</b>  | <b>432.3</b>  |
| <b>Total liabilities</b> |                                                          | <b>625.0</b>  | <b>518.5</b>  |
| <b>Net assets</b>        |                                                          | <b>46.8</b>   | <b>147.3</b>  |

# CASH FLOW

## (BARMINCO)

- AUMS dividends of A\$20.7M received in FY17 (FY16: \$8.8M)
- Impacted by costs associated with refinance during FY17

|                                                                      | Jun-17<br>\$M | Jun-16<br>\$M |
|----------------------------------------------------------------------|---------------|---------------|
| EBITDA                                                               | 86.0          | 103.6         |
| Movement in Working Capital/Other                                    | (7.5)         | 15.8          |
| <b>Sub Total</b>                                                     | <b>78.5</b>   | <b>119.4</b>  |
| Capital Expenditure (net of disposals)                               | (29.3)        | (42.6)        |
| Dividends from AUMS                                                  | 20.7          | 8.8           |
| Proceeds/(payments) from Reset of Cross Currency Interest Rate Swaps | (0.4)         | 32.1          |
| Repurchase of High Yield Bonds                                       | (414.4)       | (95.3)        |
| Finance/HP Lease Payments                                            | (13.3)        | (4.7)         |
| Redemption Premium                                                   | (31.3)        | -             |
| Fees paid for refinance                                              | (30.3)        | -             |
| Proceeds from High Yield Bond Issue                                  | 469.1         | -             |
| Interest (Net)                                                       | (42.0)        | (50.8)        |
| Tax                                                                  | -             | (0.6)         |
| Other                                                                | -             | (0.5)         |
| <b>Cashflow</b>                                                      | <b>7.3</b>    | <b>(34.2)</b> |
| Opening Cash                                                         | 70.6          | 104.8         |
| <b>Closing Cash</b>                                                  | <b>77.9</b>   | <b>70.6</b>   |

# CAPITAL EXPENDITURE

## (BARMINCO EXCLUDING AUMS)

- 41% of capex funded via cash
- Growth capex relates to:
  - Kundana
  - Sunrise Dam
  - Nova Bollinger
- FY18 capex expected to reduce significantly (excluding pipeline) due to impacts of Kundana

|                                  | Jun-17<br>\$M | Jun-16<br>\$M |
|----------------------------------|---------------|---------------|
| Growth – Kundana                 | 30.1          | 6.4           |
| Growth – Other                   | 22.6          | 10.4          |
| Stay in business – Kundana       | 0.8           | -             |
| Stay in business – Other         | 34.6          | 35.1          |
| <b>Total capital expenditure</b> | <b>88.1</b>   | <b>51.9</b>   |

| Reconciliation to Cash Capital Expenditure                                     | Jun-17<br>\$M | Jun-16<br>\$M |
|--------------------------------------------------------------------------------|---------------|---------------|
| Total capital expenditure (as per breakdown above)                             | 88.1          | 51.9          |
| <b>Less:</b> Capital expenditure funded by HP                                  | (34.2)        | (7.2)         |
| <b>Less:</b> Capital expenditure funded by finance lease with Northern Star JV | (17.9)        | -             |
| <b>Total capital expenditure (funded with cash)</b>                            | <b>36.0</b>   | <b>44.7</b>   |
| <b>Less:</b> Proceeds from sale of PPE                                         | (6.7)         | (2.1)         |
| <b>Cash capital expenditure (net of disposals)</b>                             | <b>29.3</b>   | <b>42.6</b>   |

# MAJOR MINING CONTRACTS CONTRIBUTING TO FY17 RESULTS

## BARMINCO

| PROJECT        | ULTIMATE CLIENT    | COMMODITY | LOCATION | COMMENCEMENT | CONTRACT END DATE |
|----------------|--------------------|-----------|----------|--------------|-------------------|
| Sunrise Dam    | AngloGold Ashanti  | Au        | WA       | 2003         | QTR 4 – FY19      |
| Flying Fox     | Western Areas      | Ni        | WA       | 2004         | QTR 4 – FY20      |
| Spotted Quoll  | Western Areas      | Ni        | WA       | 2011         | QTR 4 – FY20      |
| Sukari         | Centamin           | Au        | Egypt    | 2009         | QTR 2 – FY21      |
| Agnew          | Gold Fields        | Au        | WA       | 2010         | QTR 4 – FY18      |
| Dugald River   | MMG                | Zn        | QLD      | 2012         | QTR 4 – FY21      |
| Rosebery       | MMG                | Zn        | TAS      | 2004         | QTR 4 – FY21      |
| Nova Bollinger | Independence Group | Ni        | WA       | 2015         | QTR 3 – FY18      |
| Rampura Agucha | Hindustan Zinc     | Zn        | India    | 2016         | QTR 3 – FY18      |
| Kundana        | Northern Star      | Au        | WA       | 2016         | QTR 4 – FY17      |

## AUMS

| PROJECT        | ULTIMATE CLIENT   | COMMODITY | LOCATION     | COMMENCEMENT | CONTRACT END DATE |
|----------------|-------------------|-----------|--------------|--------------|-------------------|
| Star and Comet | AngloGold Ashanti | Au        | Tanzania     | 2016         | QTR 3 – FY19      |
| Nyankanga      | AngloGold Ashanti | Au        | Tanzania     | 2016         | QTR 3 – FY19      |
| Yaramoko       | Roxgold Inc       | Au        | Burkina Faso | 2015         | QTR 3 – FY19      |
| Subika         | Newmont           | Au        | Ghana        | 2017         | QTR 4 – FY22      |

# BUSINESS OUTLOOK

- Barmenco FY18 outlook
  - Contract portfolio reset, with all contracts expected to make positive EBITDA contributions
  - Focus on achieving operational efficiencies and continued leadership in safety performance
  - Strong growth in AUMS with good pipeline opportunities
  - New CEO Paul Muller commencing December 2017

# ADJUSTED EBITDA RECONCILIATION

|                                                                     | Jun-17<br>A\$M | Jun-16<br>A\$M |
|---------------------------------------------------------------------|----------------|----------------|
| Statutory Profit/(loss) for the period                              | (93.8)         | 42.5           |
| Income tax expense/(benefit)                                        | 32.2           | (76.6)         |
| Add: Net financing costs                                            | 95.4           | 98.0           |
| Less: Share of profit from equity accounted investments, net of tax | (14.4)         | (10.0)         |
| Add: Depreciation and amortisation                                  | 62.9           | 49.7           |
| Add: Redundancy costs                                               | 0.3            | 3.0            |
| Add: Dividends received from AUMS                                   | 20.7           | 8.8            |
| Add: Onerous Contract Provision                                     | 3.7            | -              |
| <b>Adjusted EBITDA</b>                                              | <b>107.0</b>   | <b>115.4</b>   |

*Adjusted EBITDA excludes Barmenco's 50% share of AUMS profits, non-recurring redundancy costs, onerous contract provision and includes cash dividends received from AUMS.*