

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the half year ended 31 December 2015

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

For the half year ended 31 December 2015

Contents

Unaudited condensed consolidated interim statement of comprehensive income	3
Unaudited condensed consolidated interim statement of financial position	4
Unaudited condensed consolidated interim statement of cash flows	5
Unaudited condensed consolidated interim statement of changes in equity	6
Contents of the notes to the condensed consolidated interim financial statements	8

Note: All "\$" amounts refer to Australian dollars unless otherwise indicated

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of comprehensive income For the half year ended 31 December 2015

		Half Year Ended 31 Dec 2015 \$'000	Half Year Ended 31 Dec 2014 \$'000
	Notes		
Revenue		263,538	237,266
Other income		83	445
Consumables used		(84,585)	(75,006)
Employee benefits expense		(104,304)	(101,368)
Contractor and consultant expenses		(14,097)	(6,859)
Depreciation of property, plant & equipment		(25,145)	(25,793)
Amortisation of intangible assets		(288)	(508)
Other expenses		(10,869)	(9,942)
Results from operating activities		24,333	18,235
Share of profit from equity accounted investments	5	8,509	2,431
Net financing costs		(48,127)	(54,324)
Profit/(loss) before income tax		(15,285)	(33,658)
Income tax expense	4	(115)	(272)
Profit/(loss) for the period attributable to equity holders of the Company		(15,400)	(33,930)
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		(149)	(3,347)
Foreign currency translation differences – foreign operations		1,091	1,419
Other comprehensive income/(loss) for the period, net of tax		942	(1,928)
Total comprehensive income/(loss) attributable to equity holders of the Company		(14,458)	(35,858)
		Cents	Cents
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share		(308.55)	(721.6)

The above interim consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of financial position As at 31 December 2015

		31 Dec 2015 \$'000	30 June 2015 \$'000
Notes			
ASSETS			
	Cash and cash equivalents	85,371	104,844
	Trade and other receivables	64,972	57,473
	Inventories	21,840	25,292
	Prepayments	4,888	5,574
	Total current assets	177,071	193,183
	Other non-current assets	1,623	1,653
5	Investments accounted for using the equity method	68,126	67,342
7	Derivative financial instruments	406	10,545
6	Property, plant and equipment	116,033	114,456
	Intangibles	258,947	259,235
4	Deferred tax asset	725	765
	Total non-current assets	445,860	453,996
	TOTAL ASSETS	622,931	647,179
LIABILITIES			
	Trade and other payables	62,642	53,959
8	Borrowings	75	70
	Employee benefits	27,825	28,783
	Provisions	199	20
	Total current liabilities	90,741	82,832
8	Borrowings	843,291	860,932
7	Derivative financial instruments	91	-
	Employee benefits	2,577	2,726
	Total non-current liabilities	845,959	863,658
	TOTAL LIABILITIES	936,700	946,490
	NET LIABILITIES	(313,769)	(299,311)
EQUITY			
	Contributed equity	4,722	4,722
	Reserves	(1,425)	(2,367)
	Accumulated losses	(317,066)	(301,666)
	TOTAL EQUITY	(313,769)	(299,311)

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of cash flows

For the half year ended 31 December 2015

	Half Year Ended 31 Dec 2015 \$'000	Half Year Ended 31 Dec 2014 \$'000
Cash flows from operating activities		
Receipts from customers	284,259	273,882
Payments to suppliers and employees	(230,874)	(214,510)
Interest received	1,601	1,205
Interest paid	(27,424)	(32,298)
Income taxes received/(paid)	(76)	(778)
Net cash inflow from operating activities	27,486	27,501
Cash flows from investing activities		
Payments for property, plant and equipment	(27,658)	(13,536)
Proceeds from sale of property, plant and equipment	1,018	2,780
Dividends received from joint venture entities	8,816	6,689
Net cash outflow from investing activities	(17,824)	(4,067)
Cash flows from financing activities		
Proceeds from reset of cross currency interest rate swaps	32,765	41,493
Loans to key management LTI scheme	(6)	(1,781)
Finance lease payments	(1,725)	(7,472)
Repurchase of senior notes	(60,160)	(41,493)
Payments for transaction costs relating to loans and borrowings	-	(200)
Net cash outflow from financing activities	(29,126)	(9,453)
Net increase in cash and cash equivalents	(19,464)	13,981
Effect of exchange rate fluctuations on cash held	(9)	-
Cash and cash equivalents at beginning of the period	104,844	95,818
Cash and cash equivalents at end of the period	85,371	109,799

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of changes in equity

For the half year ended 31 December 2015

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2015	4,722	(10,342)	7,588	387	(301,666)	(299,311)
Total comprehensive income/(loss) for the period						
Profit/(loss) for the period					(15,400)	(15,400)
Other comprehensive income/(loss)						
Changes in the fair value of cash flow hedges, net of tax	-	(149)	-	-	-	(149)
Changes in the foreign exchange translation reserve	-	-	1,091	-	-	1,091
Total other comprehensive income/(loss)	-	(149)	1,091	-	-	942
Total comprehensive income/(loss) for the period	-	(149)	1,091	-	(15,400)	(14,458)
Transactions with owners of the Company						
Ordinary shares allotted	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-
Balance at 31 December 2015	4,722	(10,491)	8,679	387	(317,066)	(313,769)

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of changes in equity

For the half year ended 31 December 2014

	Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation 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/(loss) for the period					
Profit/(loss) for the period	-	-	-	(33,930)	(33,930)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	-	(3,347)	-	-	(3,347)
Changes in the foreign exchange translation reserve	-	-	1,419	-	1,419
Total other comprehensive income/(loss)	-	(3,347)	1,419	-	(1,928)
Total comprehensive income/(loss) for the period	-	(3,347)	1,419	(33,930)	(35,858)
 Transactions with owners of the Company					
Repurchase of ordinary shares	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-
Balance at 31 December 2014	4,719	(15,073)	6,191	(282,541)	(286,704)

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

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements

For the half year ended 31 December 2015

Contents of the notes to the condensed consolidated interim financial statements

	Page
1 Corporate information	9
2 Basis of preparation	9
3 Significant accounting policies	9
4 Income tax	10
5 Jointly controlled entities	10
6 Property, plant and equipment	11
7 Derivative financial instruments	11
8 Borrowings	12
9 Related parties	13
10 Segment reporting	13
11 Subsequent events	14

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2015

1. Corporate information

Barmenco Holdings Pty Limited ("the Company") is a 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 Company 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 interim financial statements of the Company for the half year ended 31 December 2015 comprises the Company and its subsidiaries (the "Group") and the Group's interest in jointly controlled entities.

2. Basis of preparation

a) Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The financial report does not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2015.

b) Critical accounting judgements and estimates

In preparing these interim financial statements, management make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

3. Significant accounting policies

The significant accounting policies that have been used in the preparation of these consolidated interim financial statements are summarised below.

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2015, except in relation to the matters discussed below. The relevant amendments and their effects on the current period or prior periods are described below.

Change in accounting policy

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 2015, 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 2019 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2015

- 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. AASB 15 will become mandatory for the Group's 30 June 2018 financial statements. 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.

4. Income tax

31 Dec	30 June
2015	2015
\$'000	\$'000

Unrecognised deferred tax assets

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

Tax losses (gross)	91,089	94,695
Other deferred tax assets (gross)	117,103	108,028
Total unrecognised deferred tax assets (gross)	208,192	202,723

A deferred tax asset has not been recognised for the Australian tax group as at 31 December 2015. Given tax losses incurred 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 July 2015 the Group's CCIRS swaps were reset in order to extract value from the swaps and repurchase High Yield Bonds. The gains and proceeds from the swaps are assessable for income tax immediately on reset. In October 2015 a further repurchase of high yield bonds was undertaken. Movement in the carrying value of the high yield bonds has created a temporary difference of \$123 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.

The income tax expense and deferred tax asset in the financial statements relates to the Group's Egyptian subsidiary.

5. Jointly controlled entities

During the six month period the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$8,509,000 (six months ended 31 December 2014 \$2,431,000). The equity accounted profit includes a realised exchange gain of A\$1,258,000 on a dividend paid during the September quarter.

African Underground Mining Services Mali SARL (AUMSM) paid a dividend to the Group during the September quarter in the amount of EUR 5,591,000 (A\$8,816,000).

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2015

6. Property, plant and equipment

Additions and disposals

During the six month period additions to property, plant and equipment totalled \$27,658,000 (six months ended 31 December 2014 \$15,785,000). The book value of disposals during the period was \$935,000 (six months ended 31 December 2014 \$2,780,000).

During the six month period there were no new additions using finance leases, which are a non-cash item (six months ended 31 December 2014 \$2,249,000).

7. Derivative financial instruments

31 Dec 2015 \$'000	30 June 2015 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	406	10,545
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Non-current liability

Cross currency interest rate swap contract cash flow hedge	91	-
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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. During the previous financial year the swaps were reset as management took the opportunity to extract value from the swaps and repurchased 98,957,000 of issued US dollar bonds. At 30 June 2015 the notional principle of the swap was US\$386,043,000 and A\$487,781,000 in final settlement of the swaps.

The swaps were reset during the quarter to 30 September 2015 in order to repurchase US\$25,000,000 of bonds.

During the quarter to 31 December 2015, the Group repurchased high yield bonds with a face value of US\$24,710,000. The amount now required to settle the principle repayment of the Bonds in May 2018 is US\$336,333,000. The swap terms were amended to match the reduction in Bond principle and interest repayments. On maturity the Group will receive US\$336,333,000 and pay A\$454,396,000 in final settlement. The Group will benefit from the amendment to the swap terms in the form of lower Australian dollar fixed interest paid into the swaps of A\$3,558,000 per year and the final settlement amount at maturity has been reduced by A\$33,385,000.

The swaps 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 fixed interest payment, with interest settled on 1 June and 1 December each year respectively until maturity.

The reset and amended 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2015

8. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 December 2015		30 June 2015	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bonds	(a)	USD	9.00%	2018	-	460,793	-	504,302
Shareholder loans	(c)	AUD	14.00%	2019	-	17,980	-	16,817
Redeemable preference shares	(d)	AUD	14.00%	2019	-	367,361	-	343,617
Finance lease liabilities	(b)	AUD	9.01%	2014 - 2018	2,889	1,131	3,316	2,428
					2,889	847,265	3,316	867,164
Capitalised borrowings costs		AUD			(2,814)	(3,974)	(3,246)	(6,232)
Total interest bearing liabilities					75	843,291	70	860,932

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 the six month period ended 31 December 2015 the Group repurchased 49,710,000 of the issued notes, with notes remaining on issue of US\$336,333,000. The terms of the remaining notes remain unchanged. The notes which were issued by Barmenco Finance Pty Ltd are unsecured and have been guaranteed by Barmenco Holdings Pty Limited and Barmenco 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.

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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued) For the half year ended 31 December 2015

9. Related parties

a) Director transactions

(i) *Mr P M Bartlett - Director of Barmenco Holdings*

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), has redeemable preference shares, the accumulated interest as at 31 December 2015 was \$71,333,104 (31 December 2014: \$58,169,059).

Bremerton has a loan note and as at 31 December 2015 the accumulated interest was \$11,964,896 (31 December 2014: \$9,756,839).

Peter Bartlett and his associated entities have an interest in Ausdrill Ltd which in turn has a subsidiary which operates the Miners Rest Hotel. There have been no transactions with the Miners Rest Hotel during the period (31 December 2014: \$160,922).

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$166,667 (31 December 2014: \$166,667).

Hahn Electrical Contracting Pty Ltd ("Hahn") 49% interest, costs incurred during the period: \$4,663,801 (31 December 2014: \$5,070,929).

The Group has a contract with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia. Costs incurred during the period: \$1,181,514 (31 December 2014: \$1,141,881).

(ii) *Existing Gresham Investors*

Gresham Investors hold redeemable preference shares. The accumulated interest as at 31 December 2015 was \$166,522,985 (31 December 2014: \$135,792,288).

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$333,333 (31 December 2014: \$333,333).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 31 December 2015 a subsidiary of the Group has related party trade debtors of \$924,597 (31 December 2014: \$578,416).

10. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the CEO, CFO 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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the half year ended 31 December 2015

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.

	Half Year Ended 31 Dec 2015	As at 31 Dec 2015	Half Year Ended 31 Dec 2014	As at 30 June 2015
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	231,881	370,056	209,409	375,709
Africa	31,740	7,678	28,302	10,945
Africa - AUMS Joint Venture (50%)	-	68,126	-	67,342
	263,621	445,860	237,711	453,996

11. Subsequent events

Barmenco were notified during January 2016 by Metals X Limited, the owner of the Renison tin mine in Tasmania, that the contract would conclude on 30 April 2016, which is in accordance with contract terms. Barmenco's order book remains strong and the company continues to target and secure new projects

Other than the matters mentioned above there have been no other matters or significant events that have arisen since 31 December 2015 that have or may significantly affect the operations, results, or state of affairs of the Group.