

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 2016

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 2016

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

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim statement of comprehensive income For the quarter ended 30 September 2016

		Qtr Ended 30 Sept 2016 \$'000	Qtr Ended 30 Sept 2015 \$'000
	Notes		
Revenue		144,975	132,060
Other income		448	23
Consumables used		(43,148)	(43,037)
Employee benefits expense		(55,071)	(55,722)
Contractor and consultant expenses		(11,218)	(7,088)
Depreciation of property, plant & equipment		(15,053)	(12,534)
Amortisation of intangible assets		(171)	(144)
Other expenses		(10,021)	(5,087)
Results from operating activities		10,741	8,471
Share of profit from equity accounted investments	5	2,640	6,193
Net financing costs		(13,437)	(26,434)
Profit/(loss) before income tax		(56)	(11,770)
Income tax (expense)/benefit	4	1,744	(112)
Profit/(loss) for the period attributable to equity holders of the Company		1,688	(11,882)
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		(4,330)	4,451
Foreign currency translation differences – foreign operations		(1,425)	5,706
Other comprehensive income/(loss) for the period, net of tax		(5,755)	10,157
Total comprehensive income/(loss) attributable to equity holders of the Company		(4,067)	(1,725)
		Cents	Cents
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share		0.338	(2.381)

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 30 September 2016

		30 Sept 2016 \$'000	30 June 2016 \$'000
	Notes		
ASSETS			
Cash and cash equivalents		70,303	70,647
Trade and other receivables		68,380	48,469
Inventories		22,537	19,696
Prepayments		2,553	3,068
Total current assets		163,773	141,880
Other non-current assets		1,853	1,918
Investments accounted for using the equity method	5	70,731	69,517
Property, plant and equipment	6	135,614	116,381
Intangibles		260,554	260,790
Deferred tax asset	4	77,013	75,277
Total non-current assets		545,765	523,883
TOTAL ASSETS		709,538	665,763
LIABILITIES			
Trade and other payables		76,105	57,227
Borrowings	7	7,188	2,592
Employee benefits		29,472	26,195
Provisions		233	208
Total current liabilities		112,998	86,222
Derivative financial instruments	8	21,047	5,419
Borrowings	7	427,952	425,219
Employee benefits		4,350	1,645
Total non-current liabilities		453,349	432,283
TOTAL LIABILITIES		566,347	518,505
NET LIABILITIES		143,191	147,258
EQUITY			
Contributed equity		396,442	396,442
Reserves		4,915	10,670
Accumulated losses		(258,166)	(259,854)
TOTAL EQUITY		143,191	147,258

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 quarter ended 30 September 2016

	Qtr Ended 30 Sept 2016 \$'000	Qtr Ended 30 Sept 2015 \$'000
Cash flows from operating activities		
Receipts from customers	137,846	147,095
Payments to suppliers and employees	(127,913)	(117,848)
Interest received	153	211
Interest paid	(623)	(1,052)
Income taxes paid	(3)	(76)
Net cash inflow from operating activities	9,460	28,330
Cash flows from investing activities		
Payments for property, plant and equipment	(6,786)	(16,061)
Proceeds from sale of property, plant and equipment	1,609	614
Dividends received from joint venture entities	-	8,816
Net cash outflow from investing activities	(5,177)	(6,631)
Cash flows from financing activities		
Proceeds from reset of cross currency interest rate swaps	-	32,552
Finance lease payments	(4,494)	(858)
Repurchase of senior notes	-	(32,512)
Payments for transaction costs relating to loans and borrowings	(136)	-
Net cash outflow from financing activities	(4,630)	(818)
Net increase/(decrease) in cash and cash equivalents	(347)	20,881
Effect of exchange rate fluctuations on cash held	3	-
Cash and cash equivalents at beginning of the period	70,647	104,845
Cash and cash equivalents at end of the period	70,303	125,726

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 quarter ended 30 September 2016

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	4,722	391,720	396,442	(5,375)	8,592	6,421	1,032	(259,854)	147,258
Total comprehensive income for the year									
Profit/(loss) for the year	-	-	-	-	-	-	-	1,688	1,688
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(4,330)	-	-	-	-	(4,330)
Changes in the foreign exchange translation reserve	-	-	-	-	(1,425)	-	-	-	(1,425)
Changes in the legal reserve	-	-	-	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	-	-	(4,330)	(1,425)	-	-	-	(5,755)
Total comprehensive income/(loss) for the year	-	-	-	(4,330)	(1,425)	-	-	1,688	(4,067)
Transactions with owners of the Company									
Changes in the interest free loan reserve	-	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-	-	-	-
Balance at 30 September 2016	4,722	391,720	396,442	(9,705)	7,167	6,421	1,032	(258,166)	143,191

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 quarter ended 30 September 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	-	-	-	-	(11,882)	(11,882)
Other comprehensive income/(loss)						
Changes in the fair value of cash flow hedges, net of tax	-	4,451	-	-	-	4,451
Changes in the foreign exchange translation reserve	-	-	5,705	-	-	5,705
Changes in the legal reserve	-	-	-	-	-	-
Total other comprehensive income/(loss)	-	4,451	5,705	-	-	10,156
Total comprehensive income/(loss) for the period	-	4,451	5,705	-	(11,882)	(1,726)
 Balance at 30 September 2015	 4,722	 (5,891)	 13,293	 387	 (313,548)	 (301,037)

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

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements

For the quarter ended 30 September 2016

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Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2016

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, Tanzania and West Africa.

The interim financial statements of the Company for the quarter ended 30 September 2016 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 2016.

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 2016.

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 2016, 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 2016, 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.
- 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

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2016

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.

- AASB 16 Leases; removes the classification of leases as either operating leases or finance leases for the lessee effectively treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. There are also changes in accounting over the life of the lease. In particular, companies will now recognise a front-loaded pattern of expenses for most leases, even when they pay constant annual rentals.

4. Income tax

30 Sept 2016 \$'000	30 June 2016 \$'000
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Recognised deferred tax assets

Deferred tax assets have been recognised in respect of the following items:

Tax losses (gross)	160,614	159,343
Other deferred tax assets (gross)	96,096	91,580
Total recognised deferred tax assets (gross)	256,710	250,923

A Deferred Tax Benefit will only be obtained if:

- the relevant company in the Group derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation; and
- No changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

The tax losses recognised in Australia do not expire. Also the deductible temporary differences do not expire under current tax legislation. Deferred tax assets for unused tax losses of \$160,614,000 (30 June 2016: \$159,343,000) and deductible temporary differences of \$94,583,000 (30 June 2016: \$89,993,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. This recognition of deferred tax assets including carried forward tax losses relates to activities carried out by the Australian business.

The movement in the carrying value of the High Yield Bonds has created a temporary difference of \$93,102,000 (June 2016: \$103,500,000) for which a deferred tax asset has been recognised in 2016 (September 2015: Deferred tax asset not recognised).

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Notes to the condensed consolidated interim financial statements (continued) For the quarter ended 30 September 2016

5. Jointly controlled entities

During the quarter the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$2,640,000 (quarter ended 30 September 2015 \$6,193,000). In the quarter ended 30 September 2015 the equity accounted profit included a realised exchange gain of A\$1,258,000 on a dividend paid.

African Underground Mining Services Mali SARL (AUMSM) paid a dividend to the Group during the quarter ended 30 September 2015 in the amount of EUR 5,591,000 (A\$8,816,000). No dividends were paid during the quarter ended 30 September 2016.

6. Property, plant and equipment

Additions and disposals

During the quarter additions to property, plant and equipment totalled \$35,387,000 (quarter ended 30 September 2015 \$16,061,000). The book value of disposals during the quarter was \$1,162,000 (quarter ended 30 September 2015 \$591,000).

During the quarter additions using finance leases were \$28,601,000 which are a non-cash item (quarter ended 30 September 2015 \$Nil).

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Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2016

7. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30 September 2016		30 June 2016	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bonds	(a)	USD	9.00%	2018	-	401,091	-	411,493
Shareholder loans	(c)	AUD	0.00%	2026	-	10,000	-	10,000
Finance lease liabilities	(b)	AUD	3.87%	2017 - 2019	9,739	18,569	5,144	6,072
					9,739	429,660	5,144	427,565
Capitalised borrowings costs		AUD			(2,551)	(1,708)	(2,552)	(2,346)
Total interest bearing liabilities					7,188	427,952	2,592	425,219

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. In the quarter to September 2016, no bonds were repurchased. The notes remaining on issue at 30 September 2016 are US\$306,233,000. During the quarter ended 30 September 2015 the Group repurchased 25,000,000 of the issued notes, with notes remaining on issue of US\$361,043,000. 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. Included as Finance lease liabilities are net amounts owing to the East Kundana Joint Venture (EKJV). Under the terms of the underground mining services project awarded to the Group on 1 July 2016, the Group acquired the use of fixed assets amounting to \$17.9 million on rental over a period of three years. The liability is netted off against amounts receivable from EKJV amounting to \$7.3 million.

c) Shareholder loan notes

Capitalised interest of 14% was added to the Shareholder loan notes balance annually on 30 August each year. In June 2016, the Shareholder Loan Note Deed Poll was amended and interest ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan (\$19.172 million) and the discounted value (\$10 million) was transferred to an Interest Free Loan Reserve (Note 19). A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026.

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Notes to the condensed consolidated interim financial statements (continued) For the quarter ended 30 September 2016

8. Derivative financial instruments

30 Sept 2016 \$'000	30 June 2016 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	21,047	5,419
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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 financial year ended 30 June 2015, 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. In the financial year ended 30 June 2016, management took the opportunity to extract value from the cross currency interest rate swap hedge and by using existing cash reserves to repurchase 79,810,000 of the issued US dollar Bonds.

The swaps were reset three times during the 2016 year to match the reduction in Bond principle and interest repayments. 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. On maturity the Group will receive US\$306,233,000 and pay A\$413,730,000 in final settlement of the swaps.

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.

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 30 September 2016 was \$78,428,234 (30 September 2015: \$67,720,925). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

Bremerton has a loan note and as at 30 September 2016 the accumulated interest was \$13,156,908 (30 September 2015: \$11,359,012). In June 2016, the terms of the Loan Note were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$83,333 (30 September 2015: \$83,333).

The Group provided mining services to Gordon Sirdar, a mine controlled by Peter Bartlett. Revenues for the quarter were \$1,508,953 (30 September 2015: Nil). At 30 September 2016, \$475,336 was owed by Gordon Sirdar to the Group (30th September 2015: Nil).

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. Costs incurred during the period: \$3,378,593 (30 September 2015: \$2,511,695).

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: \$477,435 (30 September 2015: \$676,619).

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Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2016

(ii) Existing Gresham Investors

Gresham Investors hold redeemable preference shares. The accumulated interest as at 30 September 2016 was \$183,074,153 (30 September 2015: \$158,090,564). In June 2016, the terms of the Redeemable Preference Shares were amended and interest ceased to accrue from 29 June 2016.

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$166,667 (30 September 2015: \$166,667).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 30 September 2016 a subsidiary of the Group has related party trade debtors of \$2,029,604 (30 September 2015: \$900,165).

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.

a) 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.

	Qtr Ended 30 Sept 2016 Revenue/ Other income \$'000	As at 30 Sept 2016 Non-current assets \$'000	Qtr Ended 30 Sept 2015 Revenue/ Other income \$'000	As at 30 June 2016 Non-current assets \$'000
Australia	129,316	471,210	115,737	450,342
Egypt	16,107	3,824	16,346	4,024
Africa - AUMS Joint Venture (50%)	-	70,731	-	69,517
	145,423	545,765	132,083	523,883

b) Major customers

Revenues from the Group's 5 major customers represented approximately A\$103.5 million of the Group's total revenues.

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Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2016

11. Subsequent events

A contract for underground mining services at the Rampura Agucha mine, a mine owned by Hindustan Zinc in India, has been awarded to the Group commencing on 1 December 2016. The contract is for an initial term of 3 years with an option to extend for a total 5 year term.

There are no other matters or significant events that have arisen since 30 September 2016 that have or may significantly affect the operations, results, or state of affairs of the Group.