

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 2015

Barmenco Holdings Pty Limited

Unaudited condensed consolidated interim financial statements

For the quarter ended 30 September 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 quarter ended 30 September 2015

		Qtr Ended 30 Sept 2015 \$'000	Qtr Ended 30 Sept 2014 \$'000
	Notes		
Revenue		132,060	120,459
Other income		23	408
Consumables used		(43,037)	(37,896)
Employee benefits expense		(55,722)	(52,689)
Contractor and consultant expenses		(7,088)	(3,528)
Depreciation of property, plant & equipment		(12,534)	(13,299)
Amortisation of intangible assets		(144)	(254)
Other expenses		(5,087)	(4,941)
Results from operating activities		8,471	8,260
Share of profit from equity accounted investments	5	6,193	(665)
Net financing costs		(26,434)	(27,484)
Profit/(loss) before income tax		(11,770)	(19,889)
Income tax expense	4	(112)	(274)
Profit/(loss) for the period attributable to equity holders of the Company		(11,882)	(20,163)
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		4,451	1,207
Foreign currency translation differences – foreign operations		5,706	2,217
Other comprehensive income/(loss) for the period, net of tax		10,157	3,424
Total comprehensive income/(loss) attributable to equity holders of the Company		(1,725)	(16,739)
		Cents	Cents
Earnings/(loss) per share			
Basic and diluted earnings/(loss) per share		(238.1)	(405.8)

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 2015

		30 Sept 2015 \$'000	30 June 2015 \$'000
	Notes		
ASSETS			
Cash and cash equivalents		125,726	104,844
Trade and other receivables		55,061	57,473
Inventories		22,546	25,292
Prepayments		5,062	5,574
Total current assets		208,395	193,183
Other non-current assets		1,637	1,653
Investments accounted for using the equity method	5	70,376	67,342
Derivative financial instruments	7	28,235	10,545
Property, plant and equipment	6	117,392	114,456
Intangibles		259,091	259,235
Deferred tax asset	4	740	765
Total non-current assets		477,471	453,996
TOTAL ASSETS		685,866	647,179
LIABILITIES			
Trade and other payables		70,246	53,959
Borrowings	8	248	70
Employee benefits		28,446	28,783
Provisions		141	20
Current tax liabilities		11	-
Total current liabilities		99,092	82,832
Borrowings	8	885,087	860,932
Employee benefits		2,724	2,726
Total non-current liabilities		887,811	863,658
TOTAL LIABILITIES		986,903	946,490
NET LIABILITIES		(301,037)	(299,311)
EQUITY			
Contributed equity		4,722	4,722
Reserves		7,789	(2,367)
Accumulated losses		(313,548)	(301,666)
TOTAL EQUITY		(301,037)	(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 quarter ended 30 September 2015

	Qtr Ended 30 Sept 2015 \$'000	Qtr Ended 30 Sept 2014 \$'000
Cash flows from operating activities		
Receipts from customers	147,095	138,294
Payments to suppliers and employees	(117,848)	(104,686)
Interest received	211	516
Interest paid	(1,052)	(844)
Income taxes received/(paid)	(76)	(5)
Net cash inflow from operating activities	28,330	33,275
Cash flows from investing activities		
Payments for property, plant and equipment	(16,061)	(7,775)
Proceeds from sale of property, plant and equipment	614	1,328
Dividends received from joint venture entities	8,816	-
Net cash outflow from investing activities	(6,631)	(6,447)
Cash flows from financing activities		
Proceeds from reset of cross currency interest rate swaps	32,552	-
Loans to key management LTI scheme	-	(1,780)
Finance lease payments	(858)	(4,432)
Repurchase of senior notes	(32,512)	-
Payments for transaction costs relating to loans and borrowings	-	(200)
Net cash outflow from financing activities	(818)	(6,412)
Net increase in cash and cash equivalents	20,881	20,416
Cash and cash equivalents at beginning of the period	104,845	95,818
Cash and cash equivalents at end of the period	125,726	116,234

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 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)
Transactions with owners of the Company						
Ordinary shares allotted	-	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-	-
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

Unaudited condensed consolidated interim statement of changes in equity

For the quarter ended 30 September 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	-	-	-	(20,163)	(20,163)
Other comprehensive income/(loss)					
Changes in the fair value of cash flow hedges, net of tax	-	1,207	-	-	1,207
Changes in the foreign exchange translation reserve	-	-	2,217	-	2,217
Total other comprehensive income/(loss)	-	1,207	2,217	-	3,424
Total comprehensive income/(loss) for the period	-	1,207	2,217	(20,163)	(16,739)
Transactions with owners of the Company					
Repurchase of ordinary shares	-	-	-	-	-
Total transactions with owners of the Company	-	-	-	-	-
Balance at 30 September 2014	4,719	(10,519)	6,989	(268,774)	(267,585)

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 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 quarter ended 30 September 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 quarter ended 30 September 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 quarter ended 30 September 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

30 Sept	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)	75,040	94,695
Other deferred tax assets (gross)	126,871	108,028
Total unrecognised deferred tax assets (gross)	201,911	202,723

A deferred tax asset has not been recognised for the Australian tax group as at 30 September 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. Movement in the carrying value of the high yield bonds has created a temporary difference of \$153 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 quarter the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$6,193,000 (quarter ended 30 September 2014 \$665,000 loss). The equity accounted profit includes a realised exchange gain of A\$1,258,000 on a dividend paid during the quarter.

African Underground Mining Services Mali SARL (AUMSM) paid a dividend to the Group during the 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 quarter ended 30 September 2015

6. Property, plant and equipment

Additions and disposals

During the quarter additions to property, plant and equipment totalled \$16,061,000 (quarter ended 30 September 2014 \$9,377,000). The book value of disposals during the quarter was \$591,000 (quarter ended 30 September 2014 \$1,328,000).

During the quarter there were no new additions using finance leases, which are a non-cash item (quarter ended 30 September 2014 \$1,602,000).

7. Derivative financial instruments

30 Sept 2015 \$'000	30 June 2015 \$'000
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Non-current asset

Cross currency interest rate swap contract cash flow hedge	28,235	10,545
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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 have subsequently been reset during the quarter to 30 September 2015 in order to repurchase US\$25,000,000 of bonds. On maturity the Group will receive US\$361,043,000 and pay A\$487,781,000 in final settlement. 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 Group will benefit from a lower Australian dollar fixed interest rate paid into the swaps of A\$1,274,000. The overall interest savings that have resulted from resetting the swaps and reducing the bond debt over the past 12 months is a cumulative future saving of A\$7,567,000 per year.

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.

Barmenco Holdings Pty Limited

Notes to the condensed consolidated interim financial statements (continued)

For the quarter ended 30 September 2015

8. Borrowings	Note							
			Nominal	Year of	30 September 2015		30 June 2015	
		Currency	interest rate	maturity	Current	Non-current	Current	Non-current
					\$'000	\$'000	\$'000	\$'000
High Yield Bonds	(a)	USD	9.00%	2018	-	516,144	-	504,302
Shareholder loans	(c)	AUD	14.00%	2019	-	17,374	-	16,817
Redeemable preference shares	(d)	AUD	14.00%	2019	-	354,985	-	343,617
Finance lease liabilities	(b)	AUD	9.01%	2014 - 2018	3,272	1,615	3,316	2,428
					3,272	890,118	3,316	867,164
Capitalised borrowings costs		AUD			(3,024)	(5,031)	(3,246)	(6,232)
Total interest bearing liabilities					248	885,087	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 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.

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 quarter ended 30 September 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 30 September 2015 was \$67,720,925 (30 September 2014: \$55,000,488).

Bremerton has a loan note and as at 30 September 2015 the accumulated interest was \$11,359,012 (30 September 2014: \$9,225,361).

Peter Bartlett and his associated entities have an interest in Ausdrill Ltd which in turn have a subsidiary which operates the Miners Rest Hotel. There have been no transactions with the Miners Rest Hotel during the period (30 September 2014: \$143,584).

A consultancy agreement between Peter Bartlett and the Group provides for a consultancy fee. Costs incurred during the period: \$83,333 (30 September 2014: \$83,250).

Hahn Electrical Contracting Pty Ltd ("Hahn") 49% interest, costs incurred during the period: \$2,511,695 (30 September 2014: \$2,605,474).

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: \$676,619 (30 September 2014: \$640,717).

(ii) *Existing Gresham Investors*

Gresham Investors hold redeemable preference shares. The accumulated interest as at 30 September 2015: was \$158,090,564 (30 September 2014: 128,395,444).

A consultancy agreement between Gresham Private Equity Limited and the Group allows for consultancy fees. Costs incurred during the period: \$166,667 (30 September 2014: \$166,667).

b) Other related party transactions

AUMS Joint Ventures

The Group has a 50% interest in the AUMS Joint Ventures. At 30 September 2015 a subsidiary of the Group has related party trade debtors of \$900,165 (30 September 2014: \$526,090).

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 quarter ended 30 September 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.

	Qtr Ended 30 Sept 2015	As at 30 Sept 2015	Qtr Ended 30 Sept 2014	As at 30 June 2015
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	115,737	397,599	106,632	375,709
Africa	16,346	9,496	14,235	10,945
Africa - AUMS Joint Venture (50%)	-	70,376	-	67,342
	132,083	477,471	120,867	453,996

11. Subsequent events

With an effective date of 19 Oct 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 (prior to repurchase US\$361,043,000). The repurchase was effected utilising cash reserves that were deemed not essential to service future business cash requirements.

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 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 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.

Other than the matters mentioned above 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.