Barminco Finance Pty Limited

Annual Report

For the fiscal year ended June 30, 2017

Pursuant to Section 4.06(a)(1) of the Indenture dated
April 26, 2017 among
Barminco Finance Pty Limited, as Issuer
Barminco Holdings Pty Limited, as Guarantor
Barminco Limited, as Guarantor
Barminco AUMS Holdings Pty Limited, as Guarantor
Barminco India Holdings Pty Limited, as Guarantor
Barminco India Investments Pty Limited, as Guarantor
and
The Bank of New York Mellon, as Trustee

TABLE OF CONTENTS

We have submitted this annual report to holders (the “Holders”) of our outstanding 6.625% Senior Notes due 2022 (the “Notes”) pursuant to section 4.06(a)(1) of the Indenture, dated as of April 26, 2017 (the “Indenture”), among Barminco Finance Pty Limited, Barminco Holdings Pty Limited, Barminco Limited, Barminco AUMS Holdings Pty Limited, Barminco India Holdings Pty Limited, Barminco India Investments Pty Limited and the Bank of New York Mellon, as trustee (the “Trustee”). We have not authorized its use for any other purpose. This annual 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 annual report, you agree to these restrictions. The information appearing in this annual report is accurate as of the date this annual report was prepared. Our business, financial condition, results of operations and prospects may be changed since that date.

CERTAIN DEFINITIONS

In this annual report, references to:

- the "Issuer" is to Barminco Finance Pty Limited;
- the "Parent Guarantor" is to the Issuer's parent company, Barminco Holdings Pty Limited;
- the term "Guarantors" refers collectively to the Parent Guarantor and each of the Parent Guarantor's existing and future direct and indirect subsidiaries that will guarantee, or be a borrower under, the Credit Facility or certain of our other indebtedness;
- the terms "Barminco," "we," "us," or "our" refer collectively to the Parent Guarantor, the Issuer and their subsidiaries (these terms exclude AUMS because the AUMS joint venture companies are not subsidiaries), unless otherwise indicated or the context otherwise requires;
- the term "AUMS" refers collectively to joint venture companies African Underground Mining Services Limited, African Underground Mining Services Mali SARL, African Underground Mining Services Burkina Faso SARL and African Underground Mining Services Tanzania;
- the terms "AUMS Ghana," "AUMS Mali", "AUMS BF" and "AUMS Tanzania" are references to African Underground Mining Service Limited, African Underground Mining Services Mali SARL, African Underground Mining Services Burkina Faso SARL, and African Underground Mining Services Tanzania respectively;
- the term "Capital Expenditure" means funds used to acquire or upgrade property, plant and equipment, whether funded through cash or through debt;
- the term "Group" refers to Barminco and AUMS;
- the term "Credit Facility" means the A$100.0 million revolving loan facility that Barminco entered into with several banks on April 24, 2017;
- the term "NPAT" means Barminco's profit/loss for the period attributable to equity holders of the Company;
- the term "Redeemable Preference Shares" means the redeemable preference shares issued in connection with the acquisition of Barminco Limited in August 2007 by the Parent Guarantor to a number of new shareholders and management;
- the term "Redundancy Costs" means contractual entitlements, payments in lieu of notice and all income tax thereon, payable to employees on termination of employment by Barminco. When evaluating our operating performance, redundancy costs have been excluded, as they typically occur on conclusion of mining contracts or following specific corporate restructuring events, and are therefore not considered by management to be routine expenses of the business. This treatment is consistent with our other external reporting and with how management evaluates the underlying performance of the business.
- the term "Shareholder Loan Notes" means the loan notes issued in connection with the acquisition of Barminco Limited in August 2007 by the Parent Guarantor to Bremerton Pty Ltd that mature on May 1, 2026 and ceased accruing interest on June 29, 2016;
- the term "Total Tangible Assets" means total assets less intangibles, deferred tax assets and derivative financial instruments;
- the term "km" means kilometer;
- the term "koz" means thousand ounces;
- the term "kt" means thousand tonnes;
- the term "lb" means Pounds;
- the term "mt" means million tonnes; and
- the term "oz" means ounces.

The following table sets out the conversion from metric measures into imperial equivalents:

1 tonne	=	2,204.6224 Pounds
1 tonne	=	1.1023 Tons (short)
1 Kilometer	=	0.6214 Miles
1 Meter	=	3.2808 Feet

Our fiscal year ends on June 30 of each year. In this annual report, “fiscal 2017” means the twelve month period ended June 30, 2017 and other fiscal years are referred to in a corresponding manner.

The term “2017 Financial Statements” means our annual consolidated financial statements for fiscal 2017 and including fiscal 2016 comparative amounts that are included in this annual report.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual 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. They appear in a number of places throughout this annual 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 Barminco 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. Barminco believes that these risks and uncertainties include, but are not limited to, those described in the “Risk Factors” section of this annual report. Those factors should not be construed as exhaustive and should be read with the other cautionary statements in this annual report. Other factors are discussed under “Management’s discussion and analysis of financial condition and results of operations.”

Although Barminco bases these forward-looking statements on assumptions that Barminco believes are reasonable, Barminco 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 Barminco operates may differ materially from those made in or suggested by the forward-looking statements contained in this annual report. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which Barminco operates are consistent with the forward-looking statements contained in this annual 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 Barminco makes in this annual report speak only as of the date hereof, and Barminco 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 annual report. Barminco does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. Barminco urges you to read the sections of this annual report entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the industry in which Barminco operates. In light of these risks, uncertainties and assumptions, the forward-looking events described in this annual report may not occur.

MARKET, INDUSTRY DATA AND FORECASTS

This annual report contains estimates regarding market and industry data and forecasts, which are based on Barminco’s internal estimates, independent industry publications, reports by market research firms and/or other published independent sources. In each case, Barminco believes those estimates are reasonable. However, market and industry data and forecasts are subject to change and cannot always be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey of market data. Industry publications, surveys and forecasts generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. Barminco has not independently verified any of the data from third-party sources, nor has Barminco ascertained the underlying economic assumptions relied upon therein. While Barminco is not aware of any misstatements regarding our industry data presented herein, our estimates involve risks and uncertainties and are subject to change. Barminco cannot guarantee the accuracy or completeness of such information contained in this annual report. As a result, you should be aware that market and industry data and forecasts set forth herein, and estimates and beliefs based on such data, may not be reliable.

FINANCIAL STATEMENT PRESENTATION

Accounting standards

Our consolidated financial statements included in this annual report have been prepared in accordance with Australian Accounting Standards and also comply with International Financial Reporting Standards and interpretations as issued by the International Accounting Standards Board ("IFRS"). IFRS differs from generally accepted accounting principles in the United States ("U.S. GAAP") and such differences could be material. In making an investment decision, investors must rely on their own examination of Barminco and consult with their own professional advisors for an understanding of the differences between IFRS and U.S. GAAP and how those differences might affect the financial information contained in this annual report. This annual report does not include a reconciliation of our financial statements to financial statements that would be prepared in accordance with U.S. GAAP.

Non-IFRS/Non-GAAP financial measures

Certain "non-GAAP financial measures" have been included in this annual report. These measures include EBITDA (which is a measure of Barminco's earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets), Adjusted EBITDA (which is a measure of Barminco's earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets adjusted to exclude Redundancy Costs, share of profit from equity accounted investments, net of tax, onerous contract provision and to include dividends received from associates), EBITDA margin (which represents Barminco's earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets, as a percentage of revenue), Adjusted EBITDA margin (which represents Barminco's earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets adjusted to exclude Redundancy Costs, share of profit from equity accounted investments, net of tax, onerous contract provision and to include dividends received from associates, as a percentage of revenue) and Net Debt (which is total borrowings less cash and cash equivalents). The "non-GAAP financial measures" presented in this annual report may not comply with the SEC rules governing the presentation of such "non-GAAP financial measures."

Barminco believes that these "non-GAAP financial measures" provide useful supplemental measures to examine its ability to service debt and the underlying performance of its business, and management considers these metrics in measuring Barminco's operating performance. These measures, however, should not be considered to be an indication of, or alternative to, corresponding measures determined in accordance with IFRS. Adjusted EBITDA and EBITDA are not defined terms of financial performance, liquidity or value under IFRS. In addition, these measures may not be comparable to similar measures presented by other companies. For further information on EBITDA and Adjusted EBITDA, please see "Summary Historical Consolidated Financial and Operating Information."

CURRENCY PRESENTATION AND EXCHANGE RATES

We record our transactions and prepare and will publish our consolidated financial statements in Australian dollars. In this annual report, references to "A$" are to Australian dollars and references to "US$" or "U.S. dollars" are to United States dollars.

The following table sets forth, for the periods and dates indicated, information concerning the rates of exchange of A$1.00 into U.S. dollars based on the noon buying rate in New York City for cable transfers in Australian dollars as certified by the Federal Reserve Bank of New York.

	At Period End	Average Rate(1)	High	Low
Fiscal year ended June 30,				
2014	0.9427	0.9186	0.9705	0.8715
2015	0.7566	0.8365	0.9488	0.7566
2016	0.7432	0.7289	0.7817	0.6855
2017	0.7686	0.7555	0.7733	0.7202

(1) For the fiscal years indicated, the average of the noon buying rates on each business day during the year for which data is provided.

For your convenience, this annual report contains translations of certain Australian dollar amounts into U.S. dollars at the rate or rates indicated. Unless otherwise stated, the translations of Australian dollar amounts into U.S. dollars in this annual report have been made at the noon buying rate on June 30, 2017, which rate was A$1.00 = US$0.7686. These translations should not be construed as representations that the Australian dollar amounts actually represent such U.S. dollar amounts or could be converted into U.S. dollars at the rate indicated.

The Australian dollar is convertible into U.S. dollars at freely floating rates and there are no restrictions on the flow of Australian currency between Australia and the United States.

BUSINESS

Company overview

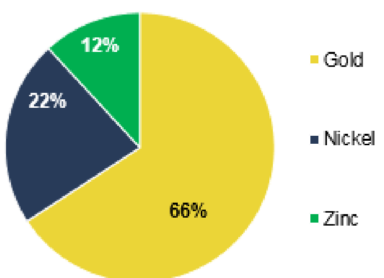
Barminco is one of the market leaders in the underground hard-rock development and production contract mining sector. Our contract mining business involves the provision of equipment, personnel and technical expertise to conduct underground operations for producing mining companies, primarily in the gold, nickel and zinc sectors as well as copper and tin. In addition to contract mining, we also provide underground diamond drilling (core sampling) services for the exploration and definition of ore reserves.

In Australia, we operate at 11 sites, located in the states of Western Australia, Queensland and Tasmania. At these sites, we have 13 projects, comprising seven contract mining projects and six diamond drilling projects. In Africa, we operate one site in Egypt, comprising of two projects - one contract mining project and one diamond drilling. In India we have one mining project that we operate directly. In addition, we have a 50% interest in AUMS, which provides underground hard-rock contract mining services to mining companies in certain countries in West and East Africa. The other 50% interest in AUMS is held by Ausdrill Limited ("Ausdrill"), an ASX-listed mining services company. AUMS currently operates across four sites in Ghana, Burkina Faso and Tanzania.

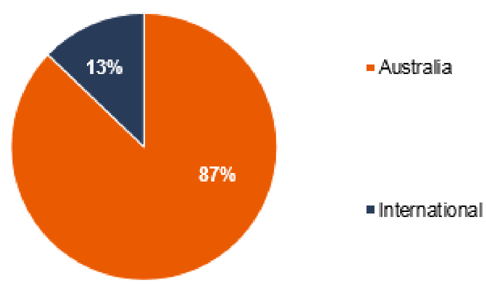
In fiscal 2017, we recorded revenue of A$601.7 million, Adjusted EBITDA of A$107.0 million and a NPAT of A$(93.8) million.

The following charts show Barminco's percentages of revenue by commodity and geography for the year ended June 30, 2017.

Revenue by commodity (1)



Revenue by geography



(1) Excludes fibrecrete, shared services and other revenue which collectively represent <1% of total revenue.

Company history

In 29 years of operations, we have grown from a contract miner servicing junior and mid-tier clients solely in Australia to an underground hard-rock mining specialist servicing some of the world's largest mining companies globally.

Barminco was established in 1989 by Peter Bartlett to provide contract mining services to the Western Australian mining industry. The business developed its capability in underground mining services at the same time as decline access mining became the preferred underground mining method in Western Australia.

We expanded our business in 1995 when we added our diamond drilling division to our core underground hard-rock mining business. We acquired Concrete and Crushing Australia in 2003, a concrete and crushing business and following the acquisition, formed our crushing and screening division.

In August 2007, Gresham Private Equity and certain members of Barminco's management acquired a majority interest in Barminco, with founder Peter Bartlett retaining a significant interest.

In October 2007, Barminco formed AUMS with Ausdrill to provide underground hard-rock contract mining services to mining companies in West Africa. In 2009, Barminco also expanded into Africa in its own right, securing a mining services contract with Pharaoh Gold Mines NL at its Sukari Hill project.

In December 2016, Barminco continued to expand geographically into India, securing a contract with Hindustan Zinc at its Rampura Agucha zinc mine.

Our operating businesses are grouped into the following three principal divisions: underground contract mining, diamond drilling and joint venture interest in AUMS. The selected financial information in the table below is for the fiscal year ended June 30, 2017.

Barminco

Revenue	A$601.7 million
Adjusted EBITDA:	A$107.0 million

Underground Contract Mining

Core service offering with operations in Australia, Egypt and India

- Provides both development and production services to the mining industry
  - Drilling
  - Charging
  - Blasting
  - Loading and hauling
- Customers are predominantly large gold, nickel and zinc miners

Selected financials

- Revenue: A$551.4 million
- EBITDA A$75.5 million

Diamond Drilling

- Provides underground drilling services for mineral grade control and ore-body definition, with operations in Australia and Egypt
- Services include the provision of
  - Diamond drilling rigs
  - Skilled drilling personnel
  - Core orientation tools
  - Down hole survey equipment

Selected financials

- Revenue: A$45.1 million
- EBITDA: A$5.3 million

AUMS

- 50/50 joint venture with Ausdrill providing underground contract mining services in West & East Africa
- Provides both development and production services to the mining industry
  - Drilling
  - Charging
  - Blasting
  - Loading and hauling
- Customers are predominantly large producing gold miners

Selected financials:

- Dividends received from AUMS: A$20.7 million

Note: Revenue for the divisions includes fibrecrete, but excludes services to AUMS and other revenue which collectively represent less than 1% of total revenue. EBITDA of Underground Contract Mining and Diamond Drilling does not sum to Adjusted EBITDA of A$107.0 million as the figures do not adjust for A$0.3 million of redundancy costs, A$20.7 million of AUMS cash dividends, A$3.7 million onerous contract provision and exclude net crushing and screening and shared services EBITDA of A$1.5 million.

Underground contract mining. Our underground contract mining division provides specialized mine production and development services to mining companies including jumbo development (the tunneling development of underground mines); ground support, including fibrecreting; production drilling and blasting; and extraction and haulage, primarily in the gold, nickel and zinc sectors.

- Our production mining services involve production drilling, charging, blasting, loading and hauling of material to the surface. Production mining utilizes various methods and specialized equipment depending on the particular application and point in the production cycle. We target production applications that are compatible with our core fleet and our fleet size, and optimized equipment through in-house rebuilding, providing flexibility to start contracts on time and with as-new equipment.

- Our development mining services involve the construction of an inclined, declining or horizontal tunnel using jumbo development drills. Our development mining services are focused on the planning, development and construction of mine infrastructure. Our core business is focused on high speed mechanized mining, utilizing hard-rock electric/hydraulic jumbo drills and diesel engine powered equipment. We have significant experience in the management and operation of jumbo development projects and a modern fleet of equipment. We have maintained strong productivity due to our high caliber people, equipment and processes, including utilization of our proprietary fibrecrete research and development program. With the development of larger, more mechanized and efficient equipment, decline access mining is increasingly being used as the optimal solution for many mines given the rapid development of the decline, enabling early access to and mining of underground ore reserves. The advantage of decline access mining over shaft mining is that it allows the vertical extension of the mine to progress in conjunction with production of the upper ore body. In contrast, shaft mining requires full construction of level accesses, loading stations, and other services, as well as full commissioning, prior to production of the ore body.

Diamond drilling. Our diamond drilling division provides underground drilling services for mineral exploration and defining ore reserves. Diamond drilling is generally used for exploration activities, as well as the delineation of mineral resources and ore reserves, which can lead to extending the production life of mines. The technique uses an annular drill bit with an industrial-grade diamond crown to cut a cylindrical core through solid rock which is extracted, analyzed and assessed for such criteria as ore grade and rock structural information.

AUMS. We have a 50% interest in AUMS, which provides underground hard-rock contract mining services to mining companies in certain countries in West and East Africa. The other 50% of AUMS is owned by Ausdrill.

Mining services value chain

	Explore	Evaluate	Develop and Construct	Mine	Haul	Process	Market and Divest
Description	Determine presence of viable resources	Determine profitability of project	Plan, develop and construct mine and site infrastructure	Develop and produce from ore reserve	Transport mined ore to processing plant	Extract saleable product and dispose of residue	Sell product and end operations
Activities	▪ Exploration drilling	▪ Scoping studies	▪ Underground mine development ▪ Fibrecreting	▪ Grade control diamond drilling[1] ▪ Underground development for production ▪ Underground hard-rock mining ▪ Technical support services ▪ 3rd party supply / maintenance	▪ Underground load and haul	▪ Mobile rock crushing	
Activity Drivers	Exploration expenditure, driven by commodity prices[2]		Mine capital investment in construction and development	Production levels, driven by operational and capital expenditure	Production levels	Production levels	

Barminco's segment participation: Develop and Construct, Mine, Haul

(1) The final phase of drilling before mining commences. At this point the drill data set can be fine-tuned and the boundaries and grade/tonnage component of the ore body can be defined.

(2) The overall economic climate, and commodity prices in particular, are relevant to all phases of the mining services value chain.

Business strengths

We believe Barminco has an excellent reputation and is the one of the market leaders in the Australian underground hard-rock contract mining industry. We expect the opportunities for Barminco in the underground hard-rock contract mining industry in Australia and internationally to grow over the next five years. In addition, the complexity of underground mining and the organizational capability necessary serve as a large barrier to entry into the industry.

We have established a reputation for reliability, efficiency and technical expertise in the highly specialized field of decline access mining. We believe our leading market position and our reputation are important competitive advantages as they provide the opportunity to participate in newest contract tenders, a key to selectively winning new contracts. In addition, we believe our scale affords us the ability to respond to our clients' needs more effectively and efficiently than our competition, as well as maximize the utilization of employed capital, driving down costs.

We are focused on the production phase of the mining value chain. The mining services that we provide are essential to our clients' ability to extract resources and generate revenue. For the fiscal year ended June 30, 2017, 91.6% of our revenue was from mining production and production-related development activity as opposed to mining exploration and grade control. These revenues relate primarily to the tonnage of material moved or meters developed, and are not directly related to the prices of underlying commodities or the grade of the ore that we remove.

We have proven leadership in maintaining high standards in health and safety. In all contract mining tenders, the contractor's safety record is a significant criterion used by clients to award contracts – health and safety is "a license to operate." Given the critical importance of safety in ensuring the success of our business and welfare of our employees, we devote substantial resources to maintaining our safety systems, including designing and evaluating processes, training, monitoring and analyzing incidents. Our ongoing dedication to meeting our internal and our clients' safety standards is reflected in our ability to renew and extend existing contracts. Our safety performance is internationally recognized and is a key competitive advantage in being invited to tender for new contracts as well as in retaining key operating personnel. We have received awards for our health and safety performance including the Gold Safety Achievement Award from the Industrial Foundation for Accident Prevention, a non-profit organization in Australia, the 2012 Global Safety Award awarded by AngloGold Ashanti to the Sunrise Dam mine project in Western Australia for which we operate underground development and production mining. We were also a winner and runner up in the 2016 Chambers of Minerals & Energy Innovations in Safety Awards in the systems category.

We have long-standing, "sticky" relationships with a blue-chip customer base, which we believe operate competitively on the cost curve. We have long-standing relationships with a diversified base of blue-chip customers and contracts across a range of commodities. We have a strong track record of renewals and extensions that provide revenue stability in addition to reducing our counterparty risk. The revenues from our clients are underpinned by long-life mines that are operating at relatively strong cash margins.

Our contracts are also "sticky", as once a mine contractor is on a mine site, the costs and risks to production continuity of replacing that mine contractor are high. It is also helpful in renewing contracts that Barminco is the sole contract miner at all of the mine sites at which we operate, except the Hindustan Zinc mine site in India.

We have a strong pipeline of opportunities which underpin future growth. Barminco has an extensive pipeline of potential contract mining opportunities in Australia and internationally that underpin future growth. As one of the market leaders in the Australian underground mining services market with a strong reputation for safety and operational performance, Barminco is invited to tender for nearly all significant opportunities in the Australian underground mining services market.

We are led by a highly experienced management team and strong Board of Directors. Our management team has substantial experience in the Australian mining industry. Our Chief Financial Officer, Peter Bryant, has over 25 years of financial experience in the Australian, the U.K. and the U.S. markets across both listed and private companies. Our Chief Operating Officer, Victor Rajasooriar, also has extensive experience in underground hard rock mining and in contract mining in both the Australian and North American markets.

Although Barminco is an unlisted private company, our Board of Directors is made up entirely of non-executive directors with deep mining industry knowledge and corporate experience. Our Board of Directors is led by Keith Gordon, our non-executive Chairman, who has over 25 years of experience in large global organizations. The other non-executive directors have experience at a senior level in mining, law and finance, all of which are relevant to our activities.

Business strategies

We aim to further strengthen our position as one of the leading underground hard-rock contract mining business in Australia as well as continue to execute our "Vision and Values" with a focus on maintaining a strong balance sheet and cash flow profile:

Adhere to strict health and safety standards. Mining clients typically require potential service providers to qualify for their safety standards before they are able to tender for new projects. We have a long standing dedication to safety performance, which is recognized by our key clients and we will continue to seek ways to maintain and improve our strong safety standards and records across our operations. We will continue to focus on enhanced performance in the areas of health, safety, community, energy management and environment.

Leverage organizational capability. The organizational capability for underground mining is a large barrier to entry and a clear differentiator of Barminco in the market. Our underground hard-rock mining know-how combines the people, the processes and systems to deliver efficient mining services to our clients. We develop highly motivated staff with strict governance over business processes and we incentivize success. We have experience and expertise that our clients can rely upon to plan and to quickly respond to growth in a structured fashion.

Provide value through scale and efficiency. Our clients benefit from our flexibility to meet or exceed their planned schedules and we have the common goal to drive efficiency. Our focus on excellence is to maximize utilization of employed capital which in turn drives down unit costs. These cost drivers extend available ore reserve and often extend mining scope, delivering a win-win situation for both parties. Our strategy to continually improve sustains our competitive advantage and deters competition from owner miners.

Focus on profitable growth. We plan to continue to strengthen our ties with our existing major mining company clients to identify owner mines and target new conversion to our more efficient contract model and to actively pursue all major greenfield projects. We will seek out long life mines which will increase our earnings visibility and reduce our costs by delaying the need for our redeployment of capital and personnel. Our strategy is to maintain our position as one of the market leaders in the Australian market and become a market leader in the broader global market. Our strategy will be to move into jurisdictions that are likely to provide multiple project opportunities that will justify replicating our infrastructure and supply chain, and to enter with a low risk "seed" project to gain experience and establish a footprint.

Deliver client value through innovation. We strive for continuous improvement and innovation across all areas of our business. Through the use of leading technology, data interpretation and process improvement platforms, we aim to achieve industry leading best practice and efficiency improvements across all sites to deliver client value.

Maintain a prudent financial policy. We plan to maintain a prudent capital structure that will give us maximum operational and financial flexibility. We believe our risk management policies will allow us to de-lever and strengthen our balance sheet as EBITDA grows. We intend to maintain ample liquidity through our Credit Facility and cash on hand to optimize financial flexibility and will mitigate foreign exchange risk through our hedging plan. Our conservative capital expenditure plan requires Board approval for plans over A$75,000, which helps to ensure prudent spending.

Tendering process

Barminco is invited to tender for nearly all significant opportunities in the Australian underground mining services market. Barminco has designed its tender process to ensure that we focus our resources on tendering for projects with the highest probability of success and those which are likely to generate the maximum value for Barminco. During the tender process, Barminco receives detailed technical information that assists us in assessing the likely operational costs. For some of the mines that Barminco bids for, we also have historical operating knowledge which increases our ability to accurately forecast the costs. Barminco then conducts a detailed risk assessment of each project and undertakes a rigorous cost and pricing analysis to establish appropriate pricing and margins. The Board reviews all tenders prior to submission and full Board approval is required for each submission and any subsequent alteration to the business case, scope and pricing. Close management of this rigorous tendering process is critical to Barminco's success in winning profitable contracts that are sustainable.

The segments of the tendering process designed by Barminco to maximize probability of success as well as value are detailed below:

Pre-tender	Tender preparation and due diligence	Tender review and submission
Invitation to tender • Review of received information to determine adequacy • Complete Tender Checklist document • Quick assessment of scope, scale and strategic fit • Approval to proceed or not to proceed (CEO/CFO/COO) **Evaluate financial/operating status of client** • Tenders department distribute company/project information to other departments • Finance to conduct due diligence to determine risk and alignment with goals • Legal to review contract style and conditions **Evaluate current project status** • Technical assessment of project • Initial risk assessment (global risks) • Decision whether to continue tender (CEO/CFO/COO)	**Prepare tender** • Tenders and operations request/evaluate further information (mine design, geotechnical, historical production etc) and determine if client's design/targets achievable • Legal to conduct full review of contract terms/conditions and risk • HR to determine recruitment requirements, earnings and salary information for model • Finance to provide ownership costs and review insurance clauses • Maintenance to provide new equipment availability, personnel numbers and costs • Prepare tender model and populate with information required to determine contract rates • Tender pricing calculated through cash flow analysis, taking into account margins, as well as net present value, rate of capital employed and payback period **Site visit** • Complete site visit check list (at least two persons to attend site visit) . Prepare corporate Environmental Health and Safety ("EHS") presentation	**Tender review and submission** • Undertaken five days prior to final submission to allow adequate time for changes and preparation • Conduct detailed desktop risk assessment following site visit • Prepare short form CVs for key personnel • Operational and management review of tender – all departments to participate in review process • Finalize tender submission ensuring commercial, technical and EHS requirements are aligned • Finalize approval of financials • Prepare business case for submission to Barminco Board • Board approval required to proceed • Post necessary approval, submit tender or withdraw from tender process

Each project's financial and operational performance is monitored and reported to the Board on a monthly basis to ensure that tendered and budgeted margins are being maintained and, where issues are detected, that corrective actions are put in place to maximize profitability. Site managers and general managers are given responsibility to achieve these margins and are incentivized to maintain and exceed these margins. We target a minimum return on invested capital of mid-20% when tendering.

During fiscal 2016, Barminco successfully implemented a firm wide SAP enterprise resource planning software solution for enhanced monitoring, reporting and data management.

Service divisions

Underground mining

Overview

The underground mining division is the core of Barminco's service offering. Barminco has a long history in underground contract mining, and based on internal estimates derived from publicly available sources, we estimate that Barminco is one of the market leaders in underground hard-rock development and production contract mining in Australia.

Barminco specializes in highly mechanized decline access mining and provides both development services and production services to the mining industry, which involve the following:

- Production mining services involve production drilling, charging, blasting, loading and hauling of material to the surface. Production mining utilizes various methods and specialized equipment depending on the particular application and point in the production cycle. Barminco targets production applications that are compatible with its core fleet and our fleet size, and optimized equipment through in-house rebuilding, providing flexibility to start contracts on time and with as-new equipment and to efficiently manage capital expenditure.

- Development mining services involve the construction of an inclined, declining or horizontal tunnel using jumbo development drills. Our development mining services are focused on the planning, development and construction of mine infrastructure. Our core business is focused on high speed mechanized mining, utilizing hard-rock electric/hydraulic jumbo drills and diesel engine powered equipment. With the development of larger, more mechanized and efficient equipment, decline access mining is increasingly being used as the optimal solution for many mines given the rapid development of the decline, enabling early access to and mining of underground ore reserves. A declining tunnel is generally used to provide ventilation and access for all heavy, mechanized equipment at the various horizontal intervals typically required for the mining process. Barminco has significant experience in the management and operation of jumbo development projects and a modern fleet of equipment, which allows it to deliver high speed development mining, an important criterion for clients as timely establishment of safe access is a critical precursor to the production mining process. Barminco also maintains a variable incentivized pay system delivering a focus on safety and productivity. Barminco has maintained strong productivity due to its high caliber people, equipment and processes, including utilization of its proprietary fibrecrete research and development program.

Current operations

Barminco currently operates seven underground contract mining projects in Australia, one in Egypt and one in India. A summary of Barminco's underground mining projects for the fiscal year ended June 30, 2017 is set out in the table below.

Project (location)	Client	Description
Sunrise Dam (Western Australia)	AngloGold Ashanti	• Original contract commenced in October 2003. Current contract commenced in April 2011, with a 5-year term and a 3-year extension option (1). The contract has been extended for 3 years to April 2019. • Scope includes annual underground development of 10km and production of at least 2.8 Mt of gold ore per annum.
Kundana (Western Australia)	Northern Star Resources (East Kundana Joint Venture)	• Contract ceased effective 30 June 2017.
Nova Bollinger (Western Australia)	Independence Group	• This contract commenced in January 2015 with a 3-year term and a 1-year optional extension due January 2018. (1) • Scope includes development of the boxcut (completed by a subcontractor) and underground development and production activities. The scope will ramp up over time with development starting at 4km per annum, increasing to 9km per annum, and production commencing in late 2016 at a rate of 700kt per annum.
Agnew, Waroonga (Western Australia)	Gold Fields	• Original contract term commenced in May 2010, with a 3-year term and two options to extend the term. Production scope was added to the contract in July 2013 for a 3-year term. The contract has been extended to June 2018. • Scope includes underground development of 7km annually and production mining including associated works to produce 650kt of gold ore per annum. • Diamond drilling services are provided at the mine under a separate contract.
Sukari Mine (Egypt)	Centamin	• Original contract commenced in 2009 with an initial term of three years and was extended in November 2013 for a 3-year term. Following an extension to February 2017, Barminco was awarded a 5-year contract following a competitive tender, plus a 5-year option. • Scope of the contract includes 6.6km of underground development annually and production of 750kt of gold ore annually. • Diamond drilling is provided by Barminco at the mine under a separate contract.
Dugald River (Queensland)	MMG	• Original contract commenced in February 2012 with a 2.5-year term and a 1-year extension option. This contract was extended to June 2016. • A new 5-year contract commenced in July 2016 after a competitive tender. • The annual scope includes underground development of 12km and production mining of 1.5Mt of zinc ore.
Flying Fox (Western	Western Areas	• Original contract commenced in December 2004. The current contract commenced in June 2017 for a 3-year term.

Project (location)	Client	Description
Australia)		• Scope includes annual development of 3km and production mining to produce of 250kt per annum of nickel ore.
Rosebery (Tasmania)	MMG	• Contract commenced in January 2015 for a 3-year term with a 2-year optional extension. A 5-year term was renegotiated following the contract win at Dugald River. These contracts now align. • Scope includes 7.5km of underground development annually plus cable bolting services.
Spotted Quoll (Western Australia)	Western Areas	• Original contract term commenced in May 2011 with a 3-year term. The current contract commenced in June 2017 for a 3-year term. • Scope involves 3.5km of underground development annually and production mining of 300kt per annum of nickel ore.
Rampura Agucha (India)	Hindustan Zinc	• Contract commenced in November 2016 for a 3-year term. Contract renegotiated effective 1 September 2017 with a 6 month term. • Scope includes 1.5km of underground development.

(1) Options to renew or extend the relevant contract are exercisable by the customer or by mutual agreement, but such options are not exercisable solely by Barminco.

Clients

Clients of the underground mining division are predominantly gold, nickel and zinc miners, and include some of the world's largest mining companies as well as emerging producers. Barminco services many of the world's largest resource companies as well as mid-tier companies. Key clients include subsidiaries of AngloGold Ashanti, Gold Fields, MMG, Centamin, Western Areas and Independence Group. The quality and size of Barminco's customer base also mitigates trade creditor risk. We provide essential services for our customers as and as result, historically we have experienced few bad debts.

The table below sets out a complete list of Barminco's underground mining clients and the length of Barminco's relationship with these clients.

Client mining group	Length of relationship as at June 30, 2017
MMG Australia Limited(1)	>14 years
AngloGold Ashanti Group(2)	>13 years
Western Areas NL	>12 years
Centamin PLC	>7 years
Gold Fields(3)	>7 years
Sirius Resources/Independence Group	<2 years
Hindustan Zinc	<1 year

(1) The length of our relationship with MMG Australia Limited includes prior mine ownership by Oz Minerals Limited, Zinifex Limited and Pasminco Limited.

(2) Barminco has contracts with AngloGold Ashanti Australia Limited and AngloGold Ashanti Limited at various projects.

(3) Barminco's contracts are with Agnew Gold Mining Company Pty Limited, Darlot Mining Company and GSM Mining Pty Limited, wholly owned subsidiaries of Gold Fields Limited.

AUMS

Overview of AUMS

We hold a 50% equity interest in AUMS with Ausdrill, an ASX-listed mining services provider, owning the remaining 50%. AUMS is comprised of four companies: AUMS Ghana, incorporated in Ghana; AUMS Mali, incorporated in Mali; AUMS BF, incorporated in Burkina Faso; and AUMS Tanzania, incorporated in Tanzania. AUMS Mali, AUMS BF and AUMS Tanzania are held through our wholly owned subsidiary, Barminco AUMS Holdings Pty Limited and AUMS Ghana is held through our wholly owned subsidiary, Barminco Limited.

AUMS Ghana was established in 2007 to provide a full range of underground contract mining services including consulting and feasibility, management, planning and mine development in certain countries in West Africa. AUMS Mali was established in 2010, AUMS BF was established in 2012 and AUMS Tanzania was established in 2015 for the purpose of providing underground mining services in Mali, Burkina Faso and Tanzania, respectively. Each of AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania is governed by separate AUMS Shareholders' Agreements but the substantive terms of each agreement are identical. Under each AUMS Shareholders' Agreement, the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Côte d'Ivoire and Guinea through AUMS. However, the AUMS shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS. A more detailed summary of the AUMS Shareholders' Agreements is set out in "—Overview of material contracts and agreements—AUMS—AUMS Shareholders' Agreements."

The senior management of AUMS is located in Accra, Ghana. AUMS is managed by an executive appointed by agreement of the shareholders. National staff are sourced and managed locally by AUMS. Barminco sources expatriate personnel and also assists with the technical expertise necessary to tender and undertake underground hard-rock mining projects and other corporate head office functions, including planning, budgeting and forecasting.

Current operations

AUMS currently operates four mining projects in Ghana, Burkina Faso and Tanzania. AUMS is continuously assessing projects in other West and East African countries.

Customer	**Project**	**Commodity**	**Location**	**Remaining years**	**Length of relationship**
AngloGold Ashanti	Star and Comet	Gold	Tanzania	1.5	13 years
AngloGold Ashanti	Nyankanga	Gold	Tanzania	1.5	13 years
Roxgold	Yaramoko	Gold	Burkina Faso	2.0	2 years
Newmont	Subika	Gold	Ghana	5.0	1 year

Diamond drilling

Overview

Barminco's diamond drilling division provides underground drilling services for mineral exploration and defining ore reserves. Diamond drilling is generally used for exploration activities, as well as the delineation of mineral resources and ore reserves, which can lead to extending the production life of mines. The technique uses an annular drill bit with an industrial-grade diamond crown to cut a cylindrical core through solid rock which is extracted, analyzed and assessed for such criteria as ore grade and rock structural information. A typical contract will involve the supply of suitable diamond drilling rigs, drilling rods and consumables, skilled drilling personnel, core orientation tools and down hole survey equipment.

The diamond drilling division's fleet is comprised of Boart Longyear LM series electric-hydraulic diamond drills, Atlas Copco mobile carrier rigs using underground drilling equipment and Atlas Copco underground core drilling rigs for deep hole directional drilling, which is a technique of drilling a borehole wherein the course of the hole is planned before drilling and is controlled by deflection wedges or other means to enable high quality rock core sample information to be obtained. Pneumatic drills are also used for specialist applications.

The diamond drilling division accounted for 7.5% of Barminco's revenue for the fiscal year ended June 30, 2017.

Current operations

Barminco currently has six diamond drilling projects in Australia and one in Egypt. Barminco also provides contract mining at three of these sites, generating efficiencies in shared supervision, workshop and supply chain infrastructure. The number of rigs employed at each project varies, but it is typically between one and four.

The diamond drilling projects where Barminco does not have an underground mining contract presence provide an opportunity to establish a working relationship with mining companies, often at an earlier stage of development, enabling a broader penetration of the traditional owner mining function.

Clients

The majority of clients in the diamond drilling division are major blue-chip miners. Key clients of the diamond drilling division include Gold Fields, Western Areas and Centamin.

Growth initiatives

We have identified a range of growth opportunities that are designed to drive future growth.

Capitalize on growth opportunities in existing markets

We are well placed to capitalize on growth opportunities in our existing markets.

Barminco has identified a number of potential contract mining opportunities and has a strong track record of converting such opportunities into contract wins. Since the beginning of fiscal 2008, Barminco was invited to tender for 138 underground contract mining opportunities of significance in Australia and Internationally, and Barminco submitted tenders for over 78% of these.

This pipeline of new opportunities includes a number of mining opportunities which are currently owner-operated. Barminco has an active customer targeting process, which seeks to educate and inform potential new clients on the benefits of outsourcing their mining operations.

Pursue service extension opportunities

We believe there is potential to expand our scope of work with existing clients, such as leveraging existing underground contract mining relationships to win contracts in diamond drilling and vice versa. We also believe that there is potential to internally develop or acquire specialized capabilities in order to further diversify its business across the mining services value chain.

Geographic expansion

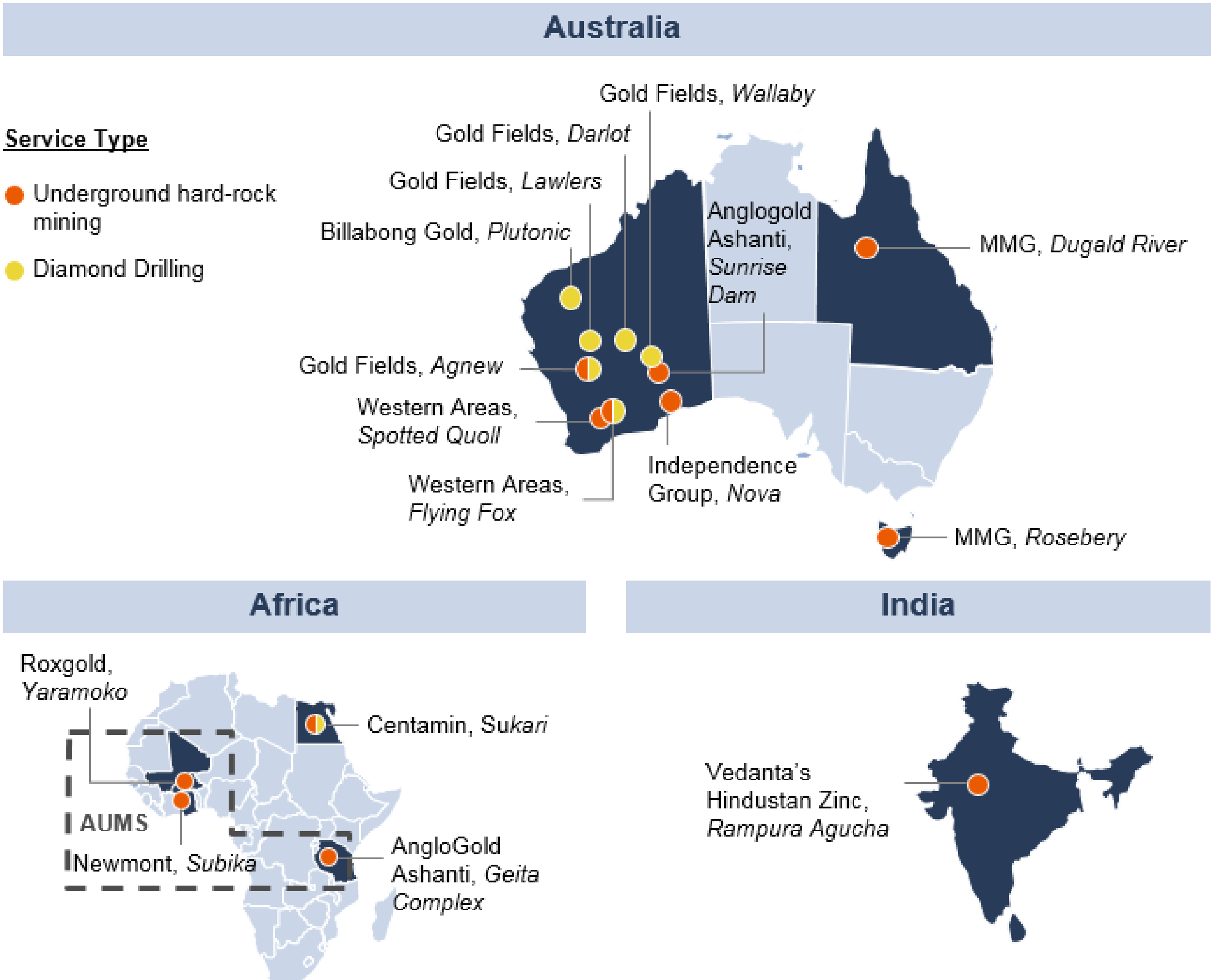
In Australia, all of mining services work undertaken by Barminco is in Western Australia, Queensland and Tasmania. Within Africa, Barminco currently provides services in Egypt, and through AUMS in Ghana, Burkina Faso and Tanzania. South Africa is the most mature African resources market, with an established contract mining industry. However, mining activity in general and underground mining activity in particular is expected to increase in many emerging African markets such as Ghana, Mali, Burkina Faso and Tanzania. As such, African markets outside of South Africa represent a key growth opportunity for AUMS. Barminco also provides services in India.

We have also identified a number of international expansion opportunities where we currently have no presence. These include Canada, Latin America and southern Africa, where growth in underground mining activity is occurring. A decision to expand into one or more of these countries will depend on a suitable contract mining opportunity becoming available.

Many of our current and past clients have global underground mining operations, many in regions that are not currently serviced by us. This provides potential for us to leverage off our relationships with those clients should we decide to enter those markets.

Overview of material contracts and agreements

The maps below show the sites in Australia, Africa (including AUMS) and India where we currently have material contracts in place.



Source: Barminco

Underground mining division

Key contracts

Our largest contract represented 18.8% of our total revenue for fiscal 2017. Underground mining service contracts use various structures as a basis for project remuneration, for example:

- a schedule of rates;
- fixed and variable costs;
- cost-plus; and
- alliance based contracting with performance based remuneration.

Project remuneration structures can also be combined and vary across Barminco's projects. The majority of our underground mining service contracts use a fixed and variable costs structure as a basis for payment to manage risks. Typically, fixed payments are made for items such as equipment ownership, corporate overheads and certain supervisory labor costs. Variable payments are made for items primarily based on mining physical quantity such as development meters, ore tonnes loaded and hauled, ground support units installed and meters drilled and blasted. The variable component of our revenue recovers costs such as operating labor, equipment maintenance and mining consumables, which depend on the actual level of production achieved by Barminco in a given period. Margin can be apportioned at different levels across both fixed and variable unit rates.

The rates are typically subject to rise-and-fall provisions, which adjust prices to reflect changes in the costs of key inputs (such as salaries, parts, materials, fuel, and explosives), based on changes in various indices (for example, Australian Bureau of Statistics data). The base indices are set at the time of pricing submission. However, because contract prices are only reset at periodic intervals, typically quarterly, there can be a lag between a price change in one of Barminco's inputs and the time at which the relevant contract price change occurs.

Generally, Barminco's underground mining services contracts permit the customer to vary the scope of work to be performed by Barminco, in which event Barminco is entitled to contractually claim an adjustment to certain amounts payable to it under the relevant contract. Many contracts define the limits of accuracy ranging within 20% of contracted physicals, which may trigger a full or partial renegotiation of pricing.

It is common and accepted to generate multiple variations throughout the contract term adjusting for changes in scope. Examples are changes in required fleet numbers or type and modified ground support regime to respond to changed ground conditions. Efficiencies or inefficiencies generating a win/lose outcome can be addressed through a rate variation, which all contracts have the flexibility to implement.

For scope outside of the primary work plans, all primary contracts have provision for daily hire rates for people and equipment charged as 'dayworks'. There are also revenues applicable to delays not caused by the contractor, for instance primary power disruption. Should a project be terminated prematurely, there are associated demobilization revenues which can include redundancy recovery in the event labor cannot be redeployed within the business.

Contracts for underground mining services are typically of short to medium term. Barminco's average contract length for current underground mining contracts is approximately three years from original commencement date. Most of Barminco's underground mining services contracts allow the customer to terminate the contract at the customer's option upon giving Barminco minimal notice with notice periods ranging from 30 to 90 days. If the customer exercises this option to terminate the contract without cause, the customer is generally required to pay Barminco for the work completed to date, unused materials and demobilization costs. However, clients typically prefer to use a single contractor over the full mine life to minimize disruption, and will generally only switch providers if they are dissatisfied with the incumbent contract miner or can reduce costs. Since 1995, when we won our first underground development mining contract, we have only lost a renewal for an expiring contract on five occasions. We have won five projects from incumbent competitors over the same period.

Barminco has a proven track record in securing contract extensions and the current estimated mine lives where Barminco operates extend well beyond the current contractual period.

Other key features of Barminco's underground mining services contracts include:

- certain contracts give the customer an option to buy the capital equipment used by Barminco in connection with the contract, typically at a market value to be agreed;

- Barminco often provides the customer with a standard industry style indemnity against claims or losses arising from events such as personal injury, damage to property and non-compliance with laws; and

- certain contracts place risks associated with environmental damage and clean-up with Barminco and contain indemnities under which Barminco is obligated to compensate the customer for certain losses resulting from environmental incidents for which Barminco is responsible.

Diamond drilling division

Key contracts

Diamond drilling contracts generally provide for remuneration on a schedule of rates, whereby the contractor is paid per unit of output. Barminco's contracts typically have a term of approximately two years with an option to extend exercisable by the customer, although work may not be continuous during this term. The contracts generally include rise and fall provisions that provide for quarterly adjustments. Typically, contracts have a 30 day termination without cause provision. See "Risk Factors—Our revenues are subject to underlying contracts with varying terms and substantially all of our customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue" for further information on the risks relating to the termination provisions in Barminco's customer contracts.

AUMS

Key contracts

AUMS currently operates underground mining and diamond drilling services at four projects. AUMS's average contract length for current underground mining contracts is approximately 30 months from original commencement date. The terms of these contracts are generally equivalent to those of Barminco's Australian contracts. In Africa, AUMS also enjoys the advantages of incumbency, as well as its dominant market share and operating expertise in underground hard-rock mining.

AUMS Shareholders' Agreements

Each of AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania is governed by a separate AUMS Shareholders' Agreement but the substantive terms of each agreement are identical. The AUMS Ghana Shareholders' Agreement was entered into between Barminco Limited, Ausdrill and Ausdrill Limited in July 2008; the AUMS Mali Shareholders' Agreement was entered into in March 2012, the AUMS BF Shareholders' Agreement was entered into in December 2012 and the AUMS Tanzania Shareholders' Agreement was entered into in October 2015. Each AUMS Shareholders' Agreement governs the relationship of Barminco Limited and Ausdrill as shareholders of AUMS.

Territory

Under the AUMS Shareholders' Agreements, the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Tanzania, Côte d'Ivoire and Guinea (a "Relevant Territory") through AUMS. However, the AUMS shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS.

Contributions to joint venture

Under the terms of the AUMS Shareholders' Agreements, Barminco is responsible for providing to AUMS the equipment needed for AUMS to provide the contract mining services, with Ausdrill being responsible for providing to AUMS the administrative and related services needed to provide the contract mining services. The contributions of each shareholder to AUMS are on an arm's length basis. AUMS currently sources its own equipment and is no longer dependent on supply by Barminco Limited. Barminco continues to provide shared services and technical support to AUMS.

Management

The AUMS board of directors has appointed an executive to manage the day-to-day business of AUMS. The executive is currently Blair Sessions, who was nominated for the position by Barminco. Mr. Sessions is also a Statutory Director of AUMS Ghana and Statutory Manager of AUMS Mali, AUMS BF and AUMS Tanzania.

Directors

Under the AUMS Shareholders' Agreements, each of the three companies comprising AUMS is governed by a board of directors which consists of six directors in total, with each shareholder appointing three directors, unless agreed otherwise.

The quorum for board meetings is one director appointed by each shareholder. The current directors appointed by Barminco are Peter Bryant, Victor Rajasooriar and Matthew Lloyd. Except in limited circumstances, all decisions of the AUMS board must be approved by unanimous vote. However, if a shareholder has committed an event of default (see "—Default" below), or while any sum called by the AUMS remains unpaid and overdue by a shareholder (see "—Funding requirements" and "—Guarantee" below), directors appointed by that shareholder may not exercise any vote at board meetings. The AUMS Shareholders' Agreements provide for the right to nominate a director as the chairman of the AUMS board, which is to be rotated each financial year between the shareholders. However, historically, this right has not been exercised and the chairman is appointed at the start of each meeting by agreement. The chairman does not have a vote at board meetings.

Shareholder approvals

The quorum for meetings is one representative of each shareholder and all shareholder resolutions of AUMS must be approved by unanimous vote. However, if a shareholder has committed an event of default (see "—Default" below), or while any sum called by the general manager of AUMS remains unpaid and overdue by a shareholder (see "—Funding requirements" and "—Guarantee" below), then that shareholder may not exercise any vote at shareholders' meetings.

Mining services contracts

If either shareholder becomes aware of an opportunity to tender for a mining services contract in a Relevant Territory, it must notify the AUMS board of such opportunity. The AUMS board has 30 days to notify the party that identified the opportunity whether AUMS will be submitting a tender. If an AUMS director nominated by either shareholder votes against AUMS submitting a tender in respect of the particular opportunity, that dissenting shareholder is prohibited from submitting a tender for the particular mining services contract and may not object to the non-dissenting shareholder submitting a tender for that mining services contract.

Non-compete

If either shareholder ceases to be a shareholder in AUMS, then that shareholder must not, for a period of two years, perform contract mining services in a Relevant Territory for any existing customer or any customer to whom AUMS had submitted, or had resolved to submit, a tender for the performance of contract mining services.

Funding requirements

AUMS may make calls for funds in accordance with budgets approved by the AUMS board, or to the extent necessary for AUMS to satisfy its obligations. Within 10 business days of a call being made by AUMS, each shareholder must pay to AUMS the amount called for as an interest-bearing loan, repayable only when the AUMS board unanimously agrees that AUMS is in a financial position to repay it. While any sum called by AUMS remains unpaid and overdue by either shareholder, the defaulting shareholder and its directors on the AUMS board may not vote and are not required to be counted in the quorum at directors' or shareholders' meetings of AUMS. As of June 30, 2017, Barminco has contributed A$15.0 million in capital calls and an additional A$5.0 million in equity contributions to AUMS.

Right to trigger pre-emption process

If either shareholder (the initiating shareholder) wishes to cease performing contract mining services through AUMS, or considers in its absolute discretion that a dispute, or the course of action proposed by an arbitrator to resolve the dispute in accordance with the dispute resolution provisions (see "—Dispute resolution" below), will result in or is indicative of a fundamental breakdown in the relationship between the shareholders, the initiating shareholder may serve a notice on the other shareholder offering to sell its shares in AUMS and assign the loans (and accrued and unpaid interest) due to it from AUMS to the other shareholder. Failing a sale within 25 business days, the initiating shareholder must purchase the other shareholder's shares in AUMS together with the loans (and accrued and unpaid interest) due to that shareholder from AUMS. The price for the shares in AUMS is that specified in the initiating shareholder's notice of offer, and the price for the loans to AUMS is their aggregate face value plus accrued and unpaid interest. The exercise of this provision in one AUMS Shareholders' Agreement does not trigger the same provision in the other two AUMS Shareholders' Agreements.

While we believe that we have a good working relationship with Ausdrill, our interest in AUMS is subject to the risks normally associated with the conduct of joint ventures. In particular, each AUMS Shareholders' Agreement contains provisions under which one of the parties may make an offer ("the initiating party") to the other party to sell their shares at a nominated price. If the other party rejects that offer, then they will be deemed to have made a counteroffer to sell their own shares to the initiating party, and the initiating party will be compelled to buy the other party's shares in the respective AUMS company, at the nominated price. See "Business—Overview of material contracts and agreements—AUMS—AUMS Shareholders' Agreements."

Dispute resolution

If a dispute arises between the shareholders in the performance of contract mining services or in relation to their relationship generally, the shareholders must exchange notices setting out their positions on the dispute and their representatives must meet at least once in an effort to resolve the dispute. If the dispute is not resolved, the dispute must be submitted to non-binding arbitration in Perth, Western Australia.

Default

A shareholder commits a default if it:

- fails to pay a call for capital by AUMS prior to the expiry of the specified grace period;
- is subject to an insolvency event;
- assigns or attempts to assign the benefit of the AUMS Shareholders' Agreement to a third party in breach of the agreement;
- disposes of the whole or part of its assets, operations or business other than in the ordinary course of business;
- ceases to carry on business;
- is the subject of a change of control (other than as a result of a change of control of its ultimate holding company);
- breaches any provision of the AUMS Shareholders' Agreement which is capable of remedy (other than a requirement to pay a call for capital) and fails to remedy the breach within 10 business days after receiving notice from the other shareholder; or
- breaches any material provision of the AUMS Shareholders' Agreement or the constitution of AUMS where that breach is not capable of remedy.

If a shareholder commits a default, then that shareholder and its directors on the AUMS board may not vote at directors' or shareholders' meetings of AUMS and that shareholder is deemed to have offered to sell to the other shareholder its shares in AUMS at their fair market value and its loans to AUMS at their face value, plus accrued and unpaid interest. If the defaulting shareholder's deemed offer is not accepted within the specified period, the AUMS board may determine to sell the shareholder's shares in and loans to AUMS to any third party at the relevant sale prices, failing which AUMS must buy back or cancel the shares and loans at the relevant prices.

Competitive landscape

Overview

A relatively small number of mining contractors provide underground hard-rock contract mining services, as it is a specialized service requiring industry specific skills and equipment. High capital costs and the requirement for substantial logistics infrastructure also act as a barrier to entry for new competitors to the market.

Competitive landscape—Australia

Within Australia, mining contractors have become an established part of the mining industry. A significant number of the underground mines in Australia use contractors for their entire underground mining function. There are approximately 75 known operating underground base and precious metal mines operating in Australia, about 45 of which are owner-operated (for the majority of their activity), with the remaining mines operated by contract miners. Of the remainder who conduct in-house mining, most use mining contractors either for part of their mining function or intermittently for specialist tasks.

Based on internal estimates derived from publicly available data, we estimate that Barminco is one of the market leaders in underground hard-rock development and production contract mining in Australia. Other key market participants in the Australian market are summarized in the table below.

Key competitors in Australian underground hard-rock contract mining market

Competitor	Description	Ownership
Byrnecut Mining Pty Ltd	• Focused on underground hard-rock mining and related construction activities, with overseas operations in Africa, the Middle East and Asia. • Largest competitor to Barminco in the Australian market.	Private
Pybar Mining Services Pty Ltd	• Focused on underground hard-rock mining and small scale surface construction/equipment hire activities. • Primarily services the Australian market.	Private
Macmahon Holdings Ltd	• Provides both underground and surface mining services in Australia, New Zealand, Asia and Africa. • Also provides civil construction, engineering and maintenance services.	ASX-listed company
Thiess Contractors Pty Limited	• Large international service provider. • Provides both underground and open cut mining as well as diversified engineering and civil construction services. • Underground mining services include underground coal mining.	Division of ASX-listed company CIMIC Group Ltd
Redpath Australia Pty Ltd	• Large international service provider. • Provides both underground and open cut mining as well as diversified engineering and civil construction services.	Division of Redpath Group (Canada)
Australian Contract Mining	• Small underground service provider with exposure in Western Australia	Private
RUC Cementation Mining Contractors Pty Ltd	• Medium sized Western Australia based service provider associated with Murray and Roberts in Africa • Has both underground and raise drilling capability.	Division of Murray & Roberts
Downer	• Large international service provider. • Provides both underground and open cut mining as well as diversified engineering and civil construction services.	ASX-listed company

Competitive landscape—Africa

Within the African market, mine owner adoption of mining contractors varies from region to region.

Mature markets (for example, South Africa) have an established contract mining industry. In these markets, Barminco competes against both contract miners and owner-operators. Some key international competitors with African operations include Redpath, Murray & Roberts, Byrnecut and Shaft Sinkers.

Emerging African markets (for example, Mali, Ghana, Burkina Faso and Tanzania) have a limited history of underground contract mining.

Safety and risk management

Barminco is committed to providing a safe environment for employees, contractors and the community. A strong safety record is fundamental to Barminco's core values. We place safety first and foremost and regard it as "our license to operate." Barminco's safety record is a critical element for its reputation and its ability to attract employees and win business. In almost all contract mining tenders, the contractor's safety record is a significant element of the evaluative criteria used by the client to award contracts.

Accordingly, Work Health and Safety (WHS) is Barminco's highest priority. Integral to all Barminco induction processes is the Barminco Risk Management Program and the Barminco Integrated Management System (IMS), both of which are focused on delivering high standards in underground mining safety performance. IMS governs Barminco's quality systems, responsibilities and structure further to the International Organization for Standardization (ISO) 9001:2008 standard. IMS details management responsibilities and governs resource management, product delivery and measurement benchmarks.

Compliance with Barminco's legislative and regulatory obligations, codes of practice and the standards to which it adheres requires a substantial management function, supervised by the Executive General Manager of Safety, People and Innovation with overall responsibility for the function.

Barminco's Integrated Management System is internationally recognized and Barminco Limited is certified to the following Australian standards:

- ISO 9001:2008 – Quality Management Systems
- AS/NZS 4801:2001 – Occupational Health and Safety Management Systems
- ISO 14001:2004 – Environmental Management Systems
- ISO 18001:2007 – Occupational Health and Safety Management Systems

Barminco is audited on an annual basis by SAI-Global to ensure recertification and compliance to ISO 9001:2008 (Quality Management Systems), AS/NZS 4801:2001 (Occupational Health and Safety Management Systems), ISO 14001:2004 (Environmental Management Systems) and ISO 18001:2007 (Occupational Health and Safety Management Systems).

Internal audits are conducted by our Health, Safety, Environmental and Quality Managers, who are accredited internal auditors and report to the Executive General Manager of Safety, People and Innovation.

In addition, safety is highly regulated by legislation and a number of governmental agencies. In Australia, both state mining regulators and federal WHS regulators administer legislation, make regulations and monitor compliance, including reviewing compliance plans and conducting inspections of worksites.

Australian federal, state and territory Work Health and Safety Acts set out general duties of employers, employees and others regarding WHS. Under the legislation, employers have a general duty of care with respect to the safety of employees, as well as a range of more specific duties and obligations. In addition, each state and territory has a range of WHS regulations that provide more specific detail of the requirements that must be followed for a range of WHS issues or hazards.

The African countries in which Barminco and AUMS operate also have jurisdictional safety regulations which is of particular importance in the high growth African markets. Barminco applies the same operating standards to all of its operations including internationally and in all cases we believe we meet or exceed our legal and regulatory obligations in all countries.

We actively strive to align our safety culture and behaviors and pursue continuous improvement initiatives in risk management, including:

- CEO Led Safety Initiatives;
- Utilization of technology in innovation and driving better safety performance;
- Strong accountability for Supervisory Safety Leadership;
- Regular and structured workforce consultation;
- Improving identification, assessment and control of risks;
- Improving communication processes to provide an open, transparent and responsive culture;
- Encouraging a positive reporting culture;
- Improving the detail and effectiveness of incident investigation processes;
- Providing comprehensive rehabilitation and injury management programs;
- Developing performance monitoring including regular safety reviews, audits and inspections; and
- Implementing leading indicator performance monitoring.

In recognition of our commitment to the safety of our people, we have received the following awards:

- 2016 Chambers of Minerals & Energy Innovations in Safety, winner and runner-up in the systems category;
- 2012 Global Safety Award awarded by AngloGold Ashanti to the Sunrise Dam mining project in Western Australia, for which we operate underground development and production mining; and
- Gold Safety Achievement Award from the Industrial Foundation for Accident Prevention, a non-profit organization in Australia.

Plant and equipment

Barminco has a significant underground mechanized fleet, supported by strong relationships with equipment suppliers and extensive in-house expertise in rebuild and fleet maintenance.

All of Barminco's equipment is purpose built for the underground mining environment and, where required, tailored to Barminco's safety standards and operational specifications. Barminco's equipment fleet includes owned and equipment under operating and finance leases. Barminco's major equipment fleet consists of 394 units with principal suppliers including Atlas Copco, Caterpillar and Sandvik.

A key competitive advantage of Barminco is its ability to source new equipment within a required timeframe for new projects. Barminco has established relationships with equipment suppliers and a pipeline of secured build spots, which enables Barminco to better source equipment over some of its competitors and enhances Barminco's ability to win and service new contracts.

Rebuild and maintenance facility

A further competitive advantage is Barminco's in-house rebuild and maintenance facility. Barminco maintains a purpose built 3,000m2 undercover maintenance, repair and rebuild facility in Hazelmere, Perth, Western Australia. In Barminco's experience, this facility delivers equipment with levels of reliability and performance equivalent to new equipment.

Barminco's in-house rebuild and maintenance capability increases equipment life with bare frame rebuilds, stringent asset management, rotable componentry and superior support. This facility is capable of rebuilding approximately 30 items of major equipment per year. This facility allows Barminco to rebuild and maintain its fleet to minimize capital and operating costs and reduce the need to buy new equipment. Barminco typically performs only one rebuild on a piece of major equipment before the equipment is retired from the fleet.

Maintenance system

Barminco has a formal maintenance system which governs all aspects of its site and fleet based maintenance activity, ensuring a consistent approach between all projects.

Key features of Barminco's maintenance system include:

- *data capture systems* all on-site maintenance supervisors can immediately access the equipment maintenance history of any piece of machinery when analyzing site or equipment specific issues;

- *formal reporting systems* Barminco has implemented production reporting systems that provide a database of key performance indicators that in turn allow improvement in maintenance programming over that provided by original equipment manufacturers; and

- *regular diagnostic health checks* during post rebuild commissioning, all system operating parameters are checked against standard specifications and recorded. Regular system health checks compare machine performance against commissioning values, providing a valuable preventative diagnostic tool.

People

Overview

As of June 30, 2017, Barminco (excluding AUMS) had 1,744 employees, calculated on a full time equivalent basis. The table below outlines employees by function and location.

Function	Australia	Africa	India	Total
Mining and engineering	948	250	193	**1,391**
Diamond drilling	129	40	—	**169**
Crushing and screening	4	—	—	**4**
Subtotal—operational	**1,081**	**290**	**193**	**1,564**
Shared Services (including administration, finance, legal, HR, EHS)	101	66	13	**180**
Subtotal—administration and other	**101**	**66**	**13**	**180**
Total	**1,182**	**356**	**206**	**1,744**

The majority of Barminco's workforce consists of permanent employees. Although contractors and casual employees may occasionally be employed when required, they do not represent a large or regular component of the workforce.

Remuneration for shift work employees in mining and production and diamond drilling is typically on a base plus incentive payment structure, designed to incentivize both productivity and safety. Maintenance shift work employees receive hourly rates and employees in management are on total fixed remuneration.

Barminco provides extensive training to its personnel, including through the use of a mine truck simulator and oculus rift technology that simulates the underground mining environment.

Barminco provides resourcing services for AUMS and source and recruit suitable candidates, including Barminco employees for various AUMS roles. When Barminco provides employees to AUMS, these employees cease their employment with Barminco and commence employment with AUMS, with accrued entitlements paid out. Barminco makes reasonable endeavors to find a position in the business for such employees in the event that they wish to return to Barminco.

Industrial relations

Barminco has experienced a harmonious and productive relationship with its workforce with no industrial action or stoppages occurring across any sites over the past four years. Barminco has an in-house counsel and its human resources team has extensive human resources, employment relations and industrial relations experience with the resources sector.

In Australia, we operate on a system of individual agreements as well as employee collective agreements, notably the Barminco Employee Collective Agreement (applicable nationally excluding Tasmania) that has been in place since November 2014 and remains valid for four years. In Tasmania, the Barminco (Tasmania) Enterprise Agreement 2016 replaced the existing agreement and has a nominal expiry date of October 27, 2019. As at June 30, 2017, approximately 80% of Barminco's Australian workforce is subject to collective bargaining agreements in Queensland, Western Australia and Tasmania. Our management team, certain administrative employees and our expatriate employees, amongst others, have individual contracts of employment.

In Egypt, our local workforce is not unionized and nationals in Egypt are employed directly by Barminco Egypt Underground Mining Services S.A.E. Employment contracts with employees in Egypt are common law contracts that comply with Egyptian Labor Law no.12 of 2003.

In India, we began operating as Barminco Indian Underground Mining Services LLP ("BIUMS") from December 1, 2016. The makeup of the workforce is approximately 20% expatriate, predominately from Australia, and the remainder are local Indian nationals. The site where BIUMS operate, Rampura Agucha, has a collective agreement in place for local nationals which we adhere to. There is a localized union branch present on site, however to date relations have been harmonious and the client is predominately engaged in keeping this relationship cordial.

Employee culture and retention

The retention of suitably qualified staff remains a strategic focus for Barminco. We have implemented a detailed retention strategy to attract and retain staff. The elements of the strategy include:

- a collective agreement which guarantees earnings levels;
- an executive incentive program for key staff;
- a graduate development program;
- an apprenticeship program;
- vacation work and work experience opportunities for other business functions;
- diamond drilling traineeships;
- a management development program;
- a performance review process to foster development; and
- succession and development planning.

Insurance

Barminco believes it maintains customary levels of insurance coverage taking into account the size and scope of its operations in Australia, Africa and India. Barminco, in conjunction with its insurance brokers, reviews the appropriateness of its insurance coverage on a monthly basis and amends its policies to suit any change in circumstances.

We take out political risk insurance when operating overseas whenever it is available and appropriate to do so. These policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war. Barminco currently has political risk insurance in place for its operations in Egypt. Due to the minimal amounts of plant and equipment deployed in India and the current risk profile, no political risk insurance is in place in India.

Environmental regulation

Environmental laws in Australia impose duties and liabilities both on owners or lessees of land (such as mining companies) and, separately, on occupiers of land or persons who agree to undertake activities or assume responsibilities which may have an environmental impact on land (including providers of mining services).

As a provider of mining services, Barminco's operations are subject to numerous environmental and regulatory requirements under federal and state environmental laws. Environmental issues such as noise, emissions, effluent discharges and ecological impact in connection with Barminco's operations are regulated by federal, state and local government authorities.

In addition, certain of Barminco's underground mining services contracts place risks associated with environmental damage and clean-up with Barminco and contain indemnities under which Barminco is obligated to compensate the customer for certain losses resulting from environmental incidents for which Barminco is responsible.

The environment and community are important priorities for Barminco and it actively manages its responsibilities under relevant regulatory and other standards. Barminco's commitment to environmental management is supported by the environmental management systems it has in place.

Barminco documents and implements environmental management plans for all projects as part of its environmental and project management procedures. These may include plans for pollution prevention or control, noise and vibration, air quality, soil erosion and sedimentation, water quality, flora and fauna, community relations, heritage, waste management, traffic management, sustainable development, and emergency procedures.

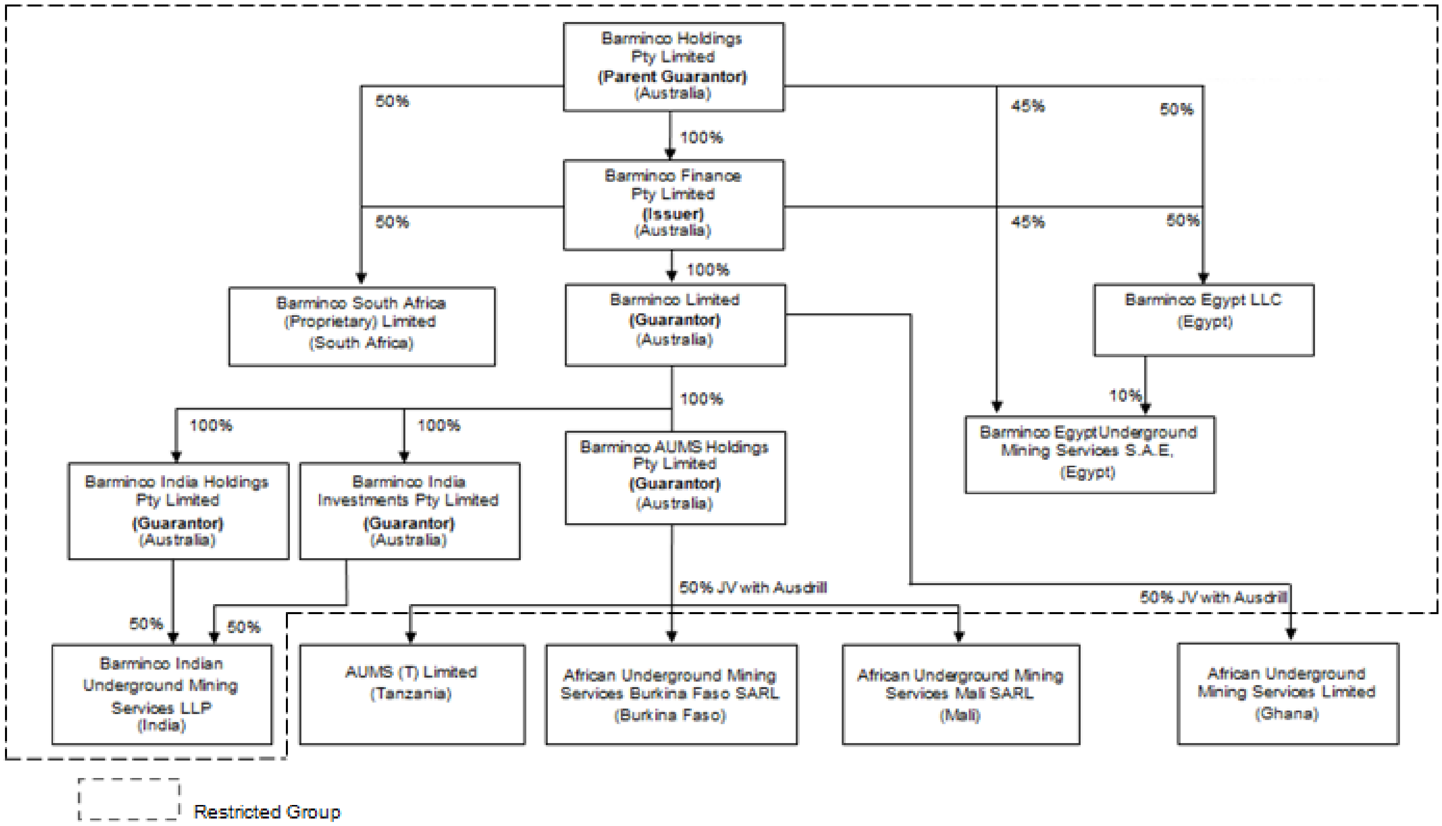
Barminco uses the same environmental management procedures in Africa as it does in Australia.

Legal proceedings

From time to time and due to the nature of its business, Barminco may be involved in litigation and claims arising in the ordinary course of business, such as contractual disputes, property damage, health and safety, and personal injury.

CORPORATE STRUCTURE

The following chart set forth our operating entities, including country of organization.



Overview of entities that will be bound by the terms of the Indenture (the "restricted group")

Barminco Holdings Pty Limited, an Australian corporation, is a holding company that owns a 100% interest in Barminco Finance Pty Limited, a 50% interest in each of Barminco South Africa (Proprietary) Limited and Barminco Egypt LLC and a 45% interest in Barminco Egypt Underground Mining Services S.A.E. Barminco Holdings Pty Limited will be the Parent Guarantor for the Notes and a guarantor under the New Credit Facility.

Barminco Finance Pty Limited, an Australian corporation, is a holding company that owns a 100% interest in Barminco Limited, a 50% interest in each of Barminco South Africa (Proprietary) Limited and Barminco Egypt LLC, and a 45% interest in Barminco Egypt Underground Mining Services S.A.E. Barminco Finance Pty Limited is a finance subsidiary that will be the Issuer of the Notes and the borrower under the New Credit Facility.

Barminco Limited, an Australian corporation, is the operating entity through which mining services are provided in Australia. Barminco Limited also owns a 50% interest in each AUMS joint venture entity. Barminco Limited will be a guarantor of the Notes or the New Credit Facility.

Barminco Egypt LLC, an Egyptian limited liability company, was the operating entity through which Barminco provided mining services in Egypt until, December 2013, when Barminco Egypt Underground Mining Services S.A.E. commenced operations. Barminco Egypt LLC will not be a guarantor of the Notes or the New Credit Facility.

Barminco Egypt Underground Mining Services S.A.E., is the operating entity through which Barminco currently provides mining services in Egypt, and facilitates importation of equipment and consumables through a free trade zone in Egypt. Barminco Egypt Underground Mining Services S.A.E. will not be a guarantor of the Notes or the New Credit Facility.

Barminco South Africa (Proprietary) Limited is a South African corporation through which Barminco previously provided diamond drilling services in South Africa. It ceased to operate in June 2013 and will not be a guarantor of the Notes or the New Credit Facility.

Barminco AUMS Holdings Pty Limited, an Australian corporation, is a holding company that owns a 50% interest in three of the AUMS joint ventures. Barminco AUMS Holdings Pty Limited will be a guarantor of the Notes and the New Credit Facility.

Barminco India Holdings Pty Limited, an Australian corporation, is a holding company and 50% partner in Barminco Indian Underground Mining Services LLP. Barminco India Holdings Pty Limited will be a guarantor of the Notes and the New Credit Facility.

Barminco India Investments Pty Limited, an Australian corporation, is a 50% partner in Barminco Indian Underground Mining Services LLP. Barminco India Holdings Pty Limited will be a guarantor of the Notes and the New Credit Facility.

Barminco Indian Underground Mining Services LLP, an Indian limited liability partnership, provides mining services in India. Barminco Indian Underground Mining Services LLP will not be a guarantor of the Notes or the New Credit Facility.

Overview of other entities

African Underground Mining Services Limited is a joint venture entity currently owned 50% by each of Barminco Limited and Ausdrill. AUMS is incorporated in Ghana and provides underground mining services in Ghana.

African Underground Mining Services Burkina Faso SARL is a joint venture entity currently owned 50% by each of Barminco AUMS Holdings Pty Limited and Ausdrill. AUMS BF is incorporated in Burkina Faso and provides underground mining services in Burkina Faso.

African Underground Mining Services Mali SARL is a joint venture entity currently owned 50% by each of Barminco AUMS Holdings Pty Limited and Ausdrill. AUMS Mali is incorporated in Mali and has provided underground mining services in Mali but currently has only diamond drilling operations in Mali.

AUMS (T) Limited is a joint venture entity currently owned 50% by each of Barminco AUMS Holdings Pty Limited and Ausdrill. AUMS (T) is incorporated in Tanzania and provides underground mining services in Tanzania.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

The selected historical consolidated financial data set forth below as of and for the fiscal years ended June 30, 2016 and 2017 have been derived from, and are qualified in their entirety by reference to, our annual consolidated financial statements and related notes that are included elsewhere in this annual report or the accounting records of Barminco. The selected historical consolidated financial data set forth below as of and for the fiscal years ended June 30, 2014 and 2015 have been derived from, and are qualified in their entirety by reference to, our annual consolidated financial statements and related notes that have not been included in this annual report or the accounting records of Barminco.

Our consolidated financial statements included in this annual report have been prepared in accordance with Australian Accounting Standards and also comply with IFRS and interpretations as issued by the International Accounting Standards Board. Australian Accounting Standards differ from U.S. GAAP in respects that may be material to the financial information contained in this annual report.

The selected historical consolidated financial data should also be read in conjunction with, and is qualified in its entirety by reference to, the sections captioned "Financial Statement Presentation," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements included elsewhere in this annual report.

Selected financial data

(in thousands)	Year ended June 30, 2014	2015	2016	2017
Selected statement of comprehensive income data:				
Revenue	A$ 537,938	A$ 492,917	A$ 507,932	A$ 601,685
Other income	1,662	1,159	1,122	1,634
Consumables used	(168,488)	(152,521)	(152,515)	(199,020)
Employee benefits expense	(232,685)	(207,205)	(197,265)	(235,963)
Contractor and consultant expenses	(14,846)	(20,023)	(30,368)	(45,152)
Depreciation and impairment of property, plant & equipment	(58,392)	(52,298)	(48,927)	(61,988)
Amortization of intangible assets	(1,023)	(1,017)	(730)	(944)
Other expenses	(17,114)	(19,239)	(25,354)	(40,861)
Results from operating activities	47,052	41,773	53,895	19,391
Share of profit from equity accounted investments, net of tax	1,933	14,615	9,983	14,398
Interest payable on Redeemable Preference Shares and Shareholder Loan Notes	(38,828)	(44,264)	(50,396)	-
Other net financing costs	(67,983)	(64,415)	(47,644)	(95,362)
Income tax (expense) / benefit	(714)	(377)	76,619	(32,198)
Profit / (loss) for the period	(58,540)	(52,668)	42,457	(93,771)
Selected statement of financial position data (period end):				
Cash and cash equivalents	A$ 95,818	A$ 104,844	A$ 70,647	A$ 77,956
Total assets	656,920	647,179	665,763	671,817
Total tangible assets	380,405	376,634	329,696	364,424
Total liabilities	907,766	946,490	518,505	625,023
Total borrowings	828,640	861,002	427,811	487,857
Total borrowings excluding Redeemable Preference Shares (1) and Shareholder Loan Notes	512,470	500,568	417,811	477,857
Total equity	(250,846)	(299,311)	147,258	46,794
Selected statement of cash flows data:				
Net cash inflow (outflow) from:				
Operating activities	A$ 50,271	A$ 35,657	A$ 67,994	A$ 36,359
Investing activities	(33,574)	(13,782)	(33,779)	(8,560)
Financing activities	(27,470)	(12,849)	(68,418)	(20,499)
Other financial data:				
Payments for property, plant & equipment and intangibles	40,001	45,177	44,739	35,921
Capital expenditures	52,962	48,804	51,939	88,030
Investments accounted for using the equity method	67,574	67,342	69,517	58,377
Adjusted EBITDA (2)	111,703	114,470	115,430	107,032
Adjusted EBITDA margin (3)	20.8%	23.2%	22.7%	17.8%
Ratio of total borrowings (excluding Redeemable Preference Shares and Shareholder Loan Notes) to Adjusted EBITDA	4.6	4.4	3.6	4.5
Ratio of net debt (4) (excluding Redeemable Preference Shares and Shareholder Loan Notes) to Adjusted EBITDA	3.7	3.5	3.0	3.7

(1) In June 2016, the terms of the Redeemable Preference Shares were amended to provide that interest ceased to accrue from June 29, 2016 and redemption would be in the control of the Parent Guarantor. This had the effect of classifying these securities from borrowings to equity for accounting purposes from such date.

(2) Adjusted EBITDA is a non-GAAP / non-IFRS financial measure and is a useful supplemental measure in evaluating the performance of our operating business and provide greater transparency into our results of operations. Adjusted EBITDA is used by management, including our chief decision maker, to perform such evaluation. Adjusted EBITDA has limitations as an analytical tool, and you should not consider either in isolation or as a substitute for analysis of our results as reported under IFRS. For example, these measures:

- do not reflect our historical cash expenditures, or future requirements for capital expenditures or contractual commitments;
- do not reflect changes in, or cash requirements for, our working capital needs;
- do not reflect our income tax expense or the cash requirements to pay taxes;
- do not reflect that, while depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future and Adjusted EBITDA does not reflect any cash requirements for such replacements; and
- do not reflect the significant interest expense, or the cash requirements necessary to service interest or principal payments, on our borrowings.

However, our management believes Adjusted EBITDA is useful to an investor in evaluating our operating performance because (i) these measures are widely used by investors in the mining industry to measure a company's operating performance without regard to items excluded from the calculation of such terms, which can vary substantially from company to company depending upon accounting methods and book value of assets, capital structure, and the method by which assets were acquired, among other factors, and (ii) these measures help investors to more meaningfully evaluate and compare the results of our operations from period to period by removing the effect of our capital structure and asset base from our operating structure. We further believe that Adjusted EBITDA is frequently used by securities analysts, investors, and other interested parties in their evaluation of companies, many of which present Adjusted EBITDA when reporting their results.

There are significant limitations to using Adjusted EBITDA as a measure of performance, including the inability to analyze the effect of certain recurring and non-recurring items that materially affect our net income or loss, and the lack of comparability of results of operations of different companies. The following table reconciles our profit/(loss) for the period, the most directly comparable IFRS financial measure, to Adjusted EBITDA for the periods indicated:

(in thousands)	**Year ended June 30,**			
	2014	**2015**	**2016**	**2017**
Profit (loss) for the period	A$ (58,540)	A$ (52,668)	A$ 42,457	A$ (93,771)
Income tax expense/(benefit)	714	377	(76,619)	32,198
Net financing costs	106,811	108,679	98,040	95,362
Share of profit from equity accounted investments, net of tax	(1,933)	(14,615)	(9,983)	(14,398)
Depreciation and impairment of property, plant & equipment (1)	58,392	52,298	48,927	61,988
Amortization of intangible assets	1,023	1,017	730	944
Redundancy costs	5,236	1,719	3,062	311
Onerous contract provision	-	-	-	3,720
Dividends received from AUMS	-	17,663	8,816	20,678
Adjusted EBITDA	A$111,703	A$114,470	A$115,430	A$107,032

(3) Adjusted EBITDA margin represents Adjusted EBITDA as a percentage of revenue.

(4) Net debt is total borrowings less cash and cash equivalents.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read together with the "Selected historical consolidated financial data" and our consolidated financial statements and their notes included elsewhere in this annual report. The presentation in this section contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in forward-looking statements as a result of a number of factors, including those set forth under the captions "Cautionary Statement Regarding Forward-looking Statements" and "Risk Factors" in this annual report.

Overview

Based upon internal estimates derived from publicly available sources, we believe that Barminco is one of the leading underground hard-rock mining contractors in Australia. Barminco also operates in Egypt and India through subsidiaries and in West and East Africa through its interests in the AUMS joint venture entities.

Barminco operates across two service divisions:

- Underground contract mining: mine development and production services, ground support (including fibrecreting), production drilling and blasting, ore extraction and haulage. Underground hard-rock contract mining involves the provision of equipment, personnel and technical expertise to assist mining companies with both mine development and production in underground mining operations.
- Diamond drilling: underground core diamond drilling services for defining ore reserves.

In addition, Barminco has a 50% interest in AUMS, which provides underground hard-rock contract mining services in West and East Africa.

The following table provides a summary of revenue and EBITDA by division (excluding our joint venture interest in AUMS):

	Year ended June 30,			
(in millions)	**2014**	**2015**	**2016**	**2017**
Revenue				
Underground mining	A$ 491.2	A$ 440.2	A$ 454.9	A$ 551.4
Diamond drilling	42.5	49.3	48.5	45.1
Crushing and screening	1.1	1.0	0.1	-
Shared services (unallocated) and other	3.1	2.4	4.4	5.2
Total Revenue	537.9	492.9	507.9	601.7
EBITDA				
Underground mining	A$ 99.6	A$ 90.7	A$ 100.8	A$ 75.5
Diamond drilling	6.2	6.6	5.6	5.3
Crushing and screening	(0.2)	0.5	0.5	0.3
Shared services (unallocated) and other[(1)]	0.9	(2.7)	(3.3)	1.2
	106.5	95.1	103.6	82.3
Onerous contract provision	-	-	-	3.7
Redundancy costs	5.2	1.7	3.0	0.3
Dividends received from AUMS	-	17.7	8.8	20.7
Adjusted EBITDA	111.7	114.5	115.4	107.0
NPAT[(2)]	(58.5)	(52.7)	42.5	(93.8)

(1) Includes onerous contract provision in regards to the finalization of mining services under the Rampura Agucha contract. The onerous contract concluded on 31 August 2017. Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017.

(2) Management does not use NPAT as a measure to monitor business performance on a divisional basis. For a reconciliation of NPAT to Adjusted EBITDA, please see "Selected Historical Consolidated Financial and Operating Data".

Our revenue is dependent on mineral exploration, development and production activity, which activities are driven by a number of factors, including anticipated future demand for commodities, the outlook for commodity consumption, mining exploration capital expenditure spending and availability of financing for clients.

Most of Barminco's revenue is derived from underground mining of gold and, to a lesser extent, nickel and zinc.

Outlook

We believe the outlook for the underground hard-rock mining market in Australia, Africa and India remains attractive. The Indian market provides a significant growth opportunity and we believe Barminco is the first Australian underground mining contractor to enter that market. AUMS is experiencing significant growth in Africa with operations currently in Ghana, Burkina Faso and Tanzania. As mining companies increasingly demand service providers capable of providing safe and reliable hard-rock underground mining services, we believe that our processes, people and expertise position us as a leader in this regard.

Demand for the commodities we mine is underpinned by continuing improvements in the global economy and the industrialization of emerging economies. We expect the demand for commodities to continue to drive the need for mining services.

Key drivers of performance

The demand for underground hard-rock mining services ultimately depends on two key drivers:

- the volume of development and production from underground hard-rock mining projects; and
- industry and management preferences for contract mining versus owner-operated mining.

Volume of development and production

The volume of development and production from underground hard-rock mining projects is ultimately a function of the number of mining projects that are in development or production, the volume of production at each project and, over the longer term, the number of new projects advancing from exploration to development and production. Factors that influence the level of mining activity include global demand for minerals, current and expected metals prices and the application and impact of the local regulatory environment, including the availability of permits, environmental regulations and taxes and royalties.

Preferences for contract mining versus owner-operated

Mine owners use a range of criteria to analyze the relative costs and benefits of operating a mine themselves compared to engaging a mining contractor to operate it on their behalf.

These criteria include:

- strategy of the company (for example, managing a mineral asset portfolio versus operating mines);
- relative competency to undertake mining of the type and scale required;
- relative safety performance;
- relative access to and cost of capital funding;
- relative access to and functionality of support infrastructure such as maintenance workshop, recruitment and supply chain; and
- whether there are scale benefits from accessing a contractor's broader equipment fleet base, as well as equipment and consumable supply contracts.

Certain differences between IFRS and U.S. GAAP

The discussion below also identifies certain accounting policies under Australian Accounting Standards (and IFRS) that differ in material respects from U.S. GAAP and is not an exhaustive list.

Impairment

Under IFRS, a company determines the recoverable amount of long-lived assets based upon the higher of its fair value less costs to sell and its value in use, the latter of which is generally determined on a discounted cash flow basis when assessing impairment. The discount rate is an after-tax risk-adjusted market rate, which is applied both to assess recoverability and to calculate the amount of any impairment charge.

Under U.S. GAAP, long-lived assets are first tested for recoverability for impairment using undiscounted cash flows. Only if the long-lived asset's carrying amount exceeds the sum of undiscounted future cash flows is the asset considered impaired and written down to its fair value. Accordingly, a difference between IFRS and U.S. GAAP may arise where the recoverability test under U.S. GAAP does not result in an impairment although an impairment charge is recorded for IFRS. The difference may result in lower impairment charges against income and higher asset carrying amounts for U.S. GAAP; for amortizing assets the difference in asset carrying amounts is subsequently reduced through higher depreciation charges against income.

Under IFRS, impairment losses (except for goodwill) may be reversed in subsequent periods if the recoverable amount increases. Under U.S. GAAP, impairment reversals are not allowed, as the impairment loss results in a new cost basis for the asset.

Critical accounting policies

Our discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements. The preparation of these consolidated financial statements requires us to make estimates and judgements that affect the reported amounts of revenues, assets, liabilities and expenses. We re-evaluate our estimates on an on-going basis. Our estimates are based on historical experience and on various other factors and assumptions that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in note 3 of the 2017 Financial Statements. Some of the significant accounting policies are also "critical accounting estimates and judgements," which refers to accounting policies that involve significant estimates based on judgements or uncertainties affecting the reported amounts of assets and liabilities, revenues or expenses.

Results of operations

The following is a description of our revenue and operating expenses.

Overview of revenue

Barminco earns revenue from performing underground contract development and production mining as well as underground diamond drilling services for owners of mining, exploration and development projects.

Under most mining contracts, the owner contracts Barminco to develop, mine and produce ore from underground mines in accordance with a work schedule. Barminco earns revenue through a schedule of rates that often includes a fixed component, which applies primarily to the provision of equipment, overheads and a fixed labor component. The remaining revenue is earned through a variable component, primarily based on the quantity of development meters and/or ore tonnes produced. Under drilling contracts, the variable component generally relates to meters drilled.

Revenue is recognized monthly based on the schedule of rates applicable to each contract. Customers are typically billed monthly on 30 day terms.

Although contract terms can vary, most of our contracts have terms of three to five years from inception, often with extension options exercisable at the discretion of the customer. However, most contracts entitle the customer to terminate the contract on short notice and without penalty, but with the customer paying for all work completed to date, unused materials and in most cases costs associated with demobilization from site.

Our contracts typically contain rise-and-fall provisions under which the prices we charge are periodically increased or decreased to reflect changes in factors such as fuel prices or consumer price index. Typically, rise-and-fall adjustments are done quarterly.

Overview of expenses

The majority of our expenses are the direct costs of performing contract mining and drilling services.

Consumables are the materials consumed in performing services, including drill consumables, explosives and fuel.

Employee benefits expense is the cost of the compensation paid to employees, most of whom perform contract work for our customers. Compensation for most employees consists of a base rate and incentive rates based on production measures such as tonnes hauled, linear meters advanced, ground support installed and other factors. As these measures are similar to the measures through which we generate revenue, the incentive component of employee benefits expense substantially correlates with revenue.

Contractor and consultant expenses consist of payments to third party contractors and consultants such as electrical contractors, mechanical contractors, mining contractors and other consultants (safety, training, accounting, tax, IT).

As we operate a large fleet of capital equipment, depreciation is a significant component of expenses.

At the time of Gresham's acquisition of Barminco in 2007, the fair value of the then-existing customer contracts and customer relationships were recorded as intangible assets. These assets have been amortized over their useful lives. If events or changes in circumstances indicate that the book value exceeds the recoverable amount, Barminco recognizes an impairment charge equal to the difference.

Other expenses include freight, rent, insurance, airfares, accommodation and equipment leases.

Fiscal 2017 compared with fiscal 2016

Revenue

Revenue increased A$93.8 million (or 18.5%) from A$507.9 million in fiscal 2016 to A$601.7 million in fiscal 2017. The revenue increase in 2017 was mainly due to the first full year of the Kundana contract that began in July 2016 and concluded in June 2017 and revenue from the Rampura Agucha contract, a new contract that began in December 2016.

Operating expenses

Operating expenses increased A$115.5 million (or 28.5%) from A$405.5 million in fiscal 2016 to A$521.0 million in fiscal 2017 due to the first full year of the Kundana contract and the start of the new contract at Rampura Agucha in India.

Consumables used. Our consumables used increased A$42.3 million (or 27.0%) from A$156.7 million in fiscal 2016 to A$199.0 million in fiscal 2017, reflecting the increased number of projects in the portfolio.

Employee benefits expense. Employee benefits expense increased A$38.7 million (or 19.6%) from A$197.3 million in fiscal 2016 to A$236.0 million in fiscal 2017, predominately due to the increased headcount at the Nova Bollinger contract and first full year of the Kundana contract.

Contractor and consultant expenses. Contractor and consultant expenses increased A$14.8 million (or 48.6%) from A$30.4 million in fiscal 2016 to A$45.2 million in fiscal 2017, predominately due to the commencement of the Kundana contract.

Depreciation of property, plant and equipment. Depreciation increased A$13.1 million (or 26.8%) from A$48.9 million in fiscal 2016 to A$62.0 million in fiscal 2017. The increase primarily reflects the capital investment in Kundana, Nova Bollinger and Sunrise contracts.

Amortization of intangible assets. Amortization of intangible assets increased from A$0.7 million in fiscal 2016 to A$0.9 million in fiscal 2017. This increase was principally due to the amortization of SAP software capitalized during fiscal 2016.

Other expenses. Other expenses increased A$19.7 million (or 92.9%) from A$21.2 million in fiscal 2016 to A$40.9 million in fiscal 2017 primarily due to the onerous contract provision which relates to the finalization of the former Rampura Agucha contract. Other expenses such as operating lease expense, freight and travel increased as a result of the commencement of Kundana and Rampura Agucha contracts. Additionally, there was an additional expenditure incurred in Egypt in relation to custom import duty and sales tax.

Results from operating activities

Results from operating activities decreased from A$53.9 million in fiscal 2016 to A$19.4 million in fiscal 2017 principally due to the increase in depreciation as a result of the capital investment at Nova Bollinger, Sunrise and Kundana and due to the unfavorable margins in relation to the Kundana and Rampura Agucha contracts.

Share of profit from equity accounted investments, net of tax.

We account for our investment in AUMS under the equity accounting method. Our share of profit from AUMS' equity accounted investments, net of tax increased A$4.4 million from A$10.0 million in fiscal 2016 to A$14.4 million in fiscal 2017, primarily due to the ramp up of a new contract for a Newmont mine in Ghana and a contract for an AngloGold Ashanti mine in Tanzania offsetting the completion of a contract for a Randgold mine in Mali in fiscal 2016.

Net financing costs

Net financing costs decreased A$2.6 million (or 2.7%) from A$98.0 million in fiscal 2016 to A$95.4 million in fiscal 2017. In 2017, there was a one off refinancing cost in relation to the early redemption of 2018 High Yield Bonds of A$42.6 million. In 2016, there was an amount of A$50.4 million of interest payable on the redeemable preference shares and shareholder loan notes which ceased on 29 June 2016.

Income tax

Income tax expense increased from a benefit of A$76.6 million in fiscal 2016 to an expense of A$32.2 million in fiscal 2017. The change was principally due to the partial recognition of deferred tax assets mainly in relation to carry forward tax losses in fiscal 2017, compared to a full recognition of deferred tax assets including carried forward tax losses and timing differences in fiscal 2016.

Profit (loss) for the period

As a result of the above, Barminco incurred a profit of A$42.5 million in fiscal 2016 compared to a loss of A$93.8 million in fiscal 2017, principally due to unfavorable margins in relation to Kundana and Rampura Agucha contracts, a partial recognition of deferred tax assets and refinancing costs incurred in fiscal 2017.

Fiscal 2016 compared with fiscal 2015

Revenue

Revenue increased A$15.0 million (or 3.0%) from A$492.9 million in fiscal 2015 to A$507.9 million in fiscal 2016. This increase was primarily due to the first full year of the Nova Bollinger contract that began in January 2015 and revenue from Gordon Sirdar, a new contract that began in January 2016.

Operating expenses

Operating expenses increased A$6.5 million (or 1.6%) from A$399.0 million in fiscal 2015 to A$405.5 million in fiscal 2016 due to the first full year of operations at Nova Bollinger and the start of the new contract at Gordon Sirdar, partially offset by cost reductions achieved by management's focus on cost management across the business.

Consumables used. Consumables used were consistent at A$152.5 million in fiscal 2015 and fiscal 2016 [(1)], reflecting the increased number of contracts and offset by efficiency gains at existing projects.

Employee benefits expense. Employee benefits expense decreased A$9.9 million (or 4.8%) from A$207.2 million in fiscal 2015 to A$197.3 million in fiscal 2016, predominately due to a decreased headcount and reductions in rates as a result of cost management across the business.

Contractor and consultant expenses. Contractor and consultant expenses increased A$10.4 million (or 52.0%) from A$20.0 million in fiscal 2015 to A$30.4 million in fiscal 2016, predominately due to the use of contract labor at various sites.

Depreciation of property, plant and equipment. Depreciation and impairment decreased A$3.4 million (or 6.5%) from A$52.3 million in fiscal 2015 to A$48.9 million in fiscal 2016. The decrease in depreciation reflects a better utilization of equipment.

Amortization of intangible assets. Amortization of intangible assets was A$1.0 million in fiscal 2015, and A$0.7 million in fiscal 2016. At June 30, 2016, the net book value of customer contracts and relationships and goodwill was A$258.7 million and the book value of capitalized software was A$2.1 million.

Other expenses. Other expenses increased A$6.2 million (or 32.3%) from A$19.2 million in fiscal 2015 to A$25.4 million in fiscal 2016 (1) in line with an increase in operations and revenue.

(1) There was a reclassification of A$4.2 million between fiscal 2016 Consumables used and Other expenses reflected in the fiscal 2017 annual consolidated financial statements.

Results from operating activities

Results from operating activities increased from A$41.8 million in fiscal 2015 to A$53.9 million in fiscal 2016 principally due to the full year contribution from the Nova Bollinger project, increased efficiencies and productivities at sites and continued cost management across the business.

Share of profit from equity accounted investments, net of tax.

Our share of profit from our investment in AUMS decreased A$4.6 million (31.5%) from A$14.6 million in fiscal 2015 to A$10.0 million in fiscal 2016 due to the completion of a contract for a Randgold mine in Mali in fiscal 2016, partially offset by a new contract for an AngloGold Ashanti mine in Tanzania.

Interest payable on Redeemable Preference Shares and Shareholder Loan Notes

Interest payable on the Redeemable Preference Shares and Shareholder Loan Notes increased A$6.1 million from A$44.3 million in fiscal 2015 to A$50.4 million in fiscal 2016 due to the compounding interest on these securities.

Other net financing costs

Other net financing costs decreased A$16.8 million (or 26.1%) from A$64.4 million in fiscal 2015 to A$47.6 million in fiscal 2016, due to the decreased borrowing costs associated with the Existing Notes and Existing Credit Facility due to the repurchase of bonds during the year.

Income tax

An income tax benefit of A$76.6 million was recognized in fiscal 2016 due to the recognition of deferred tax assets including carried forward tax losses and timing differences in Australia of A$77.2 million. The balance A$0.6 million related to tax payable on profits from the Egyptian operations. In fiscal 2015 an income tax expense of A$0.4 million was recognized. All of the 2015 income tax expense related to our profitable Egyptian operations. For a detailed breakdown refer to note 8 of the 2016 Financial Statements.

Profit (loss) for the year

As a result of the above, Barminco made a profit after tax of A$42.5 million in fiscal 2016, compared to a loss after tax of A$52.7 million in fiscal 2015. The change to a profitable position was principally due to the full year contribution of the Nova Bollinger project, the decreased borrowing costs associated with the Existing Notes and the Existing Credit Facility, and the recognition of deferred tax assets and carried forward losses.

The profit after tax of A$42.5 million includes A$50.4 million of interest payable on the Redeemable Preference Shares and Shareholder Loan Notes. This interest is in relation to shareholder contributions and is a non-cash cost. If the interest on the Redeemable Preference Shares and Shareholder Loans Notes were excluded, Barminco's net profit after tax would have been A$92.9 million.

Liquidity, capital expenditures and capital resources

Historically, Barminco's cash requirements have been funded through cash flow from operations, borrowings under credit facilities and the issued notes.

Liquidity

We believe that our sources of funds will provide sufficient liquidity for us to meet our working capital, capital expenditures and other cash requirements for the foreseeable future.

The Parent Guarantor has never paid any cash dividends to its shareholders.

While we prepared for an initial public offering in Australia during fiscal 2011, we decided not to launch that offering due to market conditions. If market conditions allow, we may consider an initial public offering in Australia in the future.

Cash flows

Set forth below is a summary of cash flow of Barminco for the periods indicated:

	Year ended June 30,			
(in millions)	**2014**	**2015**	**2016**	**2017**
Net cash inflow from operating activities	A$ 50.3	A$ 35.7	A$ 68.0	A$ 36.4
Net cash outflow from investing activities	(33.6)	(13.8)	(33.8)	(8.6)
Net cash outflow from financing activities	(27.5)	(12.8)	(68.4)	(20.5)
Net increase/(decrease) in cash and cash equivalents	A$(10.8)	A$ 9.1	A$ (34.2)	A$ 7.3

Fiscal 2017 compared with fiscal 2016

Net cash inflow from operating activities decreased A$31.6 million (or 46.5%) from A$68.0 million in fiscal 2016 to A$36.4 million in fiscal 2017. The decrease was principally due to increased operating expenses in relation to Kundana and Rampura Agucha contracts.

Net cash outflow from investing activities decreased A$25.2 million (or 74.6%) from A$33.8 million in fiscal 2016 to A$8.6 million in fiscal 2017. This decrease was principally due to a A$8.8 million reduction in payments for property, plant and equipment and intangibles and a A$11.9 million increase in dividends received from our AUMS joint venture.

Net cash outflow from financing activities decreased A$47.9 million (or 70.0%) from A$68.4 million in fiscal 2016 to A$20.5 million in fiscal 2017. The decrease was due to a reduction in proceeds/payment from reset of cross currency interest rate swaps of A$32.4 million, offset by an increase of A$8.6 million in finance lease repayments and a net outflow of A$6.8 million in relation to the refinancing of high yield bonds in fiscal 2017.

Fiscal 2016 compared with fiscal 2015

Net cash inflow from operating activities increased A$32.3 million (or 90.5%) from A$35.7 million in fiscal 2015 to A$68.0 million in fiscal 2016. The increase was principally due to a A$36.1 million increase in receipts from customers, and a A$8.6 million decrease in interest paid, partially offset by a A$13.3 million increase in payments to suppliers and employees.

Net cash outflow from investing activities increased A$20.0 million (or 144.9%) from A$13.8 million in fiscal 2015 to A$33.8 million in fiscal 2016. This increase was principally due to a reduction of A$16.3 million in dividend and loan repayments received from AUMS, and a reduction in proceeds from sale of property, plant and equipment of A$4.2 million.

Net cash outflow from financing activities was A$68.4 million in fiscal 2016, an increase of A$55.6 million from an outflow of A$12.8 million in fiscal 2015. This increase was primarily due to net repurchases of Existing Notes and proceeds/payment from reset of cross currency interest rate swaps of A$63.2 million, partially offset by a A$5.5 million reduction in finance lease repayments.

Capital expenditures

Most of our capital expenditures relate to new equipment purchases 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 periods of slow or no growth, capital expenditures typically decline to approximately 8-10% of total revenue, predominantly spent on major equipment rebuilds and replacement capital expenditures. As a result, we typically generate stronger cash flow from operations during such periods.

In contrast, during periods of high or rapid growth in revenue, our capital demands increase, driven by the number of new projects commenced that require new equipment to be purchased. Although the capital demands of different projects vary, growth and expansionary capital expenditure is approximately 30%-40% of the annualized revenue for the new project if all new equipment is purchased.

Our capital expenditures were A$88.0 million in the fiscal year ended June 30, 2017, A$51.9 million in fiscal 2016, A$48.8 million in fiscal 2015 and A$53.0 million in fiscal 2014.

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

Indebtedness

As of June 30, 2017, we had debt of A$477.9 million, excluding the Shareholder Loan Notes.

In April 2017, Barminco issued new 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US$350.0 million principal amount. Prior to the refinancing in April 2017, Barminco repurchased US$6.5 million face value of the previously issued notes. The remaining 2018 notes on issue of US$299.7 million were subsequently redeemed using the proceeds from the new funding and Barminco terminated the associated cross-currency interest rate swap (CCIRS). The 6.625% Senior Secured Notes due in May 2022 have been fully hedged using a CCIRS. The interest on the new high yield bond is payable semi-annually on 15 May and 15 November.

The refinancing has enabled Barminco to benefit from lower financing costs as the coupon on the new bonds is 6.625%, down from the 9.0% on the old bonds. The High Yield Bonds are quoted on the Singapore Stock Exchange.

Credit Facility

As of June 30, 2017, we had available funding facilities of A$100.0 million upon which the only drawing made was A$2.8 million used for the purposes of bank guarantees under a revolving credit facility (RCF) which was agreed on April, 2017 for a term of three and half years.

In addition to the A$100.0 million draw down facility available under the RCF, the terms of the agreement allow Barminco to draw up to an additional A$75.0 million in finance leasing from approved third party finance lease providers for plant and equipment purchases.

Lease liabilities

We lease various plant and equipment that had a lease liability value at June 30, 2017 of A$34.6 million under finance leases expiring within one to five years.

AUMS secured loans

AUMS has loans from banks and other lenders that are secured by substantially all its assets. None of the loans have recourse to Barminco.

Contractual obligations and other commitments

The following table summarizes significant contractual obligations and commitments as of June 30, 2017.

	Payments due in fiscal year ending June 30,			
(in millions)	**2018**	**2019—2020**	**2021—2022**	**after 2022**
Operating leases	A$ 3.3	A$ 6.6	A$ 3.5	A$ 5.8
Finance leases	14.2	20.3	—	—
Employee benefits	26.4	4.0	—	—
Capital commitments	38.8	—	—	—
6.625% Senior Notes due 2022[(1)]	—	—	467.2	—
Shareholder Loan Notes	—	—	—	19.2
Total	A$ 82.7	A$ 30.9	A$ 470.7	A$ 25.0

(1) The disclosed value represents the principal amount only and excludes interest.

Other than the operating leases (which are primarily in relation to the rental of property) as set out in the table above, Barminco does not have any material off balance sheet arrangements.

MANAGEMENT

Directors and senior management

The following table lists the names and positions of directors and executive officers of the Parent Guarantor as of the date of this annual report. The directors have served in their respective capacities since their election or appointment and will serve until a successor is duly elected.

Name	Position
Keith Gordon (1)	Chairman
Peter Stokes	Chief Executive Officer (resigned 4 August 2017)
Peter Bryant	Chief Financial Officer
Victor Rajasooriar	Chief Operating Officer
Peter Bartlett (1)	Director
Jon Young	Alternate Director
Barry Lavin	Director
Sharon Warburton	Director
Charles Graham	Director
Roger Casey (1)	Alternate Director
Matthew Lloyd	Executive General Manager Safety, People and Innovation

(1) This person is also a director of Barminco Finance Pty Limited.

Set forth below is a description of the business experience each of the persons named in the table above.

Keith Gordon has been a Director and the Chairman of the Parent Guarantor since September 2015. Mr. Gordon is a member of the Audit and Risk Committee and the Safety and Sustainability Committee. He has over 25 years of professional experience in large global organizations and is currently the Chairman of GMA Garnet Group, a Director of Wright Prospecting and a Director of Red Emu Advisory. Mr. Gordon was previously the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers.

Peter Stokes was Chief Executive Officer of Barminco since February 2013. Mr. Stokes has over 25 years of experience in the resources and mining service-related industries across a number of disciplines, including operations, marketing and geology. From 2006 to 2012, Mr. Stokes held a number of senior positions, including Chief Operating Officer and President Resources and Industrial for Asia Pacific, with Linfox Pty Ltd, an Australian logistics company. Prior to those roles, Mr. Stokes worked in the resources division at global management consultant company Accenture for more than 10 years, including four years as a Partner. Mr. Stokes resigned on 4 August 2017.

Peter Bryant has been Chief Financial Officer of Barminco since April 2013. Prior to joining Barminco, Mr. Bryant was Company Secretary of Seven West Media Limited (formerly known as West Australian Newspaper Group) and Chief Financial Officer of their operations in Western Australia from 2008. Mr. Bryant's work experience also includes eight years as the Chief Financial Officer and Company Secretary of the GRD Group, whose business interests included GRD Minproc, GRD Kirfield and Global Renewables Limited. He also previously worked in several financial and management roles with both public and private companies. Before that, Mr. Bryant worked as an auditor at Ernst & Young in Australia, the United Kingdom and the United States. Mr. Bryant is a Director of AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania.

Victor Rajasooriar has been Chief Operating Officer of Barminco since March 2014. Mr Rajasooriar has 20 years' experience in the mining sector. He was most recently managing director of formerly ASX-listed company, Breakaway Resources until completion of the company's recommended takeover by Minotaur Exploration Ltd. He previously held operational management positions for mine owners such as Bass Metals, Gold Fields, Grange Resources and Newmont. He has extensive experience in hard rock underground mining in Australia and North America, and also has experience in contracting roles. Mr. Rajasooriar is a Director of AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania.

Peter Bartlett is the founder and former Managing Director and Chief Executive Officer of the Barminco Group of companies. He founded the company in 1989 and has been an integral member of the board with over 30 years of mining experience. Prior to Barminco, Mr Bartlett joined Western Mining as a graduate mining engineer in 1974 and was promoted to Resident Manager at its Windara Nickel operations in 1978 before moving to its Leinster Nickel operation in 1980. Peter is Managing Director of FMR Investments Pty Ltd.

Jon Young has been an Alternate Director (as permitted under the Australian Corporations Act) for Mr. Bartlett since September 2008. As an Alternate Director, Mr. Young attends board meetings on behalf of Mr. Bartlett when Mr. Bartlett is unable to do so and has the same powers to attend, speak and vote at meetings as Mr. Bartlett does when acting on his behalf. Mr. Young is a Member of the Institute of Chartered Accountants Australia and New Zealand. Previously, Mr. Young was the Chairman and Director of Barminco Ltd from June 2004 to August 2007 and since 1996, Mr. Young has been Chairman of FMR Investments Pty. Mr. Young is also a Director of Private Clients with Patersons Securities Limited, a national stockbroking firm based in Perth, and a Director of ASX listed Barra Resources Limited.

Barry Lavin has been a Director of the Parent Guarantor since October 2011. Mr. Lavin is Chairman of the Safety and Sustainability Committee. Mr. Lavin has over 30 years of international mining experience, with specific experience in development and implementation business strategy. Mr. Lavin trained as a mining engineer and commenced his career in line management in underground gold mining. From September 1991 until June 2009, Mr. Lavin held senior positions within Rio Tinto, including positions as Managing Director of the Northparkes Joint Venture, Managing Director of Rio Tinto Technical Services and General Manager of Business Development for Rio Tinto Iron Ore. Mr. Lavin was a director of Oz Minerals Limited from August 2011 until March 2013, was a director of Xanadu Mines Limited, an ASX listed exploration company from September 2014 to July 2017 and is Managing Director of privately-owned companies Teviot Resources Pty Ltd (an Australian diversified junior resources and trading company).

Sharon Warburton has been a Director of the Parent Guarantor since December 2016. Ms. Warburton has experience in the construction, infrastructure, resources and mining industries across Australia, the United Kingdom and the Middle East. Ms. Warburton also serves on the boards of ASX-listed Fortescue Metals Group, NEXTDC and Gold Road Resources, Western Australia State Government owned Western Power, and Not for Profit Perth Children's Hospital Foundation. Ms. Warburton is Chairman of the Northern Australia Infrastructure Facility, and part-time member of the Australian Takeovers Panel. Prior to joining Barminco, Ms. Warburton previously held the roles of Executive Director of Strategy and Finance with Brookfield Multiplex, Chief Planning and Strategy Officer of United Arab Emirates based company, ALDAR Properties PJSC, and has held a variety of senior executive roles with Brookfield Multiplex, Citigroup and Rio Tinto. Ms. Warburton is a Fellow of the Institute of Chartered Accountants Australia and New Zealand, a Graduate of the Australian Institute of Company Directors.

Charles Graham has been a Director of the Parent Guarantor since March 2017. Prior to that, Mr. Graham was an Alternate Director (as permitted under the Australian Corporations Act) for Roger Casey since October 2013. Mr. Graham is the Managing Director of Gresham Partners Limited. Prior to joining Gresham, Mr. Graham was a Managing Director at Goldman Sachs in New York and has previously worked for Rio Tinto (Comalco) in engineering roles covering operations and development. Mr. Graham is also a director of various Gresham companies, HCA Philanthropy and the Foundation for National Parks and Wildlife. Mr. Graham is Chairman of Musica Viva Australia.

Roger Casey has been an Alternate Director (as permitted under the Australian Corporations Act) for Charles Graham since March 2017 and was a director of the Parent Guarantor from October 2013 to February 2017. Mr. Casey has been working in both the advisory and private equity businesses of Gresham and is currently Deputy Chairman of Gresham Private Equity Limited and a Director of Gresham Partners Limited. Mr Casey is also an Adjunct Fellow of Macquarie University's Applied Finance Centre and is a member of the Institute of Chartered Accountants Australia and New Zealand. He has extensive investment banking experience, and has previously worked with ABN Amro, Turnbull & Partners and KPMG.

Matthew Lloyd has been Executive General Manager of Safety, People and Innovation at Barminco since July 2014. Mr. Lloyd has 25 years' experience in construction, mining and engineering industries. He has worked as an executive manager in both safety and health and broader general management roles within international organizations. His roles have given him detailed experience in all facets of commercial, mining and civil infrastructure projects. Mr. Lloyd has significant experience in managing organizational change and led many cultural alignment programs. He has led and developed teams of direct and indirect reports across several functions in raising the performance capability of organizations. Mr. Lloyd is a Director of AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania.

Board of Directors

Pursuant to the Constitution of the Parent Guarantor, the Board must comprise at least one director. The Constitution allows for the removal of a Director by ordinary resolution at a general meeting.

The Board is currently comprised of five directors. The Directors may appoint one or more Directors to the office of Managing Director or as an Executive Director or to any other office (except as auditor) or any position of employment with Barminco for the period and on the terms they think fit. The Chief Executive Officer ("CEO") can also be appointed as the Chairman during his term as CEO. The Directors are appointed to the Board for a term as may be determined by contract. The tenure of all directors is subject to earlier removal by ordinary resolution.

The Board may exercise all of the powers that our Constitution and the Australian Corporations Act allow. The Board endorses the ASX Corporate Governance Principles and Recommendations, and has adopted corporate governance charters, policies and codes reflecting those recommendations. The Board has established the following additional committees to assist it in carrying out its responsibilities, which act by examining various issues and making recommendations to the Board:

Audit and risk committee

The Audit and Risk Committee assists the Board in meeting its oversight responsibilities in the areas of financial reporting, treasury, external audit, internal control, compliance and risk management. The Audit and Risk Committee may also undertake ad-hoc financial and governance related assignments if delegated by the Board.

The Audit and Risk Committee reviews, amongst other things, our compliance with accounting standards and financial reporting standards and monitors the effectiveness and adequacy of our accounting and internal control processes. The Audit and Risk Committee reviews the performance and independence of our external auditors and ensures that there are no material unresolved issues between the Board and the external auditors.

The Audit and Risk Committee also reviews Board representations in support of statutory financial statements, with particular reference to any areas of qualification, and makes recommendations to the Board to support directors' statutory resolutions surrounding interim and full year financial statements.

Risk management policies

Barminco recognizes that the mining environment is inherently uncertain and that best practice in risk management is not only integral to achieving company objectives, but to ensuring that a safe and ethical culture is entrenched. Barminco aims to measure, mitigate or control business risks wherever possible and accordingly, Barminco operates pursuant to its Risk Management Policies. The Audit and Risk Committee also undertakes responsibilities related to risk management. The Audit and Risk Committee assists the Board in fulfilling its responsibilities in relation to the oversight of risk management by:

- ensuring an appropriate risk management culture is present in the organization,
- overseeing the processes for identifying and documenting areas of major risk,
- reviewing management's assessment of likelihood versus consequence with respect to major risk events,
- assessing risk mitigation strategies and the assignment of major risk accountabilities,
- ensuring that agreed major risk mitigation strategies are effectively implemented, ensuring an adequate process framework exists to gain assurance that functional or line management responsibility exists for addressing non-major risks, and
- ensuring insurance coverage is in place and that cover terms are appropriate having regard to the likelihood and consequence of insurable events.

Safety and sustainability committee

The Safety and Sustainability Committee is responsible for the assessment of Barminco's overall performance in relation to workplace health and safety, the environment and the wider community and the development of sustainable business and industrial practices.

Employment agreements

Barminco has entered into employment agreements with each of its executive officers that set out the salary and superannuation (retirement) benefits as well as basic terms and conditions of employment. Under the terms of the agreements, Barminco or the employee may terminate the employment at any time upon giving between three and twelve months' written notice. No amounts for termination of executives and key management personnel have been agreed or contracted.

Share ownership of directors and executive officers

Other than Peter Bartlett, none of Barminco's Directors and executive officers hold more than 1% of Barminco's ordinary shares. See "Principal Shareholders".

PRINCIPAL SHAREHOLDERS

The Issuer is a wholly owned subsidiary of the Parent Guarantor. The following table sets forth persons who beneficially own more than 5% of the ordinary shares of the Parent Guarantor as of June 30, 2017.

Shareholder	Number of shares owned	% of class
Gresham Private Equity affiliated entities[(1)]	3,000,500	60.0%
Wesfarmers Limited[(2)]	532,585	10.7%
MFCo Nominees Ltd[(3)]	532,585	10.7%
Bremerton Pty Ltd[(4)]	1,499,500	30.0%
Barholdco (EIS) Pty Ltd[(5)]	450,126	9.0%

(1) The entities affiliated with Gresham Private Equity are:

- Gresham Partners Capital Ltd, which holds 1,264,482 ordinary shares or 25.3% of the class as custodian for certain wholesale investors; Gresham Nominees 1 Pty Limited which holds 565,882 ordinary shares or 11.3% of the class in its capacity as trustee of the Gresham Private Equity Fund No.2a;
- Gresham Nominees 2 Pty Limited, which holds 565,882 ordinary shares or 11.3% of the class in its capacity as trustee of the Gresham Private Equity Fund No.2b;
- Perpetual Corporate Trust Limited, which holds 454,229 ordinary shares or 9.1% of the class as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund); and
- Gresham Private Equity Limited, which holds 150,025 ordinary shares or 3.0% of the class in its capacity as custodian for the Gresham Private Fund No.2 Co-Investment Plan.

(2) Wesfarmers Limited, which is a diversified Australian company that owns and operates retail, industrial and resources businesses and is listed on the Australian Securities Exchange, beneficially owns 532,585 of the ordinary shares held by Gresham affiliated entities (or 10.7% of all outstanding ordinary shares). Wesfarmers has an indirect interest in a further 762,430 ordinary shares (or 15.2% of all outstanding ordinary shares) through investment in the Gresham Private Equity Funds No. 2a and No. 2b, and also owns a 50% interest in Gresham Partners Group Limited, which is the ultimate holding company for the Gresham Partners operations.

(3) MFCo Nominees Ltd, an Australian trust, beneficially owns 532,585 of the ordinary shares held by Gresham affiliated entities (or 10.7% of all outstanding ordinary shares).

(4) Bremerton Pty Ltd holds these ordinary shares in its capacity as trustee of the PM Bartlett Family Trust. PM Bartlett Pty Ltd holds 99.9% of the ordinary shares in Bremerton Pty Ltd and Peter Bartlett, a Director of the Parent Guarantor, is one of two directors of Bremerton Pty Ltd.

(5) Barholdco (EIS) Pty Ltd holds ordinary shares in its capacity as trustee on behalf of certain employees.

Shareholders' deed

The Parent Guarantor entered into a shareholders' deed with its major investors in August 2007 (as amended in February 2008) (the "Shareholders' Deed") in connection with Gresham Private Equity Limited's acquisition of a majority stake in the Parent Guarantor.

The Shareholders' Deed contains customary provisions, including those related to confidentiality, financial reporting obligations and access to information, board and management control, matters subject to board approval and "drag and tag along" rights. The Shareholders' Deed requires the consent of Gresham Private Equity and affiliated entities (as described in the table above, the "Gresham Shareholders") to certain matters. These matters include the following:

- the appointment and removal of any directors;
- the selection of the chairperson;
- entering into any related party arrangements;
- the appointment or removal of the auditor of the Parent Guarantor or its subsidiaries;
- a transfer of equity securities;
- the creation of any encumbrance by a shareholder over its securities;
- the consequences of an event of default in accordance the Shareholders' Deed;
- the decision to direct a manager or senior executive to transfer his or her interests in shares under the provisions of the rules of Barminco's executive incentive plan or management incentive plan (as the case may be); and
- a proposal to undertake an exit of investment.

The Shareholders' Deed also contains restrictions on the ability of a party to transfer securities issued by the Parent Guarantor. Generally, a shareholder must not transfer any of its securities in the Parent Guarantor except:

- to any person with the consent of the Gresham Shareholders;
- in the case of the Gresham Shareholders, to an affiliate of a Gresham Shareholder;
- in the case of Bremerton Pty Ltd, to one of its affiliates; and
- any permitted transfer under Barminco's management or employee incentive arrangements from time to time.

Under the Shareholders' Deed, the Gresham Shareholders are entitled to appoint two or more directors. Peter Bartlett is entitled to appoint one director to the Board and additional directors, not to exceed 29.99% of the number of directors appointed. The shareholders may, acting by a majority, appoint a person as a director who will also be the Chairperson. Any additional directors must be appointed by a unanimous resolution of the Board.

RISK FACTORS

Any investment in the Notes involves a high degree of risk. You should carefully consider the risks described below and all of the information contained in this annual report before deciding whether to purchase the Notes. The risks and uncertainties described below are not the only risks and uncertainties that we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations. If any of those risks actually occurs, our business, financial condition and results of operations would suffer. The risks discussed below also include forward-looking statements, and our actual results may differ substantially from those discussed in these forward-looking statements. See "Cautionary Statement Regarding Forward-looking Statements" in this annual report.

Risks relating to our business and industry

A decline in the consumption of, or demand for, minerals could result in a significant decrease in demand for our mining services and have a material adverse effect on our results of operations.

Demand for our mining services depends in significant part upon the level of development and production activities conducted by our clients, which are mining companies, particularly with respect to gold, nickel and zinc. For the fiscal year ended June 30, 2017, 66% of our mining services revenues were generated from the provision of mining services to gold mining companies, 22% to nickel mining companies and 12% to zinc mining companies (based on figures excluding fibrecrete, shared services and other revenue which collectively represent less than 1% of total revenue). Our activity levels and results of operations are dependent on development and production levels at our clients' mines and it remaining economic to continue development and production at existing mines or to bring new mines into operation. Our growth is dependent on mine operators continuing to seek to expand development and production at existing mines or bring new mines into operation.

The production of, or demand for, minerals could decline as a result of many factors, including:

- *The price of gold, nickel, zinc, copper and other metals in the world market.* The price of gold is affected by numerous factors, including international economic trends, foreign exchange fluctuations, expectations for inflation, speculative activities, consumption patterns, purchases and sales of gold bullion holdings by central banks and others, world production levels and political events. Historically, world gold prices have fluctuated. A significant, sustained fall in the price of gold and a resulting decrease in the demand for our services could have a material adverse impact on us. In particular, an improving global economy may limit demand for gold as a safe haven. The price of copper is influenced by global economic growth, trends in industrial production and conditions in the housing, automotive and other industries. Historical nickel prices have moved broadly in line with demand and supply trends, with approximately 65% of world nickel consumption in 2016 being used in stainless steel production. The price of zinc is mainly affected by global demand and conditions in steel and copper-related industries. Should demand for gold, copper, nickel, zinc or tin weaken or consumption patterns change, the price of gold, copper, nickel, zinc or tin could be adversely affected, which could negatively affect demand for our services.

- *A significant amount of mining output is sold to China.* The overall state of the Chinese economy, including lending rates, fluctuations in inflation, interest rates and changes in fiscal policy, can have an impact on China's demand for gold, nickel, copper and other metals, which in turn could have a significant impact on the overall demand for our services. In 2016, China represented approximately 54% of Australian mineral resources exports. Recently, the Chinese economy has seen subdued growth as China faces cyclical and structural pressures and Chinese demand for gold, nickel, copper and other metals remains uncertain.

- *A general economic downturn could cause a decline in the demand for some of our services.* In late 2008, our clients cut back on their expenditures, including spending on some of the mining services we offer. The resulting decline in demand for our services caused our revenue to decrease significantly in late 2008 and 2009. While the demand for our services has significantly increased from 2009, another economic downturn could result in decreased demand for our services and have a material adverse effect on our revenue.

When commodity prices are high, mining activities increase as mine owners seek to expand development and production to take advantage of the high prices and bring new mines into operation. One consequence of a sustained period of historically high commodity prices is that mine owners develop projects that would not otherwise have been economic to develop or operate at lower prices. Historically when commodities prices have fallen below the cash costs of production, mining activity has tended to decline. Therefore, the risk we are exposed to for any particular project depends on where the mine is situated on the cost curve of production compared to the price of the underlying commodity.

Because of the mix of projects for which Barminco is contracted to provide services, its revenues are exposed to the prices of gold, copper, nickel, tin and zinc. If the price of any of these commodities fell below the level at which any of the projects to which Barminco is contracted is profitable, the owner may suspend or close the project, in which case Barminco's services would likely be terminated. While there may be significant variation among projects as to the commodity price at which a project ceases to be profitable, in the event of a significant fall in the price of the relevant commodity, several projects may close around the same time.

We have no control over demand for minerals and related commodity prices and any of the factors mentioned above could have a material adverse effect on our business, results of operations and financial condition.

A significant economic downturn may also impair the ability of our clients to pay for the services we have provided and, thus, a portion of our receivables may become uncollectible. Consequently, our results of operations could fluctuate during an economic downturn.

Our margins and results of operations could be adversely affected if we misprice our contracts during tendering or negotiation.

Our mining services contracts are generally awarded following a competitive tender process where price is one of the most important factors that a customer will consider in evaluating tenders. Even for those projects that are not put out to tender, we still must negotiate the pricing of the contract with the customer. In determining the price and other terms on which we will submit a tender or otherwise propose to a potential customer, we undertake modeling of the contract pricing based on a series of assumptions that we make about a range of factors such as the type and amount of equipment to be deployed, length of contract, life of mine, location of mine, mine cost curve position, the utilization rates, reliability and maintenance costs of such equipment, mining consumables expenditure, the amount of labor required to support the project and labor productivity levels. If any of the assumptions that we made during our modeling subsequently turns out to be materially incorrect, then we could be locked into a long-term contract with unfavorable economics that could adversely affect our margins and results of operations. We may have no right to renegotiate the contract with the customer should the economics become unfavorable to us.

Our results of operations depend on new contract awards; however, the tender process and timing for performing these contracts are not within our control.

Our revenue is dependent on winning new contracts. We operate in highly competitive markets and it is difficult to predict whether and when we will be awarded new contracts due to multiple factors influencing how customers evaluate potential service providers, such as rates, qualifications, experience, reputation, technology, customer relationships, financial strength, and ability to provide the relevant services in a timely, safe, and cost-efficient manner. In addition, a project can be cancelled or delayed due to the lengthy and complex bidding and selection process, customer capital investment decisions, market conditions, available financing, government approvals, permitting, and environmental matters. Consequently, we are subject to the risk of losing new awards to competitors and the risk that a project may experience significant delay or cancellation which will adversely impact our business, results of operations and financial condition. Our results of operations and cash flows may fluctuate from quarter to quarter depending on the timing and size of new contract awards and delays or cancellations.

Our revenues are subject to underlying contracts with varying terms and substantially all of our customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue.

The term of our customer contracts typically range from three to five years, with an option to extend exercisable by the customer. If we do not perform our obligations under a contract in accordance with the terms of the contract or our customer's expectations, we are at risk that the contract will be terminated or not renewed. Any such performance issue could also adversely affect our reputation in the marketplace which could adversely impact our ability to secure new contracts.

Our customer contracts generally permit the customer to terminate the contract for convenience on short notice (ranging from 30 to 90 days) providing for the cost of demobilization but typically without compensation for lost revenue. There is a risk that our contracts may be cancelled or may not be renewed if our clients decide to reduce their levels of spending, potentially reducing our revenue. A customer may have no further need for our services due to the closing of a mine or because it is seeking an alternative mining service provider or bringing the service in-house. A customer may also vary our scope of works, access to available ore headings, the mine plan and production rates, which could affect our revenue or profit. In the event of a contract termination, we may not be able to redeploy the equipment used at that mining site to other sites on the same terms or at all and we may experience downtime between demobilization and redeployment.

Furthermore, because of these rights, if clients wish to suspend or cease operations at a mine serviced by Barminco, they are able to do so without compensating Barminco for the lost revenue. As a result, if the price of a mined commodity falls below the price at which it is economic for the mine owner to continue mining, they may shut the operations down and we will lose the associated revenue.

Our growth could also cause us to operate in sectors or assist customers in markets where we would be expected to assume a greater level of contract risk, potentially via engaging with customers under different contract structures than those employed by us today. If we enter into such contracts, we could be adversely impacted due to unforeseen or underestimated contract costs.

While we believe that replacing a contractor such as Barminco in an unplanned manner would involve significant challenges and costs for a customer and, historically, few of Barminco's clients have exercised its termination rights unless the mining operation was being suspended or closed, there can be no assurance that clients will not exercise these rights in the future. In addition, there may be certain circumstances where we work on a mine while a contract is still being negotiated for renewal or extension and, in such circumstances, we would be subject to the risks of not having a formal contract in place governing the work we engage in for a customer.

The early termination of a contract by one or more of our clients could have a material adverse effect on our business, results of operations and financial condition.

We may face the risk of liability if we are unable to deliver on production targets set in our mining contracts.

The achievement of production targets depends on many factors, many of which are outside of our control. These factors include, but are not limited to: our ability to use the anticipated mining methods; the presence of pre-existing and/or defective drill holes; the accuracy of representations made by the mine-owner regarding the mine site; or the lack of ventilation and/or availability of power in the mine. If we are unable, whether due to factors within or beyond our control, to achieve the production targets set in our mining contracts, we could face the risk of liability for the damages suffered by the mine-owner, or other contracting party and our business, results of operations and financial position could be adversely and materially affected thereby.

New contracts typically underperform relative to mature contracts during start-up phase.

Our new contracts typically underperform during their ramp up phase compared to mature contracts and may even operate at a loss for a period of time. This is due to additional expenses associated with mobilizing equipment and labor, training, and commitment of additional staff while operations are transitioning to Barminco. Such operating issues are usually resolved within six months from the commencement of a new contract but can take longer depending on the mine plan and structure of the contract.

When we commence work under new contracts for underground mining, we face a number of risks associated with the transition of mining operations from the owner or other mining services company to Barminco which can result in unexpected costs for a period of time. These risks include delays in the delivery of equipment to site due to manufacturer or logistical constraints, shortages of skilled labor during contract start-up and unanticipated issues with mine infrastructure and ground conditions.

In instances where we are awarded a contract from a mine owner-operator, we may be required to assume the workforce and equipment at site, and the associated assets and liabilities, at the commencement of the contract. This can result in unexpected costs associated with additional training required to bring workforce practices in line with Barminco's operating and safety standards, and the upgrading of equipment to ensure the transferred fleet is at Barminco's required operating standard.

A deterioration in our safety record would harm our relationships with clients, make it less likely for clients to contract for our services and subject us to penalties and fines, which could adversely affect our business, operating results and financial condition.

Mining operations involve many risks and dangers to the personnel involved, including the risk of personal injury and, in exceptional circumstances, loss of life associated with operating heavy machinery, environmental hazards, using explosives and operating underground. Some of our activities, in particular drill and blast services are by their nature amongst the higher risk activities undertaken at a mine site. While we believe our safety record has generally been positive and we have received industry awards for our safety performance, we had one fatality in one of the mines at which we operated in 2014. It is possible that we may experience accidents in the future resulting in a deterioration of our safety record. This may be more likely as we continue to grow, if we experience high employee turnover or add employees of lower experience due to cyclical shortages of skilled labor.

Our ability to operate safely and to keep our employees safe is fundamental to our business in a number of respects, including:

- a contractor's safety record is a key criterion that mine owners use when evaluating tenders for contract mining;
- our reputation for safety is a key element of our ability to attract and retain employees;
- we hold a number of licenses that are necessary to conduct our operations, such as explosives storage licenses for sites and mobile explosive manufacturing licenses for emulsion charging units, that could be suspended or withdrawn if we fail to maintain safe operating practices;
- safety incidents may result in operations at the affected site being suspended while the incident is being investigated;
- safety violations may expose us to legal liability that is not covered by our insurance policies; and
- our safety record and the procedures we have in place influence our ability to obtain insurance and the cost of the premiums we are required to pay.

As a consequence, if we fail to maintain adequate operating procedures and policies, or if our managers and employees fail to adhere to those policies and procedures, or even if accidents occur that are beyond our control, we may:

- fail to win new contracts for mining services, fail to have existing contracts renewed or have existing contracts terminated;
- experience increased difficulty in attracting and retaining employees;
- have key operating licenses suspended, cancelled or subjected to additional conditions;
- lose revenue as a result of operations being suspended;
- incur substantial legal liabilities;
- experience increased insurance premiums, or even be unable to obtain insurance at commercially acceptable rates; and/or
- face increased competition if mine contractors compare our safety.

Any of these consequences could have a material adverse effect on our business, results of operations and financial condition.

A large part of our business is dependent upon obtaining work through a competitive bidding process. Our ability to retain existing customers and attract new business is dependent on many factors, including our ability to demonstrate that we can reliably and safely operate our equipment. Existing and potential customers consider the safety record of their mining services providers to be of high importance in their decision to award service contracts. Because the majority of our customers are major mining companies with high safety standards, a general deterioration in our safety record could have a material adverse impact on our business.

In addition, Australian state and territory Work Health and Safety Acts ("WHS Acts") set out general duties of employers, employees and others regarding Work Health and Safety ("WHS"). Under the legislation, employers have a general duty of care with respect to the safety of employees, as well as a range of more specific duties and obligations. Each state and territory has a range of WHS Regulations that provide more specific detail of the requirements that must be followed for a range of WHS issues or hazards. Non-compliance with either the WHS Acts or any WHS Regulation can result in prosecution, a prohibition notice, an improvement notice or a provisional improvement notice and, in some states, on-the-spot fines. Prohibition notices could result in work having to cease at a site, or even across the entire business, until a deficiency is rectified. Willful non-compliance with mining or WHS legislation can result in criminal sanctions.

We face competition.

We face competition and may not compete as successfully in the future as we have in the past. There are a number of competitors, both stand-alone companies and divisions of larger groups, that currently provide similar services to Barminco and which may have significant additional capital, financial and other resources. We may also face competition from new competitors entering the market or existing competitors, such as the underground mining services divisions of large engineering firms or the Australian divisions of global contract mining firms, significantly expanding their current underground contract mining operations. In addition, we may also encounter increasing competition for personnel from both other mining services companies and owner-operators in their efforts to hire experienced mining professionals.

In the contract mining industry, a substantial proportion of new business is won by competitive tender. Mine owners evaluate tenders on a mixture of criteria, including price, reputation for technical competence and reliability and safety record. If we fail to compete successfully on these criteria, and any others that mine owners may apply, we could fail to win new business or to have existing contracts renewed.

Any intensification of competition as a result of new entrants, existing entrants improving their competitive position or the preference of mine owners to operate a mine themselves, could result in reduced operating margins and loss of market share. This could have a material adverse effect on our operating and financial performance, current market share, plans for future growth and the ability to attract necessary capital funding on acceptable terms.

Our profitability and competitiveness depends on our ability to attract and retain skilled workers.

Our ability to remain productive, profitable and competitive and to implement our planned growth initiatives depends on our ability to attract and retain skilled workers. While every effort is made to retain key employees and to recruit new personnel to adequately meet demands in projects, the loss of a number of key personnel or inability to attract additional personnel may have an adverse impact on our business, results of operation and financial condition.

Our mining services projects are often in remote locations in Australia and Africa and sometimes require our employees to endure harsh conditions or to "fly-in, fly-out" from a city to a remote location. As a result, there can be shortages of labor that make it challenging to recruit employees with relevant industry and technical experience who are willing to relocate or endure such conditions. In the past this has resulted in cost increases for the supply of labor and management services. We also expend significant resources training our employees. If our employees choose to work for our competitors, we may not realize any benefits from our investment in their training.

Cyclical labor shortages, combined with a high industry turnover rate and growing number of competing mining service companies (including drilling service providers), may affect our ability to continue with or expand our operations and may adversely impact our financial performance. While we have implemented various initiatives designed to remedy labor shortages, such as using international recruits, developing an internal up-skilling program for tradesmen, increasing apprentice numbers, entering into overseas training agreements and marketing at international career expositions, there is no guarantee that these measures will successfully reduce the impact of labor shortages in the future. Skilled labor shortages could limit our ability to grow our business or lead to a decline in productivity and an increase in training costs and adversely affect our safety record. Each of these factors could materially adversely impact our revenue and, if costs increase or productivity declines, our operating margins.

Earnings are dependent on a number of key contracts and business relationships.

Our three largest clients (subsidiaries of Anglogold Ashanti, EKJV Management and Golf Fields) collectively contributed 51.9% of our revenues in the fiscal year ended June 30, 2017 and a further three clients (Independence Group, MMG and Centamin) collectively contributed 34.7% to our revenue in the fiscal year ended June 30, 2017. Individually, each of these six clients contributed (across multiple projects) from 10.9% to 18.8% of our revenue in the fiscal year ended June 30, 2017.

In addition, clients are usually entitled to terminate contracts on short notice. See “—Our revenues are subject to underlying contracts with varying terms and substantially all of our customer contracts permit the customer to terminate the contract on short notice and without compensation for lost revenue.”

If any of our key clients, or several smaller clients, were to terminate their relationship with us or fail to renew an expiring contract, our revenues and profits would be significantly adversely affected.

We depend on key management personnel and may not be able to attract and retain qualified personnel in the future.

We depend on the continued employment and performance of our senior executives and other key members of management. If any one of these individuals resigns or becomes unable to continue in his or her present role and is not adequately replaced in a timely manner, our business operations and our ability to implement our strategies could be materially disrupted. We compete with mining services providers, mine owners and other companies to attract and retain key executives and other employees with the appropriate technical skills and managerial experience necessary to continue to operate our business. The loss of members of senior management or key employees could materially adversely impact our business if we are unable to recruit suitable replacements in a timely manner. There can be no assurance that we will be able to attract and retain skilled and experienced employees and, should we lose any of our key management personnel or fail to attract qualified personnel, our business may be harmed and our results of operations and our financial condition could be adversely affected.

Our operations are subject to industrial relations risks and our profits may be adversely affected by union activity.

In Australia, we operate on a system of individual agreements as well as employee collective agreements. As at June 30, 2017, approximately 80% of Barminco's Australian workforce is subject to collective bargaining agreements. In the event that we experience work stoppages, delays, sabotage, go-slow actions, lower productivity levels than envisaged or any other industrial relations related interruptions at any of our operations or increased employment-related costs due to union or employee activity, such activities could cause production delays, increased labor costs and adversely impact our ability to fulfill our existing contracts or win new contracts. As a result, our business, results of operations, financial condition and reputation may be materially adversely affected. However, only two of our sites have a unionized workforce and we have not experienced any industrial action of this type in the last three years.

Our operations are dependent upon the availability and cost of underground mining equipment and any interruption in supply could adversely affect our business.

Whenever we enter new contracts, we need to acquire new capital equipment, typically mining equipment, if we do not have existing equipment available. We rely on certain original equipment manufacturers to source new equipment and related parts to perform under our existing and new contracts. Any change in our relationships with these manufacturers may result in a shortage of equipment and parts which would constrict our ability to enter new contracts or fulfill existing contracts and adversely impact our earnings and financial performance.

We have arrangements with a number of original equipment manufacturers and as is consistent in the industry, we order equipment from these manufacturers on an ongoing basis as required. However, if there is any change or deterioration in our relationships with these manufacturers or if our actual equipment requirements exceed our forecast requirements for new equipment, this may materially adversely impact our financial performance as well as our growth prospects.

To meet our contractual obligations, we depend on critical pieces of equipment, which will sometimes be put out of service unexpectedly as a result of failures, unplanned maintenance or otherwise. The nature of our operations demands availability of equipment and spare parts, the supply of which can sometimes be insufficient to deal with production capacity and demand. An inability to secure an uninterrupted supply of all such necessary equipment at prices and times assumed within mine plans could, if supply disruptions persist, lead to an increase in costs and a slowdown in production and development.

Equipment delays may result from difficulties in procurement, due to funding constraints, late ordering of equipment, shipping and customs delays, or fabrication, drilling, blasting and loading problems. Supply shortages may also result from an excess of demand over supply for mining equipment and competition for supplies from competitors. Delays in procuring new equipment required for our on-going or new operations may impact our ability to achieve production targets set in our mining contracts.

We could be adversely impacted by any incidents affecting the ability of our manufacturers to produce and deliver mining equipment, including casualty events affecting production facilities, work stoppages or strikes, financial difficulties of our suppliers, transport disruptions, or other events or circumstances. It may be difficult to locate alternative manufacturers in the event of any disruptions which could have a material adverse impact on our revenue.

Our operations face the risk of interruption and casualty losses and our insurance does not cover all potential losses, liabilities and damage related to our business and certain risks are uninsured or uninsurable.

Our business is subject to a number of risks and hazards, including adverse environmental conditions, industrial accidents, labor disputes, unscheduled stoppages or closings, unusual or unexpected geological conditions, change in the availability of power, change in the regulatory environment and natural phenomena such as weather conditions and floods, and the possibility of sabotage or community, governmental or other interference. Such occurrences could result in damage to our properties or equipment, personal injury or death of employees or third parties, environmental damage to our properties or those of others, delays in mining, monetary losses and possible legal liability. Our operations are also subject to delays in obtaining equipment and supplies and the availability of transportation for the purpose of mobilizing rigs and other equipment, particularly where rigs or mines are located in remote areas with limited infrastructure support.

We endeavor to maintain insurance with ranges of coverage in accordance with industry practice and our contractual exposure. However, our insurance may not cover all of the risks that we face or the full financial impact of an insured event. The occurrence of an event that is not covered at all or not fully covered by insurance could have a material adverse effect on our business, financial condition and results of operations. Furthermore, if our operations are interrupted or suspended for a prolonged period as a result of any events which may not be insured or have the exposure contractually limited, our revenues could be materially adversely impacted.

Insurance of all of the risks associated with mining services is not always available and, where available, the costs can be prohibitive. There is a risk that insurance premiums may increase to a level where we consider it unreasonable or not in our interests to maintain insurance coverage at all or to a level of coverage which is in accordance with industry practice. No assurance can be given that we will be able to obtain such insurance coverage in the future at reasonable rates or that any coverage we arrange will be adequate and available to cover claims. Losses from risks associated with mining services may cause us to incur significant costs that could have a material adverse effect on our financial performance and results of operations.

If we fail to stay current with the technological innovations developed by our competitors or expected by our clients, our future performance and growth may be adversely affected.

The introduction of new competing technologies by our competitors, or the threat that they may do so, means we must stay current with technological trends in the underground mining industry in order to remain responsive to the technological expectations and needs of our clients. We implement technological innovations developed by certain original equipment manufacturers, which can be time consuming, costly and complex. The successful development and implementation of current technologies on a timely basis requires that we understand our clients' needs and the potential technological solutions for such needs, identify emerging technological trends in our industry and respond effectively to technological changes by our competitors. Delays in completing the development and implementation of technological innovations in our services could cause our revenues to decline. If we fail to effectively address the changing demands of clients and to maintain our competitive advantage, our business, results of operations and financial condition could be materially adversely impacted.

We may not be able to obtain funding on acceptable terms, or at all, due to a deterioration of the credit and capital markets. This may hinder or prevent us from meeting our future capital needs.

Our business requires significant amounts of capital expenditure which is often a front ended investment for us given the contracting nature of our operations. Whenever we enter new contracts, we need to acquire new capital equipment if we do not have existing equipment available. Capital expenditures are also required to maintain such capital equipment over its useful life. Consequently, during periods of high or rapid growth in revenues, our capital requirements increase. Typically, underground mining equipment has a useful life of between three and five years, though our in-house maintenance and rebuild capability allows us to extend the average equipment life, in some cases, from the original three years to more than seven years, at approximately 60% of the original fleet cost for each two to three-year extension. Historically, our capital expenditures have been funded by a combination of operating cash flow and borrowings.

We intend to finance our future capital expenditures primarily through cash flow from operations and secured finance. However, our financing needs may require us to alter or increase our capitalization through the incurrence of additional indebtedness. Additional borrowings will require that a greater portion of our cash flow from current operations be used for debt service, thereby reducing our ability to use cash flow to fund working capital, capital expenditures and acquisitions.

Our cash flow from operations and access to debt capital are subject to a number of variables, including:

- our activity levels;
- margins under our services contracts;
- global credit and securities markets; and
- the ability and willingness of lenders and investors to provide capital and the cost of the capital.

If our revenues or margins decrease as a result of adverse changes in contract terms, operating difficulties or disruptions, lending requirements or regulations, or for any other reason, we may not be able to obtain the capital necessary to sustain our operations at current levels. As a result, we may require additional capital to fund our operations, and we may not be able to obtain debt or equity financing to satisfy our capital requirements.

In recent years, global financial markets have experienced disruptions and general economic conditions have been volatile, which has caused deterioration in the credit and capital markets. The continuation of these conditions or a recurrence of similar conditions, including as a result of prolonged or further deterioration of economic, fiscal or credit market conditions, could make it difficult for us to obtain financing for our ongoing capital needs. In volatile financial markets, the cost of raising money in the debt and equity capital markets can fluctuate widely and the availability of funds from those markets may diminish significantly. Due to these factors, we cannot be certain that funding will be available if needed and, to the extent required, on acceptable terms. If we cannot meet our capital needs, we may be unable to implement our development plans, enhance our existing business, complete acquisitions or otherwise take advantage of business opportunities or respond to competitive pressures, any of which could have a material adverse effect on our business, financial condition and results of operations.

Our operations may cause damage to the environment and violate applicable environmental laws and regulations and the conditions of our licenses.

There is a risk that our operations may cause damage to the environment and violate applicable environmental laws and regulations and the conditions of our licenses. If our operations violate environmental standards, we may incur costs to control and rectify the damage, legal liabilities including damages, and damage to our reputation as a responsible operator, which may affect our ability to retain existing business and win new business.

The principal environmental hazard involved in our operations is contamination from a release of hydrocarbons (for example, fuel or lubricant).

There are extensive Australian state and federal laws and regulations regarding environmental standards, as well as equivalent environmental laws in the African and Indian jurisdictions in which we operate. In addition, we require various environmental licenses to operate our business, including licenses to handle certain potentially hazardous materials, and these licenses are often subject to numerous conditions. In the future, changes in law may result in even stricter regulation. Environmental incidents, particularly if they result from a failure to comply with laws or license conditions, may result in substantial penalties, costs to remediate damage and loss of licenses, any of which may materially adversely affect our business.

In addition, our actions or failures to act may result in the mine owners for which we perform services incurring environmental liabilities, regulatory penalties, or having licenses suspended, cancelled or subjected to additional conditions. Some of our customer contracts contain indemnities under which we are obliged to compensate the customer for certain losses resulting from environmental incidents for which we are responsible. However, certain of these indemnities contain a cap on our potential liability. As a result, environmental incidents may result in us incurring substantial obligations to compensate our clients, including, in some cases, for consequential losses, which could have a material adverse effect on its business, operating results and financial condition.

We have insurance coverage to address certain environmental risks, for example, pollution or contamination caused by a sudden and unexpected incident (not extending to contamination occurring over time). There can be no assurance that these insurance policies will be adequate to cover our costs and losses, and insurers may dispute insurance claims.

The mining industry in Australia is highly regulated.

Provision of our mining services is dependent upon our client securing the grant and maintenance of required licenses and permits, which, if restricted, revoked or denied, could affect our operations. The grant and maintenance of appropriate licenses, permits and regulatory consents, may be withdrawn or be made subject to limitations. Obtaining renewals may require successfully obtaining statutory approvals and fulfilling contractual obligations for proposed activities and the renewal of licenses, permits and consents as and when required. There can be no assurance that such renewals will be approved as a matter of course, that existing permits and licenses will not be revoked, that existing leases will be renewed, or that new conditions will not be imposed in connection therewith. If the client fails to obtain or renew required licenses, or additional restrictions on such licenses or permits are imposed, this could cause production delays or increased costs and could adversely impact our ability to fulfill our existing contracts and expand our service offering under a new contract. As a result, our business, results of operations and financial condition could be materially adversely affected.

In Australia, the mining industry is highly regulated by environmental and health and safety regulations that could have a material impact on our functioning, financial stability and future earnings potential. There is a risk that the Australian federal and/or state governments will introduce new policies and legislation that relate to the mining industry. Any such policies or legislation, or more stringent implementation of policies or legislation already in place, may have an adverse effect on the mining industry generally and this could have a negative impact on our operating and financial performance.

To the extent we fail to comply with applicable laws and regulations, we could be subject to monetary fines, suspension of operations, enforcement actions or other civil or criminal penalties. In addition, any significant governmental investigation or enforcement of health and safety requirements could damage our reputation as a responsible mining services provider and employer. Our clients place a premium on safety and any damage to our reputation may have an adverse effect on our ability to win new contracts or keep existing contracts. Furthermore, damage to our safety record or our reputation for safety could make it difficult for us to hire or retain skilled labor. Any of these factors could have a material adverse impact on our results of operations and financial condition. In addition, legislation and regulations affect our mineral exploration clients and changes to law may influence their decision whether to conduct mineral exploration and development.

We may be exposed to liabilities under anti-corruption laws and any determination that Barminco has violated any anti-corruption laws could have a material adverse effect on our business.

Barminco operates in a number of countries, including some countries that rank poorly in published indices of perceived public corruption. In these and other countries, our operations may be subject to anticorruption laws (including laws in Australia relating to corruption), which generally prohibit companies or their agents and employees from providing anything of value to a foreign official for the purposes of influencing any act or decision of these individuals in their official capacity to help obtain or retain business, direct business to any person or corporate entity, or obtain any unfair advantage. Our activities in these countries create the risk of unauthorized payments or offers of payments by one of our employees, agents or distributors that could be in violation of applicable anti-corruption laws, even though these parties are not always subject to our control.

We have internal controls, policies and procedures to help protect against such risks and have implemented training and compliance programs for our employees, agents and distributors with respect to these laws. We adopted a policy dedicated to anti-bribery and anti-corruption measures in 2012. However, we cannot assure you that our controls, policies, procedures and programs always will protect us from potentially improper or criminal acts committed by our employees, agents or distributors. In the event that we believe or have reason to believe that our employees, agents or distributors have or may have violated applicable anti-corruption laws, we may be required to investigate or have outside counsel investigate the relevant facts and circumstances. Violations of anti-corruption laws or regulations may result in severe criminal or civil sanctions, and we may be subject to other liabilities, which could negatively affect our business, operating results and financial condition.

To our knowledge, we do not believe we have violated applicable anti-corruption laws or regulations. We cannot assure you, however, that any future investigation will not reveal violations of Australian or other anti-corruption laws or regulations. In addition, as we continue to evaluate existing and new anti-corruption laws, regulations or local laws, we may cease conducting business in certain high risk countries where these types of payments may often be required to operate. This could significantly affect our revenue if mining clients continue to pursue new exploration projects in areas where we decide not to conduct business.

We operate in and are subject to tax regimes of many different countries.

We provide services in a number of countries. Therefore, we are subject to tax regimes of many different countries and are subject to risks of changes in taxes, or interpretation or enforcement. We operate in countries that have tax regimes in which the rules may not be clear, may not be consistently applied and may be subject to sudden change. This is especially true with regard to international transfer pricing. Our earnings could be reduced by the uncertain and changing nature of these foreign locations. In addition, given the number of jurisdictions in which we operate, the tax positions we have taken or tax attributes of our contracts could be challenged and this could have a material adverse impact on our business, financial condition and results of operations.

Our operations across several different countries subject us to various political, economic and other risks that could negatively impact our operations and financial condition.

Barminco currently has operations in Australia, Egypt and India, while AUMS has operations in Ghana, Burkina Faso and Tanzania. Barminco may seek growth and expansion in additional markets. Our operations are subject to political, economic and other risks normally associated with the conduct of business in foreign countries as well as factors specific to the particular region. Some of these risks to which we are exposed include, among others:

- changes in foreign laws or regulations;
- changes in laws and policies governing operations of foreign based companies;
- changes in tax laws;
- changes in mining policies;
- royalty and tax increases or claims by governmental entities;
- labor disputes;
- corruption;

- transparency of the legal system;
- retroactive tax or royalty claims;
- revocation of consents or approvals;
- restrictions on the use of land and natural resources;
- restrictions on production, supplies and essential services;
- export controls;
- equipment import and custom issues;
- legal recourse and appeal rights;
- licensing requirements;
- human resources and immigration policies;
- disease and plagues;
- expropriation or nationalization of property;
- inflation of costs that is not compensated by a currency devaluation;
- restrictions on the remittance of dividend and interest payments offshore;
- environmental controls and permitting;
- opposition to mining from environmental or other non-governmental organizations;
- obtaining various approvals from regulators;
- invalidation of government orders and permits;
- foreign exchange restrictions and currency fluctuations;
- changing political conditions, currency controls and governmental regulations that favor or require the rewarding of contracts to local contractors or require foreign contractors to employ citizens of or purchase supplies from a particular jurisdiction;
- loss due to civil strife, acts of war, guerrilla activities, acts of sabotage, territorial disputes, insurrection and terrorism; and
- other risks arising out of foreign sovereignty issues.

Such risks could potentially arise in any country in which we operate, although risks may be higher in the developing countries in which we conduct some of our activities. Our operations in these areas increase our exposure to risks of war, local economic conditions, political disruption, civil disturbance, expropriation, piracy, tribal conflicts and governmental policies that may:

- disrupt our operations;
- require us to incur greater costs for security;
- restrict the movement of funds or limit repatriation of profits;
- lead to international sanctions; or
- limit access to markets for periods of time.

Several of the countries in which we currently operate, or have a presence, and the countries in which we are seeking further growth, have experienced in the recent past or are currently experiencing political, social and economic instability, and should be considered by investors to be less predictable than those countries in which the majority of investors are likely to be resident.

At present, the Tanzanian government has announced the following proposed Bills:

- The Written Laws (Miscellaneous Amendments) Bill 2017;
- The Natural Wealth and Resources Contracts (review and re-negotiation of unconscionable terms) Bill 2017;
- The Natural Wealth and Resources (Permanent Sovereignty) Bill 2017.

We are assessing the potential effect of these Bills should these be issued in final.

Countries in Africa in particular have experienced political instability and humanitarian crises in the past. Disruptions may occur in the future, and losses caused by these disruptions may occur that will not be covered by insurance. For example, Mali and Egypt have in the recent past experienced, and may continue to experience, a difficult security environment as well as political instability. In Egypt in 2011, Barminco demobilized expatriate staff at the Sukari gold project for 14 days as a precautionary measure due to the civil unrest, although Barminco's operations in Egypt were not otherwise affected. In Mali, there was a coup in March 2012 and a French military intervention in January 2013, however AUMS' operations in Mali were not affected by these events. In Burkina Faso, troops belonging to the elite Presidential Security Regiment corps announced in September 2015 that they were overthrowing the president and dissolving his government. In March 2014, West Africa experienced a wide spread outbreak of the Ebola virus disease including limited cases experienced in Mali, however AUMS' operations were not affected by the Ebola virus disease outbreak.

We take out political risk insurance when operating overseas whenever it is available. We have political risk insurance in Egypt. These insurance policies typically cover the expropriation, deprivation or forced abandonment of the plant and equipment, and loss due to riot, terrorism or war. Even in countries where we have political risk insurance, there can be no assurance that such insurance will cover all relevant contingencies or will adequately compensate us for losses we may suffer as a result of operating in these foreign countries, nor can there be any assurance that such insurance will continue to be available in the future on a cost-effective basis or at all. Risk assessments may also categorize threats as serious enough to require resort to public security forces, such as national police or military units on a near-permanent basis. In the event that continued operation in some countries compromises Barminco's security or business principles, Barminco may withdraw from these countries on a temporary or permanent basis. This could have a material adverse impact on our business, financial condition and results of operations.

We may be unsuccessful in integrating businesses and assets we acquire in the future.

We occasionally evaluate opportunities to acquire additional assets and businesses. Future acquisitions may be significant in size, may change the scale of our business and may expose us to new geographic, political, operating, financial and geological risks. Barminco has limited acquisition and integration experience. The success in our acquisition activities depends on our ability to identify suitable acquisition opportunities, acquire acquisition targets on acceptable terms and integrate their operations successfully. Our ability to identify, consummate and to integrate effectively any future acquisitions on terms that are favorable to us may be limited by the number of attractive acquisition targets, internal demands on our resources, competition from other companies and, to the extent necessary, our ability to obtain financing on satisfactory terms, if at all. In addition, we compete for attractive acquisition targets with other potential buyers that have more financial and other resources than us. Any acquisition we make will require a significant amount of attention and time of management as well as resources that could otherwise have been spent on the operation and development of our existing business.

There can be no assurance that any business or assets acquired in the future will prove to be profitable, that we will be able to integrate the acquired businesses or assets successfully or that we will identify all potential liabilities during the course of due diligence due to our limited experience in acquisitions. Because we may pursue acquisitions around the world and may actively pursue a number of opportunities simultaneously, we may encounter unforeseen expenses, complications and delays, including difficulties in employing sufficient staff and maintaining operational and management oversight. To the extent we encounter problems integrating any of our acquisitions, our operations could be impaired as a result of business disruptions and lost management time, which could materially adversely affect our business, financial condition and results of operations.

Unfavorable fluctuations in currency values and exchange rates and the imposition of currency exchange controls could have an adverse impact on our business.

Currency exchange rate risk. Broadly speaking, our Australian operations are Australian dollar denominated. At Barminco's Egyptian operations, our revenue and certain of our costs are Australian dollar denominated, however costs related to our local workforce in Egypt and other locally incurred costs, are denominated in Egyptian pounds, U.S. dollars and Euros. At Barminco's Indian operations, a percentage of our revenue and certain costs are Australian dollar denominated, however costs related to our local workforce in India and other locally incurred costs, are denominated in Indian Rupees. Therefore, for reporting purposes, we are exposed to fluctuations in the value of the Australian dollar versus other currencies. Because our consolidated financial results are reported in Australian dollars, if we generate sales or earnings or have assets and liabilities in other currencies, the translation into Australian dollars for financial reporting purposes can result in a significant increase or decrease in the amount of those sales or earnings and our net assets.

Transaction risk. Our African and Indian operations also are exposed to significant transaction risk. We often bid on contracts in U.S. dollars but may be paid in local currency. We also purchase some of our major capital equipment in U.S. dollars. If the U.S. dollar strengthens against the local currency during the term of the contract, the revenue we earn from these contracts may be affected where rise and fall mechanisms in the contract are not perfectly correlated. During the period in which we earn our revenue in a local currency and prior to exchanging that currency into another currency, we are exposed to further exchange rate risk. Any of these factors could have a material adverse impact on our business.

Exchange controls risk. We operate in several countries and some of the countries in which we operate may impose currency exchange controls in the future. Exchange controls may prevent us from being able to freely convert these currencies into currencies of other countries. The increased hold time of these currencies would further expose us to exchange rate risk. See "Risk factors—Some of the cash that appears on our balance sheet may not be available for use in our business or to meet our debt obligations."

Our operations may be adversely affected if we fail to maintain strong government and community relationships.

Relationships with a number of foreign governments and employees may be adversely affected by various issues ranging from breaches of contract, safety incidents, or changes in government or popular opinion. Any change in our relationship with the government or community may adversely affect our operations in the following ways:

- disruption of labor;
- labor supply shortages (due to visa restrictions or otherwise);
- revoking licenses/permits;
- difficulty in obtaining future permits; and
- change in tax regime.

A failure to maintain strong government and community relationships could impact our ability to obtain the required licenses, permits, or labor supply necessary to continue operating, which in turn would have a material adverse impact on our operating results and financial condition.

Our operations are vulnerable to interruption that could be beyond our control.

Our operations are vulnerable to the risk of interruption as a result of a variety of factors, which may be beyond our control, including the following:

- prolonged heavy rainfall or cyclone (as was the case in Sunrise Dam in February 2011);
- geological instability, including strong seismic activity, landslides, mudslides, rock-falls, cave-ins, or conditions that threaten to result in such an event;
- accidents or unsafe conditions;
- issues with mine ventilation;
- equipment breakdowns;
- industrial relations issues (see "Risk factors—Our operations across several different countries subject us to various political, economic and other risks that could negatively impact our operations and financial condition");

- client’s mine planning decisions;
- actions of government and/or regulators;
- availability of power; and
- scarcity of materials and equipment.

A severe interruption satisfying the contractual definition of force majeure may result in the customer terminating the contract. Our contracts vary in the rights and remedies which flow from an event of force majeure and a termination on that basis.

Depending on the cause of the delay and the terms of the relevant contract, we may not be entitled to compensation for revenue lost as a result of such interruptions. Some of our contracts entitle us to claim delay payments for short term delays caused by the customer and standby payments in circumstances where the customer has suspended the contracted work. However, even where we believe that we are entitled to recover under such provisions, there can be no assurance that we will be successful in seeking such payments.

In addition, delays to the commencement of projects for which we have been contracted to provide services may occur as a result of the factors listed above or other factors beyond our control, such as the mine owner underestimating the lead time required to commence operations.

Any interruption to an existing operation or delay in commencing an operation may result in lost revenue and, in some circumstances, result in us incurring additional costs, which may have a material adverse effect on our business, results of operations and financial condition.

We have a significant joint venture arrangement and may experience disputes or difficulties with our joint venture partner.

We have a 50% interest in AUMS and the other 50% interest is held by Ausdrill. AUMS is comprised of four companies, AUMS Ghana, AUMS Mali, AUMS BF and AUMS Tanzania, which are incorporated in Ghana, Mali, Burkina Faso and Tanzania, respectively. AUMS is overseen by a joint management board that is required to make decisions by consensus. Under each AUMS Shareholders’ Agreement that governs each AUMS company (each, an “AUMS Shareholders’ Agreement,” and collectively, the “AUMS Shareholders’ Agreements”), the shareholders must exclusively conduct all their underground mining business in Ghana, Mali, Burkina Faso, Côte d’Ivoire and Guinea through AUMS though the shareholders are free to independently pursue underground mining opportunities outside of these countries, as well as (in limited circumstances) any opportunities in these countries that are declined by AUMS.

While we believe that we have a good working relationship with Ausdrill, our interest in AUMS is subject to the risks normally associated with the conduct of joint ventures. In particular, each AUMS Shareholders’ Agreement contains provisions under which one of the parties may make an offer (“the initiating party”) to the other party to sell their shares at a nominated price. If the other party rejects that offer, then they will be deemed to have made a counteroffer to sell their own shares to the initiating party, and the initiating party will be compelled to buy the other party’s shares in the respective AUMS company, at the nominated price. Should Barminco be unable to meet a call from AUMS or satisfy other capital obligations under an AUMS Shareholders’ Agreement, our shareholding in AUMS could be diluted and we could lose the ability to participate in the decision making process regarding AUMS. See “Business—Overview of material contracts and agreements—AUMS—AUMS Shareholders’ Agreements.”

The existence or occurrence of one or more of the following circumstances and events could have a material adverse impact on our profitability or the viability of our interests held through the joint venture, which could have a material adverse impact on our future results of operations: (i) disagreement with Ausdrill on how to develop and operate projects efficiently; (ii) inability of Ausdrill to meet its obligations, including funding for capital expenditure, to the joint venture or third parties; and (iii) litigation between joint venture partners regarding joint venture matters.

Furthermore, our ability to receive dividends from AUMS is dependent upon agreement with Ausdrill and, while AUMS paid dividends to Barminco in the amount of A$20.7 million in fiscal 2017, there can be no assurance as to the amount of any future dividend that AUMS may pay.

Increased energy prices could adversely affect our results of operations and financial condition.

Mining operations and facilities make extensive use of electricity and carbon-based fuels. Energy prices can be affected by numerous factors beyond our control, including global and regional supply and demand, political and economic conditions, and applicable regulatory regimes. The prices of various sources of energy may increase significantly from current levels. An increase in energy prices could materially and adversely affect our business, results of operations and financial condition.

If the price of energy at which any of the projects to which we are contracted is exorbitant, the owner may suspend or close the project, in which case our services would likely be terminated. While there may be significant variation among projects as to the access to, and cost of, energy, in the event of a significant increase in the price or unavailability of energy, a mine at which we perform services may cease operations.

A sustained increase in the price or unavailability of energy and the ensuing termination of some of our mining contracts could materially and adversely affect our business results of operations and financial condition.

Intermittent unavailability, or lack of sufficient energy supply could cause disruption to Barminco's operations and loss of revenue.

Affiliates of Gresham Private Equity Limited own a majority of the equity interests in us and may have conflicts of interest with us or investors in the future.

Affiliates of Gresham Private Equity collectively beneficially own 60.0% of our ordinary shares and 68.0% of our Redeemable Preference Shares as of June 30, 2017 and Gresham Private Equity designees currently hold one seat on our Board of Directors and are entitled to appoint additional Board members. A shareholders' deed between Barholdco Pty Limited (now Barminco Holdings Pty Limited), Gresham Private Equity and other relevant parties governs those matters which require the consent of Gresham Private Equity. As a result, affiliates of Gresham Private Equity have control over various matters including our decisions to enter into corporate transactions and have the ability to prevent transactions that require the approval of shareholders regardless of whether holders of the Notes believe that any such transactions are in their own best interests. For example, affiliates of Gresham Private Equity could collectively cause us to make acquisitions that increase the amount of indebtedness or to sell assets, or could cause us to issue additional shares or declare dividends. So long as affiliates of Gresham Private Equity continue to directly or indirectly own a significant amount of our outstanding shares, they will continue to be able to strongly influence or effectively control our decisions. In addition, Gresham Private Equity has no obligation to provide us with any additional debt or equity financing.

Gresham Private Equity has no obligation to retain its current interest in Barminco, or to continue to hold it in the current structure.

Certain of our contracts give the customer an option to buy the capital equipment used by Barminco in connection with the contract, which could reduce our available fleet of equipment to service other customers.

Some of Barminco's mining contracts give the customer an option to purchase from Barminco the equipment used to perform mining services at its operation, at an agreed market price. This means that a customer may terminate its contract with Barminco and exercise an option to purchase Barminco's equipment where the customer has chosen to move to an owner-operated model. The price at which equipment can be purchased by a customer in these circumstances is to be mutually agreed between Barminco and the customer at the relevant time, but historically has been the greater of the equipment's market value or the written down value. Even if the purchase price is above market value for such equipment, this could have an adverse impact on our revenues and profits since there is a substantial lead time to obtain new equipment and this would also reduce our available fleet of unutilized equipment to service other existing or new clients.

We rely on our information systems to conduct the administrative aspects of our business, and failure to protect these systems against security breaches could adversely affect our business. Additionally, if these systems fail or become unavailable for any significant period of time, our business could be harmed.

We rely on computer, information, and communications technology and related systems in order to properly operate the administrative aspects of our business. From time to time, we experience occasional system interruptions and delays. We have processes in place to respond to system interruptions and delays and our daily mining operations do not depend on information, communications technology and related systems. However, in the event we are unable to regularly deploy software and hardware, effectively upgrade our systems and network infrastructure, and take other steps to maintain or improve the efficiency and efficacy of our systems, the operation of such systems could be interrupted or result in the loss or corruption of data. In addition, our computer systems are subject to the risks of unauthorized access, computer hackers, computer viruses, malicious code, organized cyber-attacks and other security problems and system disruptions, including possible unauthorized access to our and our customers' proprietary or classified information. We rely on industry-accepted security measures and technology to securely maintain all confidential and proprietary information on our information systems. We have devoted and will continue to devote significant resources to the security of our computer systems, but they may still be vulnerable to these threats. A user who circumvents security measures could misappropriate confidential or proprietary information or cause interruptions or malfunctions in operations. As a result, we may be required to expend significant resources to protect against the threat of these system disruptions and security breaches or to alleviate problems caused by these disruptions and breaches. Any of these events could damage our reputation and have a material adverse effect on our business, results of operations and financial condition.

The Australian Taxation Office "risk review" has transitioned to an "audit" of our carry forward tax losses.

In 2016, the Australian Taxation Office ("ATO"), as part of its ongoing compliance program across large taxpayers, commenced a standard "risk review." The "risk review" has since transitioned to an "audit". The audit is focused on two issues being:

- the deductibility of interest on our Redeemable Preference Shares; and
- the arm's-length debt amount used for our thin capitalization calculations.

Our tax position is based upon professional tax advice. There is a risk that the audit could result in an assessment. In the event an assessment were made, we believe it would be unlikely to involve a cash cost to Barminco but some of our carry forward tax losses (which are partially reflected as a deferred tax asset on our balance sheet) could be lost. There can be no assurance, however, as to what the outcome of the audit will be.

Risks relating to the Notes and the Note Guarantees

Our substantial indebtedness could adversely affect our financial condition and prevent us from fulfilling our obligations under the Notes.

We have a significant amount of indebtedness. As of June 30, 2017 Barminco's total debt was A$487.9 million. Excluding Shareholder Loan Notes that are subordinated to the Notes and for which interest had been capitalized up until June 30, 2016, however, Barminco's total debt was A$477.9 million as of June 30, 2017.

For further information on our indebtedness, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity, capital expenditures and capital resources—Indebtedness."

As of June 30, 2017, we had unused commitment of A$97.2 million under our Credit Facility, and capacity to use up to A$75.0 million equipment financing lines.

Subject to the limits contained in the Credit Facility and the Indenture, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions or for other purposes. If we do so, the risks related to our high level of debt could intensify. Specifically, our high level of debt could have important consequences to the holders of the Notes, including the following:

- making it more difficult for us to satisfy our obligations with respect to the Notes and our other debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as certain of our borrowings, including borrowings under the Credit Facility, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We may not be able to generate sufficient cash to service all of our indebtedness, including the Notes, and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations, including the Notes, depends on our financial condition and operating performance, which are subject to prevailing economic and competitive conditions and to certain financial, business, legislative, regulatory and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, including the Notes.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital or restructure or refinance our indebtedness, including the Notes. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all and, even if successful, those alternative actions may not allow us to meet our shared debt service obligations. The Credit Facility and the Indenture will restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct our operations through our subsidiaries certain of which will not be Guarantors. Accordingly, repayment of our indebtedness, including the Notes, is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Unless they are Guarantors, our subsidiaries do not have any obligation to pay amounts due on the Notes or to make funds available for that purpose. Our subsidiaries or joint venture companies (such as AUMS) may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our indebtedness, including the Notes. Each subsidiary and joint venture company is a distinct legal entity and, under certain circumstances, legal and contractual restrictions may limit our ability to obtain cash from them. While the Indenture and certain of our other existing indebtedness will limit the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries or joint venture companies, we may be unable to make required principal and interest payments on our indebtedness, including the Notes.

Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations and our ability to satisfy our obligations under the Notes.

If we cannot make scheduled payments on our debt, we will be in default and holders of the Notes could declare all outstanding principal and interest to be due and payable, the lenders under the Credit Facility could terminate their commitments to extend further credit, the lenders could foreclose against the assets securing their borrowings and we could be forced into bankruptcy or liquidation. All of these events could result in you losing your investment in the Notes.

The terms of the Credit Facility and the Indenture will restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The Indenture and the Credit Facility will contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including restrictions on our ability to:

- incur additional indebtedness and guarantee indebtedness;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem or repurchase certain debt;
- issue certain preferred stock or similar equity securities;
- make loans and investments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;

- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, amalgamate, merge or sell all or substantially all of our assets.

In addition, the restrictive covenants in the Credit Facility will require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A breach of the covenants or restrictions under the Indenture or under the Credit Facility could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In the event our lenders or holders of the Notes accelerate the repayment of our borrowings, we and our subsidiaries may not have sufficient assets to repay that indebtedness.

As a result of these restrictions, we may be:

- limited in how we conduct our business;
- unable to raise additional debt or equity financing to operate during general economic or business downturns; or
- unable to compete effectively or to take advantage of new business opportunities.

These restrictions may affect our ability to grow in accordance with our strategy. In addition, our financial results, our substantial indebtedness and our credit ratings could adversely affect the availability and terms of our financing.

Some of our subsidiaries do not guarantee the Notes and your claims are effectively subordinated to all of the creditors of these subsidiaries and the Guarantors may be released from their obligation to guarantee the Notes in certain circumstances.

The Notes and the Note Guarantees are structurally subordinated to the indebtedness of our subsidiaries that do not guarantee the Notes. Other than the Guarantors, our subsidiaries are separate and distinct legal entities with no obligation to pay any amounts due pursuant to the Notes or to provide us with funds (whether by dividend, distribution, loan or otherwise) for our payment obligations. Payments to us by our subsidiaries will be contingent upon their earnings, their business considerations, and their ability to service their own liabilities.

In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries other than the Guarantors, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets of the subsidiaries are made available for distribution to us.

In addition, the Indenture that governs the notes, subject to some limitations, permit the non-Guarantor subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by the non-Guarantor subsidiaries.

In addition, the Guarantors will automatically be released from their obligations under the Note Guarantees upon the occurrence of certain events. If any Note Guarantee is released, no holder of the Notes will have a claim as a creditor against that Guarantor, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that Guarantor will be effectively senior to the claim of any holders of the Notes. See "Description of the Notes—Note guarantees."

Some of the cash that appears on our balance sheet may not be available for use in our business or to meet our debt obligations.

We are required to make cash deposits to support bank guarantees of our obligations under certain office leases or amounts we owe to certain vendors from whom we purchase goods and services. These cash deposits are not available for other uses as long as the bank guarantees are outstanding. In addition, Egypt and India have regulations that may restrict our ability to send cash out of the country. As a result, cash at our subsidiaries in Egypt (which amount was equal to A$10.0 million as of June 30, 2017) and India (which amount was equal to A$1.5 million as at June 30, 2017) may not be available to meet obligations we have in other countries. In light of the foregoing factors, the amount of cash that appears on our balance sheet may overstate the amount of liquidity we have available to meet our business or debt obligations, including obligations under the Notes.

Despite our current level of indebtedness, we may still be able to incur substantially more debt. This could further exacerbate the risks to our financial condition described above.

We may be able to incur significant additional indebtedness in the future. Although the Indenture and the Credit Facility will contain restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of qualifications and exceptions, and the additional indebtedness incurred in compliance with these restrictions could be substantial. If we incur any additional indebtedness that ranks equally with the Notes, subject to collateral arrangements, the holders of that debt will be entitled to share ratably with you in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding up of our company. This may have the effect of reducing the amount of proceeds paid to you. These restrictions also will not prevent us from incurring obligations that do not constitute indebtedness. As of June 30, 2017, the Credit Facility provided for unused commitments of A$2.8 million. All of those borrowings would be secured indebtedness. If new debt is added to our current debt levels, the related risks that the Issuer and the Guarantors now face could intensify.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under the New Credit Facility will be at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. In the future, we may enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility. However, we may not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

We may be unable to purchase the Notes upon a change of control triggering event.

Upon the occurrence of a change of control triggering event, the Issuer will be required to offer to repurchase all outstanding Notes at 101% of their principal amount, plus accrued and unpaid interest to, but not including, the purchase date. Additionally, under the Credit Facility, a change of control (as defined therein) constitutes a mandatory prepayment event that permits the lenders to accelerate the maturity of borrowings under the credit agreement and the commitments to lend would terminate. The source of funds for any purchase of the Notes and repayment of borrowings under our Credit Facility would be our available cash or cash generated from our subsidiaries' operations or other sources, including borrowings, sales of assets or sales of equity. The Issuer may not be able to repurchase the Notes upon the occurrence of a change of control triggering event because we may not have sufficient financial resources to purchase all of the debt securities that are tendered upon the occurrence of a change of control triggering event and repay our other indebtedness that will become due. If the Issuer fails to repurchase the Notes in that circumstance, we will be in default under the Indenture. We may require additional financing from third parties to fund any such purchases, and we may be unable to obtain financing on satisfactory terms or at all. Further, our ability to repurchase the Notes may be limited by law. In order to avoid the obligations to repurchase the Notes and events of default and potential breaches of the credit agreement governing our Credit Facility, we may have to avoid certain change of control transactions that would otherwise be beneficial to us.

In addition, certain important corporate events, such as leveraged recapitalizations, may not, under the Indenture, constitute a "change of control" that would require the Issuer to repurchase the Notes, even though those corporate events could increase the level of our indebtedness or otherwise adversely affect our capital structure, credit ratings or the value of the Notes.

The exercise by the holders of Notes of their right to require us to repurchase the Notes pursuant to a change of control offer could cause a default under the agreements governing our other indebtedness, including future agreements, even if the change of control itself does not, due to the financial effect of such repurchases on us. In the event a change of control offer is required to be made at a time when we are prohibited from purchasing Notes, we could attempt to refinance the borrowings that contain such prohibitions. If we do not obtain a consent or repay those borrowings, we will remain prohibited from purchasing Notes. In that case, our failure to purchase tendered Notes would constitute an event of default under the Indenture which could, in turn, constitute a default under our other indebtedness. Finally, our ability to pay cash to the holders of Notes upon a repurchase may be limited by our then existing financial resources.

Holders of the Notes may not be able to determine when a change of control giving rise to their right to have the Notes repurchased has occurred following a sale of "substantially all" of our assets.

One of the circumstances under which a change of control may occur is upon the sale or disposition of "all or substantially all" of our assets. There is no precise established definition of the phrase "substantially all" under applicable law and the interpretation of that phrase will likely depend upon particular facts and circumstances. Accordingly, the ability of a holder of Notes to require the Issuer to repurchase such holder's Notes as a result of a change of control triggering event related to a sale of less than all our assets to another person may be uncertain.

If the Issuer defaults on the Notes or the Guarantors default on the Note Guarantees, your right to receive payments on the Notes or the Note Guarantees may be materially adversely affected by Australian insolvency laws.

The Issuer and each of the Guarantors are organized under the laws of Australia and, therefore, insolvency proceedings with respect to them would be likely to proceed under, and be governed by, Australian insolvency law. Such laws are different from the insolvency laws of the United States. If the Issuer or any of the Guarantors become insolvent, the treatment and ranking of holders of the Notes, other creditors of our company and our shareholders under Australian law may be different to the resulting treatment and ranking if it was subject to the bankruptcy laws of the United States or other jurisdictions.

In Australia, the voluntary administration procedure under the Australian Corporations Act, which is an available usual path for the potential re-organization of an insolvent company, differs significantly from Chapter 11 under the U.S. Bankruptcy Code. If the Issuer or any of the Guarantors becomes or is potentially insolvent and a restructure is attempted through the voluntary administration process, the treatment and ranking of holders of the Notes, other creditors and shareholders under Australian law may be different from the treatment and ranking of holders of the Notes, other creditors and shareholders that would apply if the Issuer or any of the Guarantors were subject to the bankruptcy laws of the United States or other jurisdictions.

The Note Guarantees, along with any future guarantees of the Notes and the security, will be subject to certain limitations on enforcement and may be limited by applicable law or subject to certain defenses that may limit their validity and enforceability.

The Issuer and each of the Guarantors are incorporated in Australia and to the extent they have operations, have their primary business operations in Australia. The Guarantors will guarantee the payment of the Notes on a senior secured basis, which will provide the holders of the Notes with a direct claim against each Guarantor. However, enforcement of the Note Guarantees and the security will be subject to certain generally available defenses. These laws and defenses include those that relate to corporate benefit, fraudulent conveyance or transfer, voidable preference or similar laws, regulations or defenses affecting the rights of creditors generally, which could render the security or the Note Guarantees limited, void or unenforceable. If any of the security is voided, it is possible that you will be left with an unsecured claim against the Issuer or Guarantor or, if the Note or the Note Guarantees are voided, you could be left without a claim against the Guarantors and with a claim solely against the Issuer.

Under Australian law, if a liquidator is appointed to a company, the liquidator has the power to investigate the validity of past transactions and may seek various court orders. Such transactions are known as "voidable transactions" and include transactions which are uncommercial transactions or result in an unfair preference being given to a creditor or which would otherwise defeat, delay or interfere with the rights of creditors and, in each case, which are also insolvent transactions.

If a transaction is found to be a voidable transaction, a court may unwind the transaction in whole or in part by making orders under section 588FF of the Corporations Act. These include an order releasing or discharging, wholly or partly, a debt incurred, or a security or guarantee given, by the company under or in connection with the transaction or an order requiring a party to repay to the company some or all the money it received under the transaction. It is not necessary to establish that the directors of the company have breached their duties to the company in any way or that the person taking the benefit of the guarantee or security had actual or constructive notice that the transaction was an insolvent transaction.

A person whose pre-liquidation transaction with the company is avoided as a voidable transaction, or who is ordered to repay money to the company because a transaction is determined to be a voidable transaction, may prove as a creditor in the liquidation of the company, to the extent that the creditor retains an admissible claim against the company following the avoidance of the voidable transaction (or the repayment of money in respect of such voidable transaction).

There are various time periods within which a liquidator can take such action depending on the nature of the transaction being challenged. The test for insolvency in Australia in this context is whether the relevant company is able to pay its debts as and when they become due and payable.

Under Australian law, a guarantee given by a company may also be set aside on a number of additional grounds. For example, a guarantee may be unenforceable against a guarantor if the directors of the guarantor did not comply with their duties to act in good faith for the benefit of the guarantor and for a proper purpose in giving the guarantee. The issue is particularly relevant where a company provides a guarantee in relation to the obligations of another member of its corporate family, as is the case for the Note Guarantees with respect to the Notes. In determining whether there is sufficient benefit, all relevant facts and circumstances of the transaction need to be considered by the directors, including the benefits and detriments to the guarantor in giving the guarantee, and the respective benefits to the other parties involved in the transaction.

Whether a guarantee entered into in breach of directors' duties can be avoided against a party relying on the guarantee depends on certain factors, including the state of knowledge of that party, and whether the party knew of or suspected the breach. Also, under Australian law, a person is entitled to assume that the directors have properly performed their duties to the company unless that person knows or suspects that they have not done so. In addition, other debts and liabilities of the Guarantors and the Issuer, such as certain employee entitlements or amounts owed to tax authorities, may rank ahead of claims under the Note Guarantees in the event of insolvency, administration or similar proceedings. If any of the Note Guarantees are avoided, it is possible that you will be left with a claim solely against the Issuer.

You might have difficulty enforcing against the Issuer, the Guarantors and our directors and officers.

The Issuer and the Guarantors are incorporated and have their operations outside of the United States. All of our directors and officers reside in Australia or elsewhere outside the United States. Because the Issuer, the Guarantors and such persons are located outside the United States, it may not be possible for you to effect service of process within the United States on them. Furthermore, it may not be possible for you to enforce against them judgements obtained in United States courts, because all or a substantial portion of their assets are located outside the United States. Your rights under the Notes and the Note Guarantees will be subject to the laws of multiple jurisdictions, and you may not be able to enforce effectively your rights in multiple bankruptcy, insolvency and other similar proceedings. Moreover, such multi-jurisdictional proceedings are typically complex and costly for creditors and often result in substantial uncertainty and delay in the enforcement of creditors' rights. In addition, treaties may not exist in all cases for the recognition of the enforcement of a judgment or order of a foreign court.

Australia has a procedure for recognizing and enforcing foreign judgements by registration of the foreign judgment in an Australian court in accordance with the procedure set out in the Australian Foreign Judgements Act 1991 or by recognition in accordance with common law principles. The United States is not one of the countries to which the Foreign Judgements Act 1991 applies. As a result, the recognition and enforcement in Australian courts of judgements in U.S. courts requires the application of common law principles, as the procedure set out in the Foreign Judgements Act 1991 will not apply. Further, any action taken by or on behalf of the holders of the Notes would need to be brought in Australian courts on the basis of the merits of the case as well as the judgment from the relevant U.S. court. Accordingly, there are risks as to the enforceability, in original actions in Australian courts, of liabilities predicated solely on the U.S. federal or state securities law and as to the enforceability, in Australian courts, of judgements of U.S. courts obtained in actions predicated upon the civil liability provisions of the U.S. federal securities law. Also, judgements of U.S. courts (whether or not such judgements relate to U.S. federal or state securities laws) may not be enforceable in Australia in certain other circumstances, including, among others, to the extent that such judgements (as a matter of applicable Australian law) contravene public policy, breach the rules of natural justice or general principles of fairness or are obtained by fraud, are not for a fixed or readily ascertainable sum, are subject to appeal, dismissal, stay of execution or are otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts were of a revenue or penal nature.

The consequences of the multiple jurisdictions involved in the transaction could trigger disputes over which jurisdiction's laws should govern which could adversely affect your ability to enforce your rights and to collect payment in full under the Notes and the Note Guarantees.

Your ability to transfer the Notes may be limited by the absence of an active trading market and an active trading market may not develop for the Notes.

The notes have been listed on the SGX-ST. However, there can be no assurance that we will be able to maintain such listing or that a trading market will develop for the notes on the SGX-ST.

Therefore, an active market for the Notes may not develop or be maintained, which would adversely affect the market price and liquidity of the Notes. In such case, the holders of the Notes may not be able to sell their Notes at a particular time or at a favorable price. If a trading market were to develop, future trading prices of the Notes may be volatile and will depend on many factors, including:

- the number of holders of Notes;
- prevailing interest rates;
- our operating performance and financial condition;
- time remaining to the maturity of the Notes;
- outstanding amount of the Notes;
- terms related to optional redemption of the Notes;
- the interest of securities dealers in making a market for them; and
- the market for similar securities.

Even if an active trading market for the Notes does develop, there is no guarantee that it will continue. Historically, the market for non-investment grade debt has been subject to severe disruptions that have caused substantial volatility in the prices of securities similar to the Notes. The market, if any, for the Notes may experience similar disruptions and any such disruptions may adversely affect the liquidity in that market or the prices at which you may sell your Notes. In addition, subsequent to their initial issuance, the Notes may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar notes, our performance and other factors.

A lowering or withdrawal of the ratings assigned to our debt securities by rating agencies may affect the trading price of the Notes.

The Notes will have a non-investment grade rating and any rating assigned could be lowered or withdrawn entirely by a rating agency if, in that rating agency's judgment, future circumstances relating to the basis of the rating, such as adverse changes, so warrant. Consequently, real or anticipated changes in our credit ratings will generally affect the market value of the Notes. Credit ratings are not recommendations to purchase, hold or sell the Notes. Additionally, credit ratings may not reflect the potential effect of risks relating to the structure or marketing of the Notes.

Any future lowering of our ratings likely could make it more difficult or more expensive for us to obtain additional debt financing. If any credit rating initially assigned to the Notes is subsequently lowered or withdrawn for any reason, you may not be able to resell your Notes without a substantial discount.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Annual Financial Report

For the year ended 30 June 2017

Barminco Holdings Pty Limited
Annual Financial Report
For the year ended 30 June 2017

Contents

Directors' Report

For the year ended 30 June 2017

The directors present their report on the Group comprising of Barminco Holdings Pty Limited, and its subsidiaries, and the Group's interest in jointly controlled entities both during the year and as at 30 June 2017.

Directors

The directors in office at any time during the financial year or since the end of the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Keith Gordon	**Chairman, Independent Non-executive Director**
Qualifications	Bachelor of Science (Hons), MBA from The University of Western Australia, Member of the Australian Institute of Company Directors.
Experience	Keith has over 25 years of professional experience in large global organisations and is currently the Chairman of GMA Garnet Group, a director of Wright Prospecting Pty Ltd and a director of Red Emu Advisory. Prior to this Keith was the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers. Keith brings to Barminco strong skills in M&A and the management of equity markets and other public company stakeholders.

Peter M Bartlett	**Non-executive Director**
Qualifications	Graduate of the WA School of Mines, Kalgoorlie; member of Australasian Institute of Mining and Metallurgy; First Class Mine Manager Certificate – WA.
Experience	Peter was the founder and former Managing Director and Chief Executive Officer of the Barminco Group of companies. He founded the company in 1989 and has been an integral member of the board with over 30 years of mining experience. Prior to Barminco, Peter joined Western Mining as a graduate mining engineer in 1974 and was promoted to Resident Manager at its Windara Nickel operations in 1978 before moving to its Leinster Nickel operation in 1980. Peter is Managing Director of FMR Investments Pty Ltd.

Charles Graham	**Non-executive Director (Appointed March 2017)**
Qualifications	Bachelor of Engineering from Sydney University, Bachelor of Commerce from Sydney University, Masters of Technology from Deakin, MBA from Harvard University and Member of the Australian Institute of Company Directors.
Experience	Charles is Managing Director of Gresham Partners Limited. Prior to joining Gresham, Charles was a Managing Director at Goldman Sachs in New York and has previously worked for Rio Tinto (Comalco) in engineering roles covering operations and development. Charles is also a director of various Gresham companies, HCA Philanthropy and The Foundation for National Parks and Wildlife. He is Chairman of Musica Viva Australia. Prior to being appointed as a Non-executive Director in March 2017, Charles was an Alternative Director since October 2013.

Sharon Warburton	Independent Non-executive Director (Appointed 14 December 2016)
Qualifications	Bachelor of Business from Curtin University. Fellow of the Institute of Chartered Accountants Australia and New Zealand, Graduate of the Australian Institute of Company Directors.
Experience	Sharon has experience in the construction, infrastructure, resources and mining industries across Australia, the United Kingdom and the Middle East. Sharon also serves on the boards of ASX-listed Fortescue Metals Group, NEXTDC and Gold Road Resources, Western Australia State Government owned Western Power, and Not for Profit Perth Children's Hospital Foundation. She is Chairman of the Northern Australia Infrastructure Facility, and part-time member of the Australian Takeovers Panel. Prior to joining Barminco, Sharon previously held the roles of Executive Director of Strategy and Finance with Brookfield Multiplex, Chief Planning and Strategy Officer of United Arab Emirates based company, ALDAR Properties PJSC, and has held a variety of senior executive roles with Brookfield Multiplex, Citigroup and Rio Tinto.

Barry Lavin	Independent Non-executive Director
Qualifications	Bachelor of Science (Hons) Mining Engineering, MBA from Cranfield Business School, Chartered Engineer, Professional Engineer and MAIMM.
Experience	Barry has over 30 years of international mining experience, optimising shareholder value through the development and implementation of business strategy. As a mining engineer, Barry commenced his career in line management in deep underground gold mining, moving onto senior positions. From September 1991 until June 2009 Barry held senior positions within Rio Tinto, including positions as Managing Director of the Northparkes Joint Venture, Managing Director of Rio Tinto Technical Services and General Manager of Business Development for Rio Tinto Iron Ore. Barry was a Director of Oz Minerals Limited from August 2011 until March 2013, was a Director of Xanadu Mines Ltd, an ASX listed exploration company from September 2014 to July 2017 and is MD of privately-owned Teviot Resources Pty Ltd (an Australian diversified junior resources and trading company).

Jon A Young	**Alternate Non-executive Director**
Qualifications	Bachelor of Commerce Degree, University of Western Australia; a member of the Chartered Accountants Australia and New Zealand; a Fellow of the Financial Services Institute of Australia.
Experience	Jon is a qualified Chartered Accountant with Price Waterhouse where he worked for several years in their Perth, Melbourne and Sydney offices. For nearly 30 years, Jon has worked in the financial markets and is currently Director Private Clients with leading Perth based national stockbroking firm Patersons Securities Limited. For 12 years, until the sale of the contracting business (Barminco) in August 2007, Jon served as Non-Executive Chairman of the Barminco Group of companies, including Barminco Limited. Jon has been an Alternate Director for Mr Bartlett since September 2008. He continues as the Chairman of FMR Investments Pty Ltd, Director of Private Clients with Paterson Securities Limited and ASX listed Barra Resources Limited.

Roger Casey	**Alternate Non-executive Director**
Qualifications	Bachelor of Economics and Master of Economics from Macquarie University.
Experience	Roger has worked in both the advisory and private equity businesses of Gresham and is currently Deputy Chairman of Gresham Private Equity Limited and a Director of Gresham Partners Limited. He is also an Adjunct Fellow of Macquarie University's Applied Finance Centre and is a member of the Chartered Accountants Australia and New Zealand. He has extensive investment banking experience, and has previously worked with ABN Amro, Turnbull & Partners and KPMG. Roger has represented Gresham Private Equity as a board member across a variety of companies in its investment portfolio, from later stage management buyouts to earlier stage expansion capital.

Principal activities

The Group's principal activities in the course of the financial year to date were underground contract development and production mining, underground diamond drilling, and surface crushing and screening for owners of mining projects in Australia, India, Egypt, Tanzania and West Africa. The West African and Tanzanian businesses are carried on through several jointly controlled entities referred to as African Underground Mining Services "AUMS".

Review of operations and results

Operating result including 50% share of AUMS proportionately consolidated

	2017 $'000	2016 $'000
Revenue		
Barminco Group	601,685	507,932
AUMS (50%)	89,355	77,542
Total revenue	**691,040**	**585,474**
Proportionately consolidated EBITDA		
Adjusted Barminco Trading EBITDA	86,043	103,552
AUMS EBITDA (50%)	30,256	26,288
Total	**116,299**	**129,840**

The accounting standards require the Group to equity account for the jointly controlled investment in AUMS. However, the table above includes AUMS on a proportionately consolidated basis to reflect the Group's share of revenue and EBITDA from AUMS. This represents a non-IFRS measure to enable understanding of the underlying performance of the Group and has not been audited.

Adjusted Barminco Trading EBITDA represents Barminco's earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortization of intangible assets adjusted to exclude share of profit from equity accounted investments, net of tax and onerous provision.

The AUMS revenue represent 50% of the revenue and EBITDA represents 50% of earnings before net financing costs, income tax expense or benefit, depreciation of property, plant and equipment and amortisation of intangible assets.

The following table reconciles our profit/(loss) for the year, the most directly comparable IFRS financial measure, to Barminco Group Trading EBITDA for the periods indicated:

	2017 $'000	2016 $'000
Profit/(Loss) for the year	(93,771)	42,457
Income tax expense/(benefit)	32,198	(76,619)
Financing costs	96,071	113,824
Financing income	(709)	(15,784)
Share of profit from equity accounted investments, net of tax	(14,398)	(9,983)
Depreciation of property, plant and equipment	61,988	48,927
Amortisation of intangible assets	944	730
Onerous provision	3,720	-
Adjusted Barminco Trading EBITDA	**86,043**	**103,552**

Financial overview

	2017 $'000	2016 $'000
Revenue	601,685	507,932
Adjusted Barminco Trading EBITDA	86,043	103,552

Revenue

The Group primarily earns revenue for performing underground contract development and production mining, underground diamond drilling and surface crushing and screening for owners of mining projects.

Consolidated revenue increased by $93,753,000 or 18.5% to $601,685,000 for the year ended 30 June 2017 ("the year") compared to $507,932,000 for the year ended 30 June 2016 ("the prior year").

The revenue increase in 2017 was mainly due to the first full year of the Kundana contract that began in July 2016 and concluded in June 2017 and revenue from the Rampura Agucha contract, a new contract that began in December 2016.

Operating expenses

The majority of the Group's operating expenses are the direct costs of performing contract mining, drilling and crushing services. The components of the Group's expenses include consumables used, employee benefits expense, contractor and consulting expenses, and other expenses.

Consolidated operating expenses increased by $115,495,000 or 28.5% to $520,996,000 for the year compared to $405,501,000 for the prior year. Expenses increased due to the first full year of the Kundana contract and the start of the new contract at Rampura Agucha in India.

Adjusted Barminco Trading EBITDA

Adjusted Barminco Trading EBITDA for the year decreased by $17,509,000 or 16.9% to $86,043,000 for the year compared to $103,552,000 for the prior year.

The Adjusted Barminco Trading EBITDA margin (Barminco Group Trading EBITDA/consolidated revenue) was 14.3% for the year compared to 20.3% for the prior year due primarily to unfavourable margins in relation to Kundana and Rampura Agucha contracts.

Depreciation

As the Group operates a large fleet of capital equipment, depreciation is a significant component of expenses. At 30 June 2017 the book value of the Group's property, plant and equipment was $124,342,000 (2016: $116,381,000).

Consolidated depreciation increased by $13,061,000 or 26.7% to $61,988,000 for the year compared to $48,927,000 for the prior year. The increase in depreciation reflects the additional capital requirements that formed part of the Kundana contract.

Financing costs

	2017 $'000	2016 $'000
Interest and finance charges paid/payable on borrowings	(44,391)	(55,320)
Gain/(loss) on repurchase of High Yield Bonds	(327)	13,285
Redemption premium on 2018 High Yield Bonds	(31,300)	-
Cash flow hedge settlement	(11,342)	-
Other financing costs, net	(8,002)	(5,609)
	(95,362)	(47,644)
Capitalised financing costs on redeemable preference shares and shareholder loans (non-cash)	-	(50,396)
Total net financing costs	**(95,362)**	**(98,040)**

Total net financing costs of $95,362,000 decreased by $2,678,000 on the prior year of $98,040,000. In 2017, there was a one off refinancing cost in relation to the early redemption of 2018 High Yield Bonds of $42,642,000. In 2016, there was an amount of $50,396,000 of interest payable on the redeemable preference shares and shareholder loan notes which ceased on 29 June 2016.

Cash flow and capital expenditure

Cash at year end increased from $70,647,000 at 30 June 2016 to $77,956,000 at 30 June 2017.

Net cash flow from operating activities was $36,359,000 down from $67,994,000 in the prior year due to the group's increased operating expenses.

Cash paid for capital expenditure (excluding finance leased assets) totalled $35,921,000 down from $44,739,000 in the prior year.

Funding

On 26 April 2017 Barminco issued new 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US$350,000,000 principal amount. Prior to the refinancing in April 2017, the Group repurchased US$6,500,000 face value (2016: US$79,810,000) of the previously issued notes. The remaining 2018 notes on issue of US$299,733,000 were subsequently redeemed using the proceeds from the new funding and Barminco terminated the associated cross-currency interest rate swap (CCIRS). The 6.625% Senior Secured Notes due in May 2022 have been fully hedged using a CCIRS. The interest on the new high yield bond is payable semi-annually on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

The Group will benefit from lower financing costs as the coupon on the new bonds is 6.625%, down from the 9.0% on the old bonds.

As at 30 June 2017, the Group's available funding facilities were $100,000,000 upon which the only drawing made was $2,760,000 used for the purposes of bank guarantees under a revolving credit facility (RCF) which was agreed on 24 April 2017 for a term of three and half years.

In addition to the $100,000,000 draw down facility available under the RCF, the terms of the agreement allow the Group to draw up to an additional $75,000,000 in finance leasing from approved third party finance lease providers for plant and equipment purchases.

Dividends

The directors do not recommend the payment of a dividend and no dividends were declared by the Company during the year ended 30 June 2017.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs during the year ended 30 June 2017.

Significant events subsequent to reporting date

On 24 August 2017, Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017. The new contract replaces the former Rampura Agucha contract that was determined to be onerous at 30 June 2017.

No other matters or significant events have arisen since 30 June 2017 that have or may significantly affect the operations, results, or state of affairs of the Group.

Likely developments

Other than as otherwise stated in this report, operations are expected to continue as normal in the foreseeable future.

Environmental regulation

The Group is not subject to any significant environmental regulations, however, the Group's clients have obligations under state-based environmental regulations and are reliant upon the Group to assist them in ensuring that their operations comply with those regulations.

Indemnification and insurance of directors and officers

The Group indemnifies all directors and officers of the group against liability for all costs and expenses incurred in proceedings brought against them in their role as a director or officer of the Group to the extent permitted under the law. An insurance policy has been taken out to cover any such costs. The policy prohibits the disclosure of the nature of the liability covered by the policy, the limit of the liability, and the premium paid.

Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Auditor independence

The auditor, KPMG, has provided a written independence declaration to the directors in relation to its audit of the financial report for the year ended 30 June 2017. The independence declaration which forms part of this report is on page 8.

This report is made in accordance with a resolution of the directors.

Keith Gordon

K. Gordon
Chairman
Perth, WA, 26 September 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Barminco Holdings Pty Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Barminco Holdings Pty Limited for the financial year ended 30 June 2017 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner

Perth

26 September 2017

Barminco Holdings Pty Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Revenue	5	601,685	507,932
Other income		1,634	1,122
Consumables used		(199,020)	(156,688)
Employee benefits expense	6(a)	(235,963)	(197,265)
Contractor and consultant expenses		(45,152)	(30,395)
Depreciation of property, plant and equipment	13	(61,988)	(48,927)
Amortisation of intangible assets	14	(944)	(730)
Other expenses	6(b)	(40,861)	(21,154)
Results from operating activities		**19,391**	**53,895**
Share of profit from equity accounted investments, net of tax	12	14,398	9,983
Financing income	6(d)	709	15,784
Financing costs	6(c)	(96,071)	(113,824)
Loss before income tax		**(61,573)**	**(34,162)**
Income tax benefit/(expense)	8(a)	(32,198)	76,619
Profit/(Loss) for the year attributable to equity holders of the Company		**(93,771)**	**42,457**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	20(b)	(15,845)	4,620
Net change in fair value of cash flow hedges reclassified to profit or loss	20(b)	14,165	347
Foreign currency translation differences – foreign operations	20(c)	(3,233)	1,004
Other comprehensive income/(loss) for year, net of tax		**(4,913)**	**5,971**
Total comprehensive loss attributable to equity holders of the Company		**(98,684)**	**48,428**
Earnings/(Loss) per share		**$**	**$**
Basic and diluted earnings/(loss) per share	9	(18.8)	8.5

The above consolidated statement of profit and loss and other comprehensive income should be read in conjunction with the accompanying notes.

Barminco Holdings Pty Limited

Consolidated statement of financial position

As at 30 June 2017

	Note	30 June 2017 $'000	30 June 2016 $'000
Assets			
Cash and cash equivalents		77,956	70,647
Trade and other receivables	10	79,052	48,469
Inventories	11	18,785	19,696
Prepayments		3,966	3,068
Total current assets		**179,759**	**141,880**
Other non-current assets		1,946	1,918
Investments accounted for using the equity method	12	58,377	69,517
Property, plant and equipment	13	124,342	116,381
Intangibles	14	259,781	260,790
Deferred tax asset	8	47,612	75,277
Total non-current assets		**492,058**	**523,883**
Total assets		**671,817**	**665,763**
LIABILITIES			
Trade and other payables	15	78,851	57,227
Borrowings	17	11,814	2,592
Employee benefits	18	26,445	26,195
Provisions	19	4,086	208
Total current liabilities		**121,196**	**86,222**
Derivative financial instruments	16	23,741	5,419
Borrowings	17	476,043	425,219
Employee benefits	18	4,043	1,645
Total non-current liabilities		**503,827**	**432,283**
TOTAL LIABILITIES		**625,023**	**518,505**
NET ASSETS		**46,794**	**147,258**
EQUITY			
Contributed equity	20	394,662	396,442
Reserves	20	6,427	10,670
Accumulated losses		(354,295)	(259,854)
TOTAL EQUITY		**46,794**	**147,258**

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

Barminco Holdings Pty Limited

Consolidated statement of cash flows

For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		623,724	566,620
Payments to suppliers and employees		(545,419)	(447,197)
Interest received		693	2,501
Interest paid		(42,639)	(53,285)
Income taxes paid		-	(645)
Net cash inflow from operating activities	24	**36,359**	**67,994**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(35,921)	(44,739)
Purchase of investments		-	(3)
Proceeds from sale of property, plant and equipment		6,683	2,147
Dividends received from joint venture entities		20,678	8,816
Net cash outflow from investing activities		**(8,560)**	**(33,779)**
Cash flows from financing activities			
Loans to key management LTI scheme		-	(148)
Proceeds from borrowings		469,068	-
Redemption Premium on 2018 High Yield Bonds		(31,300)	-
Payments for borrowing costs and CCIRS termination		(30,251)	(380)
Proceeds/(payments) from CCIRS reset		(358)	32,085
Repayment of borrowings		(414,356)	(95,299)
Payment of finance lease liabilities		(13,302)	(4,676)
Net cash outflow from financing activities		**(20,499)**	**(68,418)**
Net increase/(decrease) in cash and cash equivalents		7,300	(34,203)
Cash and cash equivalents at beginning of period		70,647	104,844
Effect of exchange rate fluctuations on cash held		9	6
Cash and cash equivalents at end of period		**77,956**	**70,647**

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

Barminco Holdings Pty Limited
Consolidated statement of changes in equity
For the year ended 30 June 2017

	Note	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 $'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		-	-	**-**	-	-	-	-	(93,771)	(93,771)
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	**-**	(1,680)	-	-	-	-	(1,680)
Changes in the foreign exchange translation reserve	20(c)	-	-	**-**	-	(3,233)	-	-	-	(3,233)
Changes in the legal reserve	20(d)	-	-	**-**	-	-	-	670	(670)	-
Total other comprehensive income/ (loss)		-	-	**-**	(1,680)	(3,233)	-	670	(670)	(4,913)
Total comprehensive Income/ (loss) for the year		**-**	**-**	**-**	**(1,680)**	**(3,233)**	**-**	**670**	**(94,441)**	**(98,684)**
Transactions with owners of the Company										
Derecognition of Redeemable preference shares	20(a)	-	(1,780)	**(1,780)**	-	-	-	-	-	(1,780)
Total transactions with owners of the Company		-	**(1,780)**	**(1,780)**	**-**	**-**	**-**		**-**	**(1,780)**
Balance at 30 June 2017		**4,722**	**389,940**	**394,662**	**(7,055)**	**5,359**	**6,421**	**1,702**	**(354,295)**	**46,794**

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

Barminco Holdings Pty Limited

Consolidated statement of changes in equity (continued)

For the year ended 30 June 2016

	Notes	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 2015		4,722	-	**4,722**	(10,342)	7,588	-	387	(301,666)	(299,311)
Total comprehensive income for the year										
Profit/(loss) for the year		-	-	**-**	-	-	-	-	42,457	42,457
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	20(b)	-	-	**-**	4,967	-	-	-	-	4,967
Changes in the foreign exchange translation reserve	20(c)	-	-	**-**	-	1,004	-	-	-	1,004
Changes in the legal reserve	20(d)	-	-	**-**	-			645	(645)	-
Total other comprehensive income/(loss)		-	-	**-**	4,967	1,004	-	645	(645)	5,971
Total comprehensive income/(loss) for the year		**-**	**-**	**-**	**4,967**	**1,004**	**-**	**645**	**41,812**	**48,428**
Transactions with owners of the Company										
Changes in the interest free loan reserve	20(e)						6,421			6,421
Redeemable Preference Shares classified to equity	20(a)	-	391,720	**391,720**	-	-	-	-	-	391,720
Total transactions with owners of the Company		**-**	**391,720**	**391,720**	**-**	**-**	**6,421**	**-**	**-**	**398,141**
Balance at 30 June 2016		**4,722**	**391,720**	**396,442**	**(5,375)**	**8,592**	**6,421**	**1,032**	**(259,854)**	**147,258**

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

Contents of the notes to the financial statements

1. Corporate information

Barminco Holdings Pty Limited ("the Company") is a for profit 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 Group is a for profit entity and is primarily involved in underground contract development and production mining, and development projects in Australia, India, Egypt, Tanzania and West Africa.

The annual financial report of the Company for the year ended 30 June 2017 comprises the Company and its subsidiaries (the "Group") and the Group's interest in joint arrangements.

The annual financial report was authorised for issue by the Board of Directors on 26th of September 2017.

2. Basis of preparation

a) Statement of Compliance

The annual financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The annual financial report complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

b) Basis of measurement

The annual financial report is prepared in accordance with the historical cost convention, except for certain derivative financial instruments which, as noted, are at fair value.

c) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial report is presented in Australian dollars, which is Barminco Holdings Pty Limited's functional and presentation currency and also the functional currency of the majority of the Group.

d) Going concern basis

The financial report has been prepared on the going concern basis which contemplates realisation of assets and settlement of liabilities in the normal course of business.

The Group held cash on hand as at 30 June 2017 of $77,956,000 (30 June 2016: $70,647,000), net assets of $46,794,000 (30 June 2016: $147,258,000) and had a net working capital surplus of $58,563,000 (30 June 2016: $55,658,000). Net cash inflows from operating and investing activities for the year ended 30 June 2017 were $27,799,000 (2016: $34,215,000). The Group recorded a loss after tax for the year ended 30 June 2017 of $93,771,000 (2016: profit of $42,457,000).

The main driver for the decreased profits are costs in relation to the refinancing. The Group refinanced its long term debt during the financial year with the new High Yield Bonds now repayable in 2022. The Group will benefit from a lower interest rate as the interest rate payable on the new bonds is 6.625% p.a., down from the 9.0% p.a. payable on the old bonds.

As at 30 June 2017, the Group's available funding facilities were $100,000,000 upon which the only drawing made was $2,760,000 used for the purposes of bank guarantees under a revolving credit facility which was agreed on 24 April 2017 for a term of three and half years.

In addition to the $100,000,000 draw down facility available under the RCF, the terms of the agreement allow the Group to draw up to an additional $75,000,000 in finance leasing from approved third party finance lease providers for plant and equipment purchases.

Based on the long term funding now in place and the anticipated operational performance of the Group over the next five years, the Directors have a reasonable expectation that the Group will be able to pay its debts when due and payable. Accordingly, the financial report has been prepared on a going concern basis.

e) Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(i) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

<u>Goodwill and other indefinite life intangible assets</u>

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3(k). The recoverable amounts of cash-generating units have been determined based on fair value less costs of disposal. These calculations require the use of assumptions, including the continued performance of contracted work, estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

<u>Recovery of deferred tax assets</u>

Deferred tax assets are recognised for deductible temporary differences and tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets are reviewed at each reporting date and reduced to the extend it is no longer probable that the related tax benefit will be realised.

<u>Measurement of fair values</u>

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group Audit and Risk Committee.

When measuring the fair value of an asset or liability, the Group uses market observable data as far as possible. Fair values categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 21 – Financial Instruments
- Note 25 – Share based payments

(ii) Critical judgements in applying the entity's accounting policies

Useful lives of plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its plant and equipment. The Group's business depends on a large quantity of plant and equipment. At 30 June 2017, the Group's property, plant and equipment had a total book value of $124,342,000 (2016: $116,381,000) largely consisting of heavy mining equipment that has a finite operational life. As a result, depreciation has a significant impact on the Group's financial results.

When the Group acquires new heavy mining equipment, it is recorded as an asset on the balance sheet at cost, and then depreciated on a usage basis over its estimated useful life, after which it is carried at a predetermined residual value until sold, disposed of or rebuilt.

The estimation of the useful lives of this equipment therefore has a substantial effect on the amount of depreciation charged to the income statement and the residual book value of the plant and equipment recorded on the balance sheet.

The usage basis of depreciation means when strategic heavy mining equipment is not working at a site for an extended period, usually a minimum of one month, depreciation is charged to the income statement at a rate of 10% until the equipment returns to service.

From time to time, the Group sells used equipment; this includes sales under some of its mining contracts that include the option to purchase. If the sale price differs from the carrying value of the equipment at the time, the gain or loss is recorded as other income on the Group's income statement.

When the Group rebuilds equipment, the direct costs of the labour and materials, together with an allocation of the fixed workshop overhead costs, are added to the carrying value of the rebuilt asset, and the asset continues to be depreciated based on a revised estimated useful life, determined by management on the basis of historical average operational usage for rebuilt equipment.

f) Rounding of amounts

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

g) Accounting standards and interpretations issued but not yet effective

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 not yet mandatory and have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group is in the process of assessing the full impact of those new standards and interpretations. The effect the new standards could have on the financial results of the Group will change as the circumstances of the Group change up to the point of initial adoption.

- *AASB 9 Financial Instruments (effective 1 January 2018)*

AASB 9 replaces the existing guidance in AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition for financial instruments from AASB 139.

The Group is assessing the effect of applying the new standard on its financial statements and currently do not anticipate a significant impact on initial application. The Group will continue to assess the effect of the new standard including consideration of the financial statement disclosure requirements.

Mandatory for financial years commencing on or after 1 January 2018 and therefore mandatory for the Group's 30 June 2019 financial statements.

- *AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)*

AASB 15 replaces 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 and therefore the notion of control replaces the existing notion of risks and rewards. Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled when control of the goods or services passes to the customer. In 30 June 2017 financial statements, the contracts for services are recognised over time and the sale of goods at a point in time which would be the same under the new standard.

The Group is assessing the effect of applying the new standard on its financial statements and currently do not anticipate a significant impact on initial application. The Group will continue to assess the effect of the new standard including consideration of the financial statement disclosure requirements.

The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 July 2018 and that comparatives will not be restated. The new standard will only be applied to contracts that remain in force at the transition date.

Mandatory for financial years commencing on or after 1 January 2018 and therefore mandatory for the Group's 30 June 2019 financial statements.

- *AASB 16 Leases (effective 1 January 2019)*

AASB 16 will result in majority of the leases being recognised on the Balance Sheet as the distinction between operating and finance leases is removed. The standard will primarily affect the accounting for the Group's operating leases which will require the present value of the leases captured by the standard being recognised as right to use asset and lease liabilities on the balance sheet. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements. Refer to note 22 for information on the amount of the Group's operating lease commitments under AASB 117 *Leases.*

Mandatory for financial years commencing on or after 1 January 2019, and therefore mandatory for the Group's 30 June 2020 financial statements. The Group does not intend to adopt the standard before its effective date.

h) New and amended accounting standards and interpretations

For the group, there were no standards that had a material impact on the Group and became effective during the year.

3. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all years presented in these annual financial reports, and have been applied consistently by the Group.

a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Interests in equity-accounted investees

A joint venture is an arrangement in which the Group controls jointly with one or more other investors, and over which the Group has rights to a share of the net assets of the arrangement, rather than direct rights to underlying assets and obligations for underlying liabilities.

Interests in the joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group’s share of profit or loss and other comprehensive income of the joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising for intra-group transactions, are eliminated. Unrealised gains arising for transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in those entities. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

b) Business combinations

For every business combination, the Group identifies the acquirer, which is the combining entity that obtains control of the other combining entities or businesses. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The acquisition date is the date on which control is transferred to the acquirer. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

Measuring goodwill

The Group measures goodwill as the fair value of the consideration transferred including the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date.

Consideration transferred includes the fair values of the assets transferred, liabilities incurred by the Group to the previous owners of the acquiree, and equity interests issued by the Group. Consideration transferred also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

If a business combination results in the termination of pre-existing relationships between the Group and the acquiree, then the lower of the termination amount, as contained in the agreement, and the value of the off-market element is deducted from the consideration transferred and recognised in other expenses.

Share-based payment awards

When share-based payment awards are exchanged (replacement awards) for awards held by the acquiree's employees (acquiree's awards) relate to past services, then a part of the market-based measure of the awards replaced is included in the consideration transferred.

If they require future services, then the difference between the amount included in consideration transferred and the market-based measure of the replacement awards is treated as post-combination compensation cost.

Contingent liabilities

A contingent liability of the acquiree is assumed in a business combination only if such a liability represents a present obligation and arises from a past event, and its fair value can be measured reliably.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Transaction costs

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, are expensed as incurred.

c) Foreign Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial report is presented in Australian dollars, which is Barminco Holdings Pty Limited's functional and presentation currency and also the functional currency of the majority of the Group.

(i) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss, except when they are recognised in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in the profit or loss as part of the fair value gain or loss. Translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income (OCI).

(ii) Foreign operations

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

d) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances and rebates.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved.

(i) Rendering of services

Sales of contracting and consulting services are recognised in the accounting year in which the services are rendered.

(ii) Sale of goods

Revenue on sale of goods is recognised once risks of ownership have been transferred to the buyer.

e) Income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the annual financial report. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and they relate to income taxes levied by the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Barminco Holdings Pty Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Barminco Holdings Pty Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

f) Cash and cash equivalents

For the purposes of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known accounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment (note 3(k)). Trade receivables are generally due for settlement within 15 to 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of the impairment loss is recognised in the profit or loss in other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent year, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the profit or loss.

Accrued revenue represents the unbilled amount at period end in respect of mining services provided.

h) Property, plant and equipment

All items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant of dismantling the items and an appropriate proportion of production overheads. All other repairs and maintenance are charged to the profit and loss during the reporting year in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line or the usage method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment (including finance leased items)	1 – 10 years
Motor vehicles	2 – 8 years
Buildings	2 – 25 years
Furniture and fittings	2 – 15 years

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 3(k)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

i) Inventories

Stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Costs of purchased inventory are determined after deducting rebates and discounts. The cost of work in progress comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on a weighted average cost basis.

Barminco inventory is categorised into a number of groupings across consumables and equipment spares.

Management carries out a detailed review of inventory in these groups to determine the level of obsolescence required based on usage, recoverable amounts, and alignment to current equipment fleet.

Net realisable value is the estimated ordinary selling price less the costs necessary to make the sale.

j) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill on acquisition of a subsidiary is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested annually for impairment (note 3(k)), or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Customer contracts and customer relationships

Customer contracts and customer relationship intangibles arising from a business combination are recorded at fair value at the date of acquisition (separate from goodwill), being the present value of identified contracted net cash flow streams and estimated net cash flow streams on estimated contract renewals, respectively, and are amortised based on their expected pattern of consumption of the expected future economic benefits embodied in the contracts and relationships. Accumulated impairment losses are deducted from the cost of the customer contracts and relationships.

The estimated useful life of customer relationships is 2 – 13 years.

(iii) Capitalised Software

Capitalised Software, including internally developed software, is measured on initial recognition at cost. Following initial recognition, capitalised software is carried at cost less any accumulated amortisation and accumulated impairment losses. All costs incurred during the preliminary stage of a software project and post implementation costs are expensed to profit and loss as incurred. Amortisation of capitalised software begins when implementation is complete and the software is available for use. It is amortised over the period of expected future benefit, and is recorded in profit and loss. Amortisation of software is calculated using the straight-line method over estimated useful lives which is between 5- 6 years.

k) Impairment of non-financial assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

For goodwill, the recoverable amount is estimated annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

(i) Calculation of recoverable amount

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). The goodwill acquired in a business combination, for the purposes of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

l) Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property, or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in current and non-current lease liabilities.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to the profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 22). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

For an arrangement that is not in the legal form of a lease, the Group performs an assessment under IFRC 4 to conclude if the arrangement is, or contains, a lease of equipment.

Financial liabilities are derecognised when the contractual obligations are discharged or cancelled, or expired.

m) Investments and other financial assets

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables (note 10) or other non-current assets in the statement of financial position.

(iii) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date, that is the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs with the exception of financial assets carried at fair value through the profit or loss which are recognised at fair value with transaction costs expensed to the profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iv) Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Financial assets at fair value through profit or loss are subsequently carried at fair value.

(v) Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired (note 3(k)).

n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group documents at the inception of the hedging transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 16.

(i) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss within finance costs.

Amounts accumulated in equity are recognised in the profit or loss in the years when the hedged item affects profit or loss. When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the profit or loss.

When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the profit or loss.

(ii) Fair value hedge

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in profit or loss. The hedged item is adjusted to reflect changes in its fair value in respect of the risk being hedged, the gain or loss attributable to the hedged risk is recognised in profit or loss with an adjustment to the carrying amount of the hedged item.

o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 – 60 days of recognition.

p) Borrowings and financing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the year of the borrowings using the effective interest method.

Transaction costs that are directly related to financing facilities are recognised as an expense on a straight line basis over the commitment period. Transaction costs for facilities are recognised as a prepayment in the statement of financial position.

Preference shares, which are mandatorily redeemable on a specific date, are classified as liabilities. The dividends on these preference shares are recognised in the profit or loss as finance costs. Preference shares, which are not mandatorily redeemable on a specific date, are classified as equity. The dividends on these preference shares are recognised in the Statement of Changes in Equity.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowing costs incurred on the construction of qualifying assets are capitalised during the period of time required to complete and prepare the asset for its sale or use. Other borrowing costs are expensed.

Interest expense is recognised on a time proportion basis using the effective interest method.

q) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the reporting date on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(iii) Share based payment transactions

The Group provided benefits to employees in the form of share based payment transactions, approved by shareholders, whereby employees render services in exchange for shares or rights over shares. The last options expired in 2015. There are currently no share option and performance rights programmes which provide benefits to executives and other employees.

The fair value of awards granted are recognised as an employee benefits expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the year during which the employees become unconditionally entitled to the awards. The fair value of the awards granted is measured using a Black Scholes model, taking into account the terms and conditions upon which the awards were granted. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The amount recognised as an expense is adjusted to reflect the actual number of share awards that vest except where forfeiture is only due to total shareholder returns or market prices not achieving the threshold for vesting.

(iv) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

(v) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

s) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Redeemable preference shares with no mandatory redeemable date are classified as equity.

t) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

u) Segment reporting

The Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"), who are collectively the Group's chief operating decision makers.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are regularly reviewed by the Group's CEO and COO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. Financial risk management

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout this annual financial report.

a) Risk management

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Audit and Risk Committee ("ARC") is responsible for the review of the risk management policy which identifies, assesses, monitors, and manages the material risk throughout the Group. The ARC reports regularly to the Board of Directors on its activities.

The Board of Directors oversees how management monitors compliance with the Group's risk management policies and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Board of Directors is assisted in its oversight role by the ARC.

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash and cash equivalents.

(i) Cash and cash equivalents

The cash and cash equivalents of the Group are held with management approved financial institutions. Currently these institutions are Secured Creditors of the Group. Counterparty credit worthiness is assessed on an ongoing basis.

(ii) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk. Approximately 19% (year ended 30 June 2016: 20%) of the Group's revenue is attributable to sales transactions with a single customer. Geographically, the concentration of credit risk is in Australia.

Under the Group's systems and procedures each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The exposure to credit risk is monitored on an ongoing basis. The Group's review includes external ratings, when available.

Credit risk is minimised by entering into credit insurance for customers whose individual exposure is considered to be material to the Group. Currently all customers have been assessed as credit worthy and no credit insurance is in place.

The Group has established a process to review for impairment that represents its estimate of incurred losses in respect of trade and other receivables. No impairment charges were recognised for the year (year ended 30 June 2016: Nil).

(iii) Guarantees

The Group's policy is to provide financial guarantees only to or for subsidiaries. Refer to note 31.

(iv) Derivatives

The derivatives are entered into with management approved bank and financial institution counterparties.

c) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities, and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has banking facilities that mature as follows:

- High Yield Bonds: $455,499,000 (in 15 May 2022)
- Revolving credit facility: $100,000,000 (in 24 October 2020)

The Group's High Yield Bonds (fully hedged using CCIRS) were issued subject to various covenants. A future breach of covenant may require the Group to repay the bonds earlier than 15 May 2022.

The Group's revolving credit facility is subject to debt covenants. A future breach of covenant may prevent the Group from drawing down against the facility or result in any future drawdowns becoming due before the maturity date of 24 October 2020. The Revolving Credit Facility, finance leases and the cross currency interest rate swap are secured by the Barminco Group Australian assets. Refer to note 17.

d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group enters into derivative contracts to hedge market risk on its variable interest bearing financial liabilities. The Group applies hedge accounting to manage volatility in profit and loss.

(i) Currency risk

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currencies of the Group, primarily of the Australian dollar (AUD). Other currencies in which these transactions primarily are denominated are United States Dollar (USD), Egyptian Pound (EGP) and Indian Rupee (INR).

The Group is exposed to foreign currency risk on plant and equipment purchases that are denominated in a currency other than the AUD. The currency giving rise to this risk is primarily USD.

In respect of other monetary assets and liabilities held in currencies other than the AUD, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

In April 2017 the Group issued High Yield Bonds in United States Dollars for US$350 million to pay down the outstanding High Yield Bonds maturing in 2018. The face value of these outstanding notes as at 30 June 2017 is US$350 million (note 17). The currency risk attached to the bonds is being hedged 100% by a cross currency interest rate swap which has fixed principal and a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar (note 16). The swap is being accounted for as a cash flow and fair value hedge and is 100% effective in eliminating currency risk with respect to the High Yield Bonds.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

To manage this risk, the Group enters into cross currency interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. At 30 June 2017, after taking into account the effect of interest rate swaps, approximately 70% of the Group's borrowings are at a fixed rate of interest (2016: 100%).

e) Capital management

The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 17, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, and accumulated losses as disclosed in note 20. The Group operates globally, primarily through subsidiary companies established in the markets in which the Group trades. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements except for gearing covenants.

The Board of Directors seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

The Board of Directors monitors the capital structure periodically. As a part of this process the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board the Group will balance its overall capital structure through new share issues and the issue of new debt.

(i) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2017 $'000	2016 $'000

5. Revenue

	2017 $'000	2016 $'000
Services	596,168	505,348
Sale of goods	5,517	2,584
	601,685	**507,932**

6. Expenses

a) Employee benefits expenses

	2017 $'000	2016 $'000
Wages and salaries	(216,622)	(185,659)
Compulsory superannuation payments	(16,693)	(15,274)
(Increase)/decrease in employee leave entitlements	(2,648)	3,668
	(235,963)	**(197,265)**

b) Other expenses

	2017 $'000	2016 $'000
Operating lease expense	(9,182)	(7,652)
Freight	(8,229)	(7,157)
Travel	(5,503)	(3,568)
Onerous provision expense	(3,720)	-
Custom import duty and sales tax	(3,447)	(153)
Other	(10,780)	(2,624)
	(40,861)	**(21,154)**

	2017 $'000	2016 $'000
c) Financing costs		
Interest payable on redeemable preference shares and shareholder loan notes	-	(50,396)
Amortisation of borrowing costs	(6,283)	(6,135)
Interest and finance charges paid/payable on borrowings	(44,391)	(55,320)
Interest paid/payable on finance leases	(1,507)	(358)
Loss on repurchase of High Yield Bonds	(327)	-
Redemption premium on 2018 High Yield Bonds *	(31,300)	-
Cash flow hedge settlement	(11,342)	-
Other interest paid/payable	(921)	(1,615)
	(96,071)	**(113,824)**

* The redemption premium represents the expense incurred as a result of redeeming the 2018 High Yield Bonds before the maturity date.

d) Financing income

Gain on purchase of High Yield Bonds	-	13,285
Interest income	709	2,499
	709	**15,784**

7. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Audit services		
KPMG Australia		
Audit of financial report	175,000	180,000
Half year review of financial report in connection with the High Yield Bond refinancing	300,000	-
Overseas KPMG firms		
Audit services	72,666	70,317
	547,666	**250,317**
Other services		
KPMG Australia		
Assurance and other services (including services in connection with the High Yield Bond refinancing)	357,000	144,672
Overseas KPMG firms		
Assurance, tax compliance and other services (including services in connection with the High Yield Bond refinancing)	76,540	26,018
	433,540	**170,690**

8. Income tax

a) Income tax benefit/(expense)

(i) Tax recognised in profit and loss

Current income tax		
Current year	(1,510)	-
Adjustments in respect of current income tax of previous years	-	(645)
	(1,510)	**(645)**
Deferred income tax		
Benefit from previously unrecognised deferred tax assets	-	32,096
Adjustment in respect of current income tax of previous years	(939)	-
Origination and reversal of temporary differences previously recognised	(30,683)	(2,635)
Benefit from previously unrecognised tax losses	-	38,872
Benefit from current year tax loss recognised	934	8,931
	(30,688)	**77,264**
Total tax recognised in profit and loss	**(32,198)**	**76,619**

(ii) Tax recognised directly in equity

Income tax of $3,023,390 was charged directly to equity for the year ending 30 June 2017 (year ended 30 June 2016: $2,752,000).

(iii) Tax recognised in other comprehensive income

No net income tax amounts were recognised in other comprehensive income for the year ending 30 June 2017 (year ended 30 June 2016: $ Nil).

b) Numerical reconciliation of income tax expense to prima facie tax payable

	2017 $'000	2016 $'000
Loss for the year before income tax	(61,573)	(34,162)
Tax benefit at the Australian tax rate of 30%	18,472	10,248
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses (1)	(1,950)	(8,390)
Taxable gain on swap close out	-	(1,270)
Effect of tax rates in foreign jurisdictions	3,968	3,532
Effect of share of profits of equity accounted investees	4,319	2,995
Recognition of previously unrecognised deferred tax assets	-	31,307
Temporary difference not recognised current year	(1,287)	-
Changes in temporary differences	2,059	-
Tax losses not recognised in the current year	(56,794)	-
Recognition of previously unrecognised tax losses	-	38,872
Foreign tax credits not recoverable	(46)	(30)
Adjustments in respect of current income tax of previous years	(939)	(645)
	(32,198)	**76,619**

(1) *Primarily tax effect of thin capitalisation adjustment of $7,388,000 in 2016, $Nil in 2017.*

c) Unrecognised deferred tax assets

	2017 $'000	2016 $'000
Deferred tax assets have not been recognised in respect on the following items:		
Tax losses (gross)	188,270	-
Other deferred tax assets (gross)	3,720	-
Total unrecognised deferred tax assets (gross)	**191,990**	**-**

A Deferred Tax Benefit will only be obtained if:

(i) 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;

(ii) the relevant company in the Group continues to comply with the conditions for deductibility imposed by tax legislation; and

(iii) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

The tax losses and the deductible temporary differences do not expire under the current tax legislation in Australia. At 30 June 2017 the Group has $345,890,000 (2016: $159,343,000) tax losses and $5,219,000 (2016: $91,580,000) deductible temporary differences that are available for offset against future taxable profits of which $159,119,000 have been recorded at year end. As disclosed in note 17 (a), the Group redeemed US$299,733,000 of the 2018 High Yield Bonds during the financial year. As a result of this transaction, $108,923,000 deductible temporary differences at 30 June 2016 were realised and together with the refinancing costs resulted in an increase in tax losses of $152,961,000 in the financial year ended 30 June 2017.

Deferred tax assets for unused tax losses of $157,620,000 (30 June 2016: $159,343,000) and deductible temporary differences of $1,499,000 (30 June 2016: $91,580,000), have been recognised because it is probable that future taxable profit will be available against which the Group can utilise the benefits therefrom. Management revised its estimates, resulting in the partial recognition of its deferred tax assets in the current year. The recovery of deferred tax assets requires the use of assumptions around maintaining existing contracts, award of new contracts and continuing to meet forecasted cash flows. Changes in these assumptions could impact on the amount and probability of estimated taxable profits and accordingly the recoverability of deferred tax assets.

In accordance with the Group's accounting policies for deferred taxes, a deferred tax asset is recognised for unused tax losses only if it is probable that future taxable profits will be available to utilise those losses. The Group has not recorded $188,270,000 of carry forward tax losses and $3,720,000 of deductible temporary differences that equate to unrecognised deferred tax assets at 30 June 2017 of $56,794,000 (2016: Nil) and $1,287,000 (2016: Nil) respectively. 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.

d) Recognised deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**	**2017 $'000**	**2016 $'000**
Trade and other receivables	-	-	30	28	30	28
Inventories	-	-	1,025	992	1,025	992
Property, plant and equipment	(370)	(476)	9,140	8,736	8,770	8,260
Derivative financial instruments	(7,122)	(1,626)	-	-	(7,122)	(1,626)
Trade and other payables	(1,038)	(585)	-	-	(1,038)	(585)
Employee benefits	(8,654)	(7,896)	-	-	(8,654)	(7,896)
Provisions	(152)	(77)	-	-	(152)	(77)
Borrowings	-	(31,051)	6,822	2,752	6,822	(28,299)
Other items	(141)	-	134	1,729	(7)	1,729
Tax losses carried forward	(47,286)	(47,803)	-	-	(47,286)	(47,803)
Tax (assets)/ liabilities	(64,763)	(89,514)	17,151	14,237	(47,612)	(75,277)
Set off of liabilities	17,151	14,237	(17,151)	(14,237)	-	-
Net tax (assets)/liabilities	**(47,612)**	**(75,277)**	**-**	**-**	**(47,612)**	**(75,277)**

The above recognised deferred tax asset and deferred tax liabilities are payable/refundable from different tax authorities and have been disclosed in the consolidated statement of financial position separately as follows:

e) Movement in temporary differences during the year

	Balance 1 July 2015 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2016 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2017 $'000
Trade and other receivables	66	(38)	-	28	3	-	31
Inventories	1,025	(33)	-	992	32	-	1,024
Property, plant and equipment	7,504	756	-	8,260	509	-	8,769
Accrued interest on derivative financial instruments	(159)	159	-	-	-	-	-
Derivative financial instruments	-	-	(1,626)	(1,626)	1,638	(7,135)	(7,123)
Trade and other payables	(486)	(99)	-	(585)	(453)	-	(1,038)
Employee benefits	(9,142)	1,246	-	(7,896)	(758)	-	(8,654)
Provisions	(33)	(44)	-	(77)	(75)	-	(152)
Borrowings	(34,814)	-	6,515	(28,299)	31,010	4,112	6,823
Other items	2,866	353	(1,490)	1,729	(1,735)	-	(6)
Tax loss carry forwards	-	(47,803)	-	(47,803)	517	-	(47,286)
DTA not recognised/(recognised)	32,408	(31,761)	(647)	-	-	-	-
	(765)	**(77,264)**	**2,752**	**(75,277)**	**30,688**	**(3,023)**	**(47,612)**

9. Earnings per share

	2017 $'000	2016 $'000

Basic earnings per share

The calculation of basic earnings/(loss) per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $93,771,000 (Profit 2016: $42,457,000) and a weighted average number of ordinary shares outstanding of 5,000,000 (2016: 4,998,452) calculated as follows:

	2017	2016
(i) Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) attributable to ordinary shareholders	(93,771)	42,457
(ii) Weighted average number of ordinary shares		
Issue ordinary shares at 1 July	5,000,000	4,991,029
Effect of ordinary shares issued 19 Oct 15	-	7,423
Weighted average number of ordinary shares	**5,000,000**	**4,998,452**
	$	**$**
Basic earnings/(loss) per share	**(18.8)**	**8.5**

Diluted earnings per share

There were no dilutive instruments outstanding during the year.

10. Trade and other receivables

	2017	2016
Trade receivables	20,151	8,975
Accrued revenue	57,155	38,153
Related party receivables	635	579
Other receivables	1,111	762
	79,052	**48,469**

Refer to note 21 b) for information on the aging of the Group's trade receivables.

11. Inventories

Inventory balances at end of year

	2017	2016
Stores	18,785	19,696

a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year were $191,000 (2016: $158,000). In 2017, inventories (excluding consignment stock) of $78,486,000 (2016: $73,661,000) were recognised as an expense during the period and included in consumables used.

12. Jointly controlled entities

The Group has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 2017 %	Ownership 2016 %
African Underground Mining Services Ltd (“AUMS”) Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL (“AUMSM”) Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL (“AUMSB”) Joint Venture	Burkina Faso	Mining services	50	50
African Underground Mining Services Tanzania Ltd (“AUMST”) Joint Venture	Tanzania	Mining services	50	50

There are no other investments in equity in any of the above entities. AUMS and AUMST have a 30 June reporting date whilst AUMSM and AUMSB have a 31 December reporting date.

The terms of the shareholder agreement require the Company to meet any shareholder cash calls to AUMS on a 50:50 basis with its joint venture partner.

The investments in AUMS are accounted for using the equity method in accordance with AASB 128.

During 2017 AUMS paid dividends to the company of USD$3,350,000 (A$4,110,000) and AUMSM paid dividends of CFA 7,695,557,375 (A$16,568,000). In 2016 AUMSM paid dividends to the Company in the amount of EUR 5,591,000 (A$8,816,000).

Summarised financial information for AUMS is set out in the following page.

	2017 $'000	2016 $'000
a) Share of net assets/ (liabilities) of jointly controlled entities		
Total current assets	95,250	119,127
Total non-current assets	60,028	47,741
Total assets	**155,278**	**166,868**
Total current liabilities	(32,979)	(25,744)
Total non-current liabilities	(5,264)	(1,326)
Total Liabilities	**(38,243)**	**(27,070)**
Net Assets (100%)	**117,035**	**139,798**
Group's share of net assets (50%)	58,517	69,899
Elimination of unrealised profit on downstream sales	(140)	(382)
Carrying amount of interest in joint venture	**58,377**	**69,517**

b) Share of profits of jointly controlled entities

	2017 $'000	2016 $'000
Revenue	178,710	155,083
Other income	11,414	17,099
Operating and other expenses	(129,612)	(119,607)
Depreciation	(21,920)	(16,127)
Operating profit	**38,591**	**36,448**
Net finance costs	(1,170)	30
Tax	(11,875)	(18,257)
Profit and total comprehensive income (100%)	**25,546**	**18,221**
Profit and total comprehensive income (50%)	**12,773**	**9,111**
Elimination of unrealised profit on downstream sales	241	(386)
Realised gain on dividend income	1,384	1,258
Group's share of profit and total comprehensive income	**14,398**	**9,983**

13. Property, plant and equipment

Reconciliation of the movement in carrying amounts

30 June 2017	Plant and equipment $'000's	Leased plant and equipment $'000's	Land and buildings $'000's	Furniture and fittings $'000's	Total $'000's
Opening net book amount	98,103	14,340	2,830	1,108	116,381
Additions	35,755	52,097	-	178	88,030
Disposals	(3,032)	(15,114)	-	-	(18,146)
Transfers	-	-	-	65	65
Depreciation charge	(45,910)	(15,274)	(280)	(524)	(61,988)
Closing net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**
Cost	334,838	43,467	5,076	3,616	386,997
Accumulated depreciation	(249,922)	(7,418)	(2,526)	(2,789)	(262,655)
Net book amount	**84,916**	**36,049**	**2,550**	**827**	**124,342**
30 June 2016					
Opening net book amount	101,983	8,098	3,059	1,316	114,456
Additions	41,426	10,148	-	365	51,939
Disposals	(1,069)	-	(5)	(13)	(1,087)
Transfers	368	(368)	-	-	-
Depreciation charge	(44,605)	(3,538)	(224)	(560)	(48,927)
Closing net book amount	**98,103**	**14,340**	**2,830**	**1,108**	**116,381**
Cost	336,222	21,664	5,077	3,438	366,401
Accumulated depreciation	(238,119)	(7,324)	(2,247)	(2,330)	(250,020)
Net book amount	**98,103**	**14,340**	**2,830**	**1,108**	**116,381**

a) Assets in the course of construction

The carrying amounts of the assets disclosed above include $6,661,000 (2016: $13,442,000) in expenditure recognised in relation to property, plant and equipment which is in the course of construction.

b) Non-current assets pledged as security

Refer to note 17 for information on non-current assets pledged as security by the Group.

14. Intangibles

a) Reconciliation of the movement in carrying amounts

30 June 2017	Goodwill $'000's	Customer Relationships $'000's	Computer Software $'000's	Total $'000's
Opening net book amount	256,930	1,728	2,132	260,790
Transfers	-	-	(65)	(65)
Amortisation charge	-	(556)	(388)	(944)
Closing net book amount	**256,930**	**1,172**	**1,679**	**259,781**
Cost	256,930	76,400	2,286	335,616
Accumulated amortisation	-	(75,228)	(607)	(75,835)
Net book amount	**256,930**	**1,172**	**1,679**	**259,781**
30 June 2016				
Opening net book amount	256,930	2,305	-	259,235
Additions	-	-	2,285	2,285
Amortisation charge	-	(577)	(153)	(730)
Closing net book amount	**256,930**	**1,728**	**2,132**	**260,790**
Cost	256,930	76,400	2,285	335,615
Accumulated amortisation and impairment	-	(74,672)	(153)	(74,825)
Net book amount	**256,930**	**1,728**	**2,132**	**260,790**

b) Impairment assessment – customer relationships

Each year the Group reviews the recoverable amount of intangible assets represented by customer relationships by assessing whether the originally assessed future economic benefits continue to exist based on estimated contracts renewals and cash flows. This resulted in no impairment of customer relationships during the current year (2016: $Nil).

c) Impairment testing for the cash-generating unit containing goodwill

The following unit has significant carrying amount of goodwill:

	2017 $'000	2016 $'000
Barminco Australia, Egypt and India	**256,930**	**256,930**

Goodwill is reviewed at each reporting year end for impairment and an impairment test is performed annually. A goodwill impairment test and a review of the impairment indicators was last conducted at 30 June 2017 with no impairment noted.

At 30 June 2017 the recoverable amount of the Barminco Holdings cash-generating unit was based on fair value less costs of disposal, estimated using discounted cash flows and the resulting value exceeded the carrying amount of the unit including goodwill. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation technique used (Note 2 e)).

The calculations used cash flow projections based on the budget forecast for the 2018 to 2022 financial years. Financial years from 2018 to 2022 (2016: 2017 to 2021) incorporate an estimated annual EBITDA growth rate of 18% to 20% (2016: 21% to 24%). The 2018 budget forecast was determined as a result of a comprehensive exercise where the operational divisions evaluate each individual contract and project and update the forecast on which the revenues and costs are based. Additionally, a terminal value was calculated after 5 years incorporating a perpetual growth rate of 2.0% (2016: 2%).

Weighted average cost of capital post-tax discount rates in the range of 9.4% and 10.5% (2016: 9.8% and 10.9%) were used in discounting projected cash flows. The present value of cash flows is sensitive to the growth and discount rates used. A higher discount rate or lower EBITDA growth rate will result in a lower fair value.

15. Trade and other payables

	30-Jun-17 $'000's	30-Jun-16 $'000's
Trade payables	41,092	29,056
Other creditors and accruals	37,760	28,171
	78,851	**57,227**

16. Derivative financial instruments

Non-current liability		
Cross currency interest rate swap contract cash flow hedge	23,741	5,419

The Group entered into cross currency interest rate swaps in April 2017 for a notional principal of US$350,000,000 maturing on 15 May 2022. The Group entered into four separate cross currency interest rate swaps with two different financial institutions to fully hedge the debt using CCIRS. The cross currency interest rate swaps are a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar. The cross currency interest rate swaps relating to the redeemed bonds were terminated in April 2017 with the cumulated loss being recognised in the profit and loss.

17. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30-Jun-17 Current $'000's	30-Jun-17 Non-current $'000's	30-Jun-16 Current $'000's	30-Jun-16 Non-current $'000's
High Yield Bond 2022	(a)	USD	6.63%	2022	-	455,499	-	-
High Yield Bond 2018	(a)	USD	9.00%	2018	-	-	-	411,493
Shareholder loans	(c)	AUD	0%	2026	-	10,000	-	10,000
Finance lease liabilities	(b)	AUD	5.91%	2018 - 2020	14,238	20,339	5,144	6,072
					14,238	**485,838**	**5,144**	**427,565**
Capitalised borrowings costs - High Yield Bonds		AUD			(2,424)	(9,795)	(2,552)	(2,346)
Total interest bearing liabilities					**11,814**	**476,043**	**2,592**	**425,219**

(a) High Yield Bonds

The 2022 High Yield Bonds relate to the new senior notes issued on 26 April 2017 for the total issue price of US$350,000,000 and due for repayment 15 May 2022. Prior to the refinancing in April 2017, the Group repurchased US$6,500,000 face value (2016: US$79,810,000) of the previously issued notes. The remaining 2018 notes on issue of US$299,733,000 were subsequently redeemed using the proceeds from the new funding. The 2022 notes were issued by Barminco Finance Pty Ltd are secured and have been guaranteed by Barminco Holdings Pty Limited, Barminco Finance Pty Limited, Barminco Limited, Barminco AUMS Holdings Pty Limited, Barminco India Investments Pty Limited and Barminco India Holdings Pty Limited. Under the terms of the notes issued, interest is payable on 15 May and 15 November. 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

In June 2016, the Shareholder Loan Note Deed Poll was amended and annual interest of 14% 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 ($19.2 million) and the discounted value ($10 million) was transferred to an Interest Free Loan Reserve (Note 20). 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. Refer to note 26b(i) for further details.

(d) Assets pledged as security

	2017 $'000	2016 $'000
Current		
Fixed and floating charge		
Cash and cash equivalents	66,534	58,417
Trade and other receivables	75,907	48,528
Inventories	12,353	12,474
Other assets	3,700	2,967
Total current assets pledged as security	**158,494**	**122,386**
Non-current		
Fixed and floating charge		
Receivables	3,729	1,918
Property, plant and equipment	77,668	92,988
	81,397	**94,906**
Property plant and equipment under finance leases and chattel mortgages		
Finance leases	36,049	14,340
Total non-current assets pledged as security	**117,446**	**109,246**
Total assets pledged as security	**275,940**	**231,632**

The assets pledged support the Revolving Credit Facility, finance leases and the cross currency interest rate swap of the Barminco Group Australian assets.

18. Employee benefits

Current Liability		
Annual leave	16,032	14,875
Long service leave	10,413	11,320
	26,445	**26,195**
Non-current Liability		
Long service leave	**4,043**	**1,645**

19. Provisions

Onerous contract provision	3,720	-
Other provisions	366	208
	4,086	**208**

Onerous contract provision represents the present value of the unavoidable forecasted future cash outflows in regards to the finalisation of mining services under the Rampura Agucha contract. The onerous contract concluded on 31 August 2017. Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017. Refer to note 27.

Movements in provisions	Onerous contract provision $'000	Other provisions $'000
Balance at the beginning of year	-	208
Additional provisions recognised	3,720	644
Amounts used during the year	-	(486)
	3,720	**366**

20. Capital and reserves

a) Share capital

	2017		2016	
	#'000	**$'000**	**#'000**	**$'000**
Ordinary shares - fully paid	5,000	4,722	5,000	4,722
Redeemable preference shares	122,165	389,940	122,953	391,720
	127,165	**394,662**	**127,953**	**396,442**

At 30 June 2017 all ordinary shares had been fully paid with no ordinary shares partly paid (30 June 2016: Nil).

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. This is subject to the prior entitlements of the redeemable preference shares.

Redeemable preference shares (RPS) were issued on 31 August 2007 at $1 each with an interest rate of 14% compounded annually until 29 June 2016 and unpaid interest was capitalised to the RPS balance. The RPS's are subordinated to the High Yield Bonds. The number and face value of RPS, to which loans to management under the Management Incentive plan related to, were derecognised during the year as a result of classification of the instruments as equity for accounting purposes. Refer to note 25.

	2017 $'000	2016 $'000
b) Hedging reserve		
Balance at the beginning of year	(5,375)	(10,342)
Revaluation	(15,845)	4,620
Reclassified to profit or loss	14,165	347
	(7,055)	**(5,375)**

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in other comprehensive income, as described in note 3 n). Amounts are recognised in the profit or loss when the associated hedged transaction affects profit or loss.

	2017 $'000	2016 $'000
c) Translation reserve		
Balance at the beginning of year	8,592	7,588
Currency translation differences	(3,233)	1,004
	5,359	**8,592**

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the Group.

d) Legal reserve		
Balance at the beginning of year	1,032	387
Legal reserve increase	670	645
	1,702	**1,032**

The Group has an Egyptian subsidiary that is required by Egyptian law to set aside a percentage of its retained earnings as a legal reserve.

e) Interest Free Loan Reserve		
Balance at the beginning of year	6,421	-
Effect of discounting Shareholder Loan Note	-	6,421
	6,421	**6,421**

Interest on the Shareholder Loan Notes ceased to accrue 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 ($19.2 million) and the discounted value ($10.0 million) was transferred to an Interest Free Loan Reserve.

21. Financial instruments

a) Accounting classifications and fair value

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	Carrying amount				Fair value			
30 June 2017	**Fair value hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Financial assets not measured at fair value								
Cash and equivalents	-	77,956	-	77,956	-	-	-	-
Trade and Other Receivables	-	79,052	-	79,052	-	-	-	-
	-	**157,008**	**-**	**157,008**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	-	(23,741)	-	(23,741)	-	(23,741)	-	(23,741)
	-	**(23,741)**	**-**	**(23,741)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(78,851)	(78,851)	-	-	-	-
Finance lease liabilities	-	-	(34,577)	(34,577)	-	(34,771)	-	(34,771)
High Yield Bonds *	-	-	(455,499)	(455,499)	(453,452)	-	-	(453,452)
Shareholder loan notes	-	-	(10,000)	(10,000)	-	-	(10,000)	(10,000)
	-	**-**	**(578,927)**	**(578,927)**				
	-	**133,267**	**(578,927)**	**(445,661)**				

* Carrying amount of High Yield Bonds is excluding capitalised borrowing costs.

30 June 2016	Carrying amount				Fair value			
	Fair value hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value								
Cash and cash equivalents	-	70,647	-	70,647	-	-	-	-
Trade and other receivables	-	50,246	-	50,246	-	-	-	-
	-	**120,893**	**-**	**120,893**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	(5,419)	-	-	(5,419)	-	(5,419)	-	(5,419)
	(5,419)	**-**	**-**	**(5,419)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(57,227)	(57,227)	-	-	-	-
Finance lease liabilities	-	-	(11,216)	(11,216)	-	(11,385)	-	(11,385)
High Yield Bonds	-	-	(411,493)	(411,493)	(368,885)	-	-	(368,885)
Shareholder loans	-	-	(10,000)	(10,000)	-	-	(10,000)	(10,000)
	-	**-**	**(489,936)**	**(489,936)**				
	(5,419)	**120,893**	**(489,936)**	**(374,462)**				

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Cross currency interest rate swaps	*Discounted cash flows*	Not applicable	Not applicable

Financial instruments not measured at fair value

Type	Valuation technique	Significant unobservable inputs
Other financial liabilities	*Discounted cash flows*	Not applicable

(ii) Transfers between level 1 and 2

There were no transfers between level 1 and 2 during the year (2016: Nil).

(iii) Level 3 fair values

Reconciliation of level 3 fair values

The following table shows a reconciliation from the opening balances to the closing balances for level 3 fair values.

	Redeemable preference shares $'000	Shareholder loan notes $'000
Balance at 1 July 2015	(343,617)	(16,817)
Net change in fair value	-	-
Interest included in finance costs	(48,103)	(2,355)
Effect of discounting Shareholder Loan Note	-	9,172
Classified to equity	391,720	-
Balance as at 30 June 2016	**-**	**(10,000)**
Balance at 1 July 2016	-	(10,000)
Net change in fair value	-	-
Interest included in finance costs	-	-
Balance as at 30 June 2017	**-**	**(10,000)**

There were no transfers out of level 3 during the year (2016: Nil).

(iv) Interest rates used for determining fair value

The fair value of cash and cash equivalents, trade and other receivables, trade and other payables, bank loans and interest rate swaps is considered to be equal to carrying amount as carrying amount is considered to be a reasonable approximation of fair value.

The carrying amount of the High Yield Bonds, excluding capitalised borrowing costs (refer to Note 17), recognised at 30 June 2017 was US$350,000,000 (A$455,499,000) (as at 30 June 2016: US$306,233,000, A$411,493,000). Fair value reflects the closing price of the notes as listed on the Singapore stock exchange as at 30 June 2017 and 30 June 2016.

	2017 $'000	2016 $'000

b) Credit risk

(i) Exposure to credit risk (refer also to note 4b)).

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2017 $'000	2016 $'000
Cash and cash equivalents	77,956	70,647
Trade and other receivables	79,052	50,386
	157,008	**121,033**

The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	2017 $'000	2016 $'000
Australia	70,165	44,403
Africa	6,467	5,983
India	2,420	-
	79,052	**50,386**

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2017 $'000	2016 $'000
Mining customers	78,417	48,016
Jointly controlled entity	635	579
Other	-	1,791
	79,052	**50,386**

	2017 $'000	2016 $'000
The aging of the Group's trade receivables which are past due at the reporting date but not impaired was:		
Past due 0-30 days	226	67
Past due 31-60 days	1,108	45
Past due more than 90 days	109	97
	1,443	**209**

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables as all customers have a good credit history with the Group.

(ii) Impairment losses

There were no impairment losses recognised with respect to receivables during the year (2016: Nil).

(iii) Liquidity risk (refer also to note 4c)).

The following are contractual maturities of financial liabilities at reporting date. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2017	**Carrying amount $'000**	**Contractual cash flows $'000**	**12 months or less $'000**	**1-5 years $'000**	**More than 5 years $'000**
Non-derivative financial liabilities					
Trade and other payables	78,852	(78,852)	(78,852)	-	-
Finance lease liabilities	34,578	(37,151)	(15,894)	(21,257)	-
High Yield Bonds	455,499	(606,200)	(30,168)	(576,032)	-
Shareholder loan notes	10,000	(19,172)	-	-	(19,172)
	578,929	**(741,375)**	**(124,914)**	**(597,289)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	606,200	30,168	576,032	-
- Outflows	-	(648,274)	(36,202)	(612,072)	-
Cross currency interest rate swaps used for hedging	**-**	**(42,074)**	**(6,034)**	**(36,040)**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

The following are contractual maturities of financial liabilities. The amounts are gross and undiscounted and include estimated interest payments:

30 June 2016	**Carrying amount**	**Contractual cash flows**	**12 months or less**	**1-5 years**	**More than 5 years**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivative financial liabilities					
Trade and other payables	57,227	(57,227)	(57,227)	-	-
Finance lease liabilities	11,216	(12,120)	(5,681)	(6,439)	-
High Yield Bonds	411,493	(485,664)	(37,034)	(448,630)	-
Shareholder loan notes	10,000	(19,172)	-	-	(19,172)
	489,936	**(574,183)**	**(99,942)**	**(455,069)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	485,664	37,034	448,630	-
- Outflows	-	(503,747)	(45,008)	(458,739)	-
Cross currency interest rate swaps used for hedging	**-**	**(18,083)**	**(7,974)**	**(10,109)**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

c) Currency risk

(i) Exposure to currency risk

The Group's exposure to foreign currency risk was as follows based on notional amounts:

	2017	
	USD*	**EGP***
	$'000	**$'000**
Cash and cash equivalents	25	31
Trade and other receivables	-	93
Derivative financial instruments	(23,741)	-
Gross statement of financial position exposure	**(23,716)**	**124**

The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account.

	2016	
	USD*	EGP*
	$'000	$'000
Cash and cash equivalents	248	111
Trade and other receivables	177	(28)
Derivative financial instruments	(5,419)	-
Gross statement of financial position exposure	**(4,994)**	**83**

*Australian dollar equivalent of USD / EGP

The following significant exchange rates applied during the year:

	2017	2016
	USD	USD
Reporting date spot rate	0.7686	0.7442
Average rate	0.7555	0.7273

(ii) Sensitivity analysis

The Group is subject to the impact of changes in foreign currency exchange rates due to exposures to USD and EGP. A strengthening of each of the following currencies against AUD at 30 June would have increased/ (decreased) profit and loss by the amounts shown below. The USD denominated debt is fully hedged and currency fluctuations have no impact to the profit and loss account. The analysis is based on foreign currency exchange rate variances of 10% against all other currencies, and reflects a variation that the Group considered to be reasonably possible at the end of the reporting years. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for each reporting year, albeit that reasonably possible exchange rate variances were different, as indicated below.

	2017		2016	
	Strengthening	Weakening	Strengthening	Weakening
	$'000	$'000	$'000	$'000
United States Dollar (USD)	(2,372)	2,372	(499)	499
Egyptian Pound (EGP)	12	(12)	8	(8)

d) Interest rate risk

The Group entered into four different cross currency interest rate swaps. The cross currency interest rate swaps (hedging instrument) are accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps are designated to hedge the exposure to variability in foreign exchange rates and exposure to liquidity risk through the benchmark interest rate.

(i) Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was:

	2017 $'000	2016 $'000
Fixed rate instruments		
Financial liabilities	**(523,921)**	**(438,127)**
Variable rate instruments		
Financial assets	**65,359**	**57,897**

(ii) Fair value sensitivity analysis for fixed rate instruments

The fixed-to-floating cross currency interest rate swaps (hedging instrument) are accounted for as fair value hedges. Therefore, a change in interest rates at the reporting date affects profit or loss. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

The Group accounts for a portion of its fixed rate financial liabilities at fair value through profit or loss, as the Group designates derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect profit or loss and not equity on these instruments.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase $'000	100 bp Decrease $'000	100 bp Increase $'000	100 bp Decrease $'000
30 June 2017				
Fixed rate instruments	(5,406)	5,406	-	-
Cross currency interest rate swap *	5,406	(5,406)	-	-
	-	**-**	**-**	**-**
30 June 2016				
Fixed rate instruments	-	-	-	-
Interest rate swap	-	-	-	-
	-	**-**	**-**	**-**

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barminco. Independently calculated, the fixed to floating AUD leg of the swaps are valued at A$943,919 (2016: Nil) and USD leg A$6,349,984 (2016: A$Nil).

Detailed below is the profit and loss impact of fair value hedges during the year.

	Profit or loss	
	30 June 2017	30 June 2016
	$'000	$'000
Fixed to floating cross currency interest rate swap		
- Swap	(104)	-
- Hedged item (debt)	137	-
Net profit and loss impact before tax	**33**	**-**

(iii) Cash flow sensitivity analysis for variable rate instruments

The fixed to fixed cross currency interest rate swaps (hedging instrument) are accounted for as cash flow hedges. Therefore, a change in interest rates at the reporting date affects equity. The interest rate swaps are designated to hedge the exposure to liquidity risk through the benchmark interest rate.

A change of 100 basis points ("bp") in interest rates at the reporting date would have increased / (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2016.

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	$'000	$'000	$'000	$'000
30 June 2017				
Variable rate instruments	654	(654)	-	-
Cross currency interest rate swap *	-	-	566	(566)
	654	**(654)**	**566**	**(566)**
30 June 2016				
Variable rate instruments	579	(579)	-	-
Interest rate swap	-	-	52	(52)
	579	**(579)**	**521**	**(521)**

* The cross currency interest rate swap has AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will result in a fair value cost to Barminco. Independently calculated, the fixed to fixed AUD leg of the swaps are valued at A$15,382,910 (2016: A$8,166,156) and USD leg A$14,816,629 (2016: A$8,114,090).

Master netting or similar agreements

The group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other.

The following table set out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross and net amounts of financial instruments in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
30 June 2017			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(23,741)	-	(23,741)
	(23,741)	**-**	**(23,741)**
30 June 2016			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(5,419)	-	(5,419)
	(5,419)	**-**	**(5,419)**

22. Commitments

Operating leases

	2017 $'000	2016 $'000
Non-cancellable operating lease rentals are payable as follows:		
Within one year	3,291	3,453
Later than one year but not later than five years	12,531	14,698
Later than five years	3,372	7,154
	19,194	**25,305**

During the year an amount of $9,182,000 was recognised as an other expense (refer to note 6 c)) in profit or loss in respect of operating leases (2016: $7,652,000).

The Group leases various offices, warehouses and items of IT equipment under non-cancellable operating leases expiring within two to fifteen years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

Finance leases

		2017 $'000	2016 $'000
Commitments in relation to finance leases are payable as follows:			
Within one year		15,894	5,681
Later than one year but not later than five years		21,256	6,439
Minimum lease payments		**37,150**	**12,120**
Future finance charges		(2,573)	(904)
Recognised as a liability		**34,577**	**11,216**
Representing lease liabilities			
Current	17	14,238	5,144
Non-current	17	20,339	6,072
		34,577	**11,216**

Representing lease liabilities

The Group leases various plant and equipment with a carrying amount at 30 June 2017 of $36,049,000 (2016: $14,340,000) under finance leases expiring within one to five years. Finance leases, net of future finance charges are recognised as a liability in the consolidated statement of financial position.

Capital commitments

	2017 $'000	2016 $'000
Capital commitments are as follows:		
Within one year	38,813	53,888
Later than one year but not later than five years	-	-
	38,813	**53,888**

23. Segment reporting

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

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.

	2017		2016	
	Revenue/ Other income $'000	Non-current assets $'000	Revenue/ Other income $'000	Non-current assets $'000
Australia	525,980	422,599	444,825	450,341
Egypt	72,118	10,433	64,229	4,025
India	5,221	649	-	-
Africa- AUMS Joint Venture	-	58,377	-	69,517
	603,319	**492,058**	**509,054**	**523,883**

Major customers

Revenues from the Group's major customers for the year ending 30 June 2017 represented A$583 million (2016: A$412 million) of the Group's total revenues.

	2017 Revenue $'000
Highest customer	113,054
2nd Highest	102,318
3rd Highest	97,188
4th Highest	72,117
5th Highest	70,966
6th Highest	65,634
7th Highest	62,177
	583,454

	2016 Revenue $'000
Highest customer	103,485
2nd Highest	94,346
3rd Highest	75,989
4th Highest	73,908
5th Highest	64,275
	412,003

24. Notes to the consolidated statement of cash flows

	2017 $'000	2016 $'000
Reconciliation of cash flows from operating activities		
Profit/(loss) for the year after tax	(93,771)	42,457
Adjustments for:		
Depreciation of property, plant and equipment	61,988	48,927
Amortisation of intangibles	944	730
Gain on disposal of property, plant and equipment	(1,634)	(1,124)
Redemption premium on 2018 High Yield Bonds	31,300	-
Amortisation of cash flow hedge reserve to profit or loss	2,827	-
Gain on repurchase of High Yield Bonds	327	(13,285)
Accrued interest on redeemable preference shares	-	48,042
Accrued interest on shareholder loan notes	-	2,354
Accrued interest bank	1,185	(615)
Fair value adjustment to derivatives	33	4,620
Non-cash employee benefit	68	77
Share of profit from equity accounted investments	(14,398)	(9,983)
Amortisation of borrowing costs	6,283	6,135
Net unrealised foreign exchange (gain)/loss	111	(6)
Income tax expense/(benefit)	32,198	(76,619)
Cash flow hedge settlement	11,342	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(30,583)	9,007
(Increase)/decrease in other assets	(927)	1,205
(Increase)/decrease in inventory	911	6,010
(Decrease)/increase in trade and other payables	21,627	4,196
(Decrease)/increase in current tax liability	-	(645)
(Decrease)/increase in employee benefits and other provisions	6,527	(3,489)
Net cash from operating activities	**36,359**	**67,994**

a) Non-cash financing and investing activities

The Group has acquired property, plant and equipment of $52,097,000 using finance leases during the year (2016: $10,148,000), including $24,585,000 of assets related to Kundana contract awarded to the Group on 1 July 2016 and concluded on 30 June 2017. Included in the assets acquired using finance leases related to the Kundana contract is $17,932,000 acquired under the terms of the underground mining services project from East Kundana Joint Venture (EKJV), the operator of the Kundana contract. These assets were subsequently disposed to EKJV for $13,098,000.

25. Share-based payments

Management incentive plan

In August 2014 the Company introduced the Barminco Holdings Management Incentive Plan which provides key management with an opportunity to purchase ordinary shares and redeemable preference shares. The plan also provides for interest bearing and non-interest bearing loans to purchase the shares.

A summary of the main aspects of the plan are as follows:

- The Board may determine the key management (and/ or their Nominees) who are eligible to participate in the Plan and make an invitation to participate in the Plan.
- An invitation to apply for Plan Shares or Plan Interests may be made on such terms and conditions as the Board decides from time to time.
- Interest bearing loans of $570,000 have been provided with a fixed interest rate granted at market rates and interest payments due quarterly, with principle repayments due in October 2022.
- Interest free loans of $1,210,000 have been provided and currently have a maximum term of 9 years from the date of agreement. These loans may be net settled against proceeds from disposal of equity interests.

The number and face value of RPS, to which loans to management under the Management Incentive plan related to, were derecognised during the year as a result of classification of the instruments as equity for accounting purposes.

26. Related parties

	2017 $	2016 $
a) Key management personnel compensation		
Key management personnel compensation comprised:		
Short term employee benefits	2,465,309	2,870,660
Post employment benefits	105,395	120,936
	2,570,704	**2,991,596**

Key management personnel include the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Directors.

b) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

(i) Mr P M Bartlett - Director of Barminco Holdings

Shareholding

Bremerton Pty Ltd (an entity controlled by Mr Bartlett), in its capacity as trustee of the PM Bartlett Family Trust is the holder of 1,499,500 ordinary shares representing 30% of the ordinary shares on issue as at 30 June 2017 and 30 June 2016, and 35,854,834 (2016: 35,854,834) redeemable preference shares at $1 each, representing 29% of the redeemable preference shares on issue as at 30 June 2017 and 30 June 2016. Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30

June 2017 is $78,428,234 (2016: $78,428,234). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Loan notes

A loan note with a face value of $6,015,000 was issued to Bremerton Pty Ltd on 31 August 2007 with an expiry date of 31 July 2017, which was extended to 31 January 2019 in 2013 by mutual consent. In June 2016, the Shareholder Loan Note Deed Poll was amended which had the effect of the expiry date changed to 1 May 2026 and interest ceased to accrue from 29 June 2016. The loan is subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap. The accumulated interest as at 30 June 2017 is $13,156,908 (2016: $13,156,908). As interest has ceased to accrue on the loan, the carrying value of the loan was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan ($19,172,000) and the discounted value ($10,000,000) was transferred to an Interest Free Loan Reserve (see Note 20 e)).

Provision of electrical services – Hahn Electrical Contracting Pty Ltd

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barminco 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. Each contract with Hahn either contains price management mechanisms or has a limited term (generally one year) at the end of which Barminco can review Hahn's pricing against that of other suppliers. Settlement of payables to Hahn is in line with similar third party creditors.

Costs incurred during the year: $15,786,939 (2016: $9,906,659).

Consulting fee

A consultancy agreement between Peter Bartlett and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $333,333 per annum (exclusive of GST) is payable for the provision of management advice. Costs incurred during the year: $333,333 (2016: $333,333).

Director fees and business expenses

Director fees were payable to Peter Bartlett during the year (exclusive of GST) and he is reimbursed for all business related expenses. The directors fee was waived from January 2015 to December 2015.

Costs incurred during the year: $95,836 (2016: $45,000).

Leased property – 390 Stirling Crescent Hazelmere, Western Australia

The Group has entered into a contract, negotiated at arm's length, with Peter Bartlett for the lease of the property located at 390 Stirling Crescent Hazelmere, Western Australia.

The terms and conditions of the lease are as follows:

- Commencement date: 29 July 2008
- Annual rent: $1,650,000 (before rent review increases)
- Expiry date: 28 July 2023
- Options: two five year options for Barminco to extend the lease to 29 July 2033
- Annual fixed rent review (annual increase of 5%)

Costs incurred during the year: $2,217,141 (2016: $2,330,531). In January 2016 and January 2017, the annual rent increase of 5% was foregone.

Mining services contract

The Group provided mining services to Gordon Sirdar, a mine controlled by Peter Bartlett. Revenues for the year to 30 June 2017 were $3,031,090 (2016: $2,742,645). At 30 June 2017, $32,000 was owed by Gordon Sirdar to the Group (2016: $0). The mining services contract was terminated during the period.

(ii) Mr K Gordon – Chairman and Independent Non-executive Director of Barminco Holdings

Provision of consulting services – Red Emu Advisory

Red Emu Advisory provided Barminco with organisational consulting services during the period. Keith Gordon is a director of Red Emu Advisory.

Cost incurred during the year: $20,800 (2016: $54,200).

(iii) Existing Gresham Investors

Shareholding

The Existing Gresham Investors hold 3,000,500 ordinary shares representing 60% of the ordinary shares on issue as at 30 June 2017 and 2016 and 83,701,025 (2016: 83,701,025) redeemable preference shares at $1, representing 68% of the redeemable preference shares on issue as at 30 June 2016 (2016: 68.0%).

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30 June 2017 is $183,074,153 (2016: $183,074,153). The redeemable preference shares are subordinated to the High Yield Bond, Revolving Credit Facility, finance leases and the cross currency interest rate swap.

Existing Gresham Investors comprise Perpetual Corporate Trust Limited as custodian for Gresham Funds Management Limited (in its capacity as responsible entity of the Gresham Private Equity Co-Investment Fund), Gresham Nominees 1 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2a, Gresham Nominees 2 Pty Limited in its capacity as trustee of the Gresham Private Fund No.2b, Gresham Private Equity Limited in its capacity as custodian for the Plan Members in the Gresham Private Fund No.2 Co-Investment Plan, and Gresham Partners Capital Limited in its capacity as custodian for the wholesale investors.

Consulting fees

A consultancy agreement between Gresham Private Equity Limited and the Group was made in August 2007 as part of the sale of Barminco Limited to Barminco Finance Pty Ltd. The consultancy fee of $666,666 (2016: $666,666) per annum (exclusive of GST) is payable for the provision of corporate and financial advice. Gresham Advisory Partners Limited was paid $1,052,226 for the provision of consultancy services for the refinancing of High Yield Bonds during the year.

Director fees

Board members on the Barminco Holdings Board representing Gresham Private Equity are entitled to director fees. The directors fee was waived from January 2015 to December 2015.

Costs incurred during the year: $200,833 (2016: $90,000).

Travel costs

Travel costs reimbursed to Gresham Private Equity Limited for the period was $93,070 (2016: $82,198).

c) Other related party transactions

(i) Key Management Personnel

At 30 June 2017 management and prior management are the beneficial owners of 500,000 ordinary shares representing 10% of Barminco Holdings (2016: 500,000) and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date (2016: 3,396,945), see Note 20 a).

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 30 June 2017 is $6,043,650 (2016: $6,043,650).

(ii) AUMS Joint Ventures

Barminco has a 50% interest in the AUMS Joint Ventures (see Note 12), which provides underground hard-rock contract mining services to mining companies in certain countries in West Africa and Tanzania. The other 50% is owned by ASX-listed Ausdrill Limited (Ausdrill). 6.38% of Ausdrill is owned by Peter Bartlett. Ausdrill provide services to AUMS at normal commercial terms.

At 30 June 2017 a subsidiary of the Group, Barminco Ltd had a related party trade debtor of $634,937 (2016: $578,806) which is recognised in the Group's statement of financial position.

27. Subsequent events

On 24 August 2017, Barminco Indian Underground Mining Services LLP entered into a new contract with Hindustan Zinc Limited commencing 1 September 2017. The new contract replaces the former Rampura Agucha contract that was determined to be onerous at 30 June 2017.

No other matters or significant events have arisen since 30 June 2017 that have or may significantly affect the operations, results, or state of affairs of the Group.

28. Subsidiaries

The annual financial report incorporates the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 3a).

Name of entity	Country of incorporation	Class of shares	Equity holding 2017 %	Equity holding 2016 %
Barminco Finance Pty Limited (formerly Barbidco Pty Limited)	Australia	Ordinary	100	100
Barminco Limited	Australia	Ordinary	100	100
SLR Australia Pty Limited	Australia	Ordinary	100	100
Barminco Holdings (EIS) Pty Limited	Australia	Ordinary	100	100
Barminco (Egypt) LLC	Egypt	Ordinary	100	100
Barminco Egypt Underground Mining Services	Egypt	Ordinary	100	100
Barminco South Africa (Pty) Ltd	South Africa	Ordinary	100	100
Barminco AUMS Holdings Pty Limited	Australia	Ordinary	100	100
Barminco India Holdings Pty Ltd*	Australia	Ordinary	100	-
Barminco India Investments Ltd*	Australia	Ordinary	100	-

*New subsidiaries were established during the period to conduct business in India. Barminco Indian Underground Mining Services LLP is a limited liability partnership and was established in India during the period to provide mining services. Barminco India Holdings Pty Ltd and Barminco India Investments Ltd are equal joint partners in Barminco Indian Underground Mining Services LLP.

29. Deed of cross guarantee

Pursuant to ASIC Class Order 98/1418 (as amended) dated 13 August 1998, the wholly-owned subsidiaries listed above are relieved from the Corporations Act 2001 requirements for preparation and lodgement of financial reports, and directors' reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Act 2001.

If a winding up occurs under other provisions of the Act, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up. The subsidiaries subject to the deed are Barminco Holdings Pty Limited, Barminco Finance Pty Ltd, Barminco AUMS Holdings Pty and Barminco Ltd.

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and controlled entities which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, for the year ended 30 June 2017 is set out as follows:

a) Statement of profit and loss and other comprehensive income and retained earnings

	2017 $'000's	2016 $'000's
Revenue	530,825	448,659
Other income	12,875	17,828
Consumables used	(179,044)	(137,038)
Employee benefits expense	(205,819)	(174,354)
Contractor and consultant expenses	(42,830)	(28,763)
Depreciation and impairment of property, plant & equipment	(57,321)	(43,625)
Amortisation and impairment of intangible assets	(944)	(730)
Other expenses	(33,616)	(24,218)
Results from operating activities	**24,126**	**57,759**
Share of net profit from joint venture	14,398	9,983
Financing costs	(96,215)	(100,620)
Financing income	692	2,499
Profit/(Loss) before income tax	**(56,999)**	**(30,379)**
Income tax benefit	(32,086)	77,553
Profit/(Loss) for the year	**(89,085)**	**47,173**
Other comprehensive income/(loss)		
Effective portion of changes in fair value of cash flow hedges	(15,845)	4,620
Net change in fair value of cash flow hedges reclassified to profit or loss	14,165	347
Foreign currency translation differences	(3,233)	1,004
Other comprehensive income/(loss) for year, net of tax	**(4,913)**	**5,971**
Total comprehensive income/(loss) attributable to equity holders of the Company	**(93,998)**	**53,144**

b) Statement of financial position

	2017	2016
Assets	**$'000**	**$'000**
Cash and cash equivalents	66,534	58,417
Trade and other receivables	75,907	48,528
Inventories	12,353	12,474
Other assets	3,698	2,967
Total current assets	**158,492**	**122,386**
Receivables	3,730	1,918
Investments	72,773	75,221
Property, plant and equipment	113,716	107,328
Intangibles	259,781	260,791
Deferred tax assets	47,243	74,801
Total non-current assets	**497,243**	**520,059**
Total assets	**655,735**	**642,445**
Liabilities		
Trade and other payables	73,586	51,010
Borrowings	11,814	2,592
Employee benefits	24,803	24,674
Provisions	366	208
Total current liabilities	**110,569**	**78,484**
Borrowings	476,043	425,219
Borrowings related parties	15,411	9,852
Employee benefits	4,043	1,645
Derivative financial instruments	23,741	5,419
Total non-current liabilities	**519,238**	**442,134**
Total liabilities	**629,807**	**520,617**
Net assets	**25,928**	**121,827**
Equity		
Contributed equity	394,661	396,442
Reserves	4,605	9,637
Accumulated losses	(373,338)	(284,252)
Total equity	**25,928**	**121,827**

30. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2017 the parent entity of the Group was Barminco Holdings Pty Limited.

	2017 $'000	2016 $'000
Result of parent entity		
Profit for the period	4,994	5,307
Total comprehensive income for the period	**4,994**	**5,307**
Financial position of parent entity at year end		
Current assets	70	149
Total assets	178,449	175,235
Total liabilities	(10,000)	(10,000)
Total equity of the parent comprising of:		
Share capital	394,662	396,442
Interest free loan reserve	6,421	6,421
Accumulated losses	(232,634)	(237,628)
Total equity	**168,449**	**165,235**

Parent entity contingencies

Barminco Holdings Pty Limited has no contingent liabilities as at 30 June 2017. (2016: Nil)

Parent entity capital commitments

Barminco Holdings Pty Limited has no capital commitments as at 30 June 2017. (2016: Nil)

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiaries.

Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 29.

31. Contingencies

Contingent liabilities

Contingent liabilities include;

(i) bank guarantees provided under the syndicated debt working capital facilities;

(ii) insurance performance bonds for mining clients.

The table below outlines the exposure and limits respectively.

	Outstanding as at 30 June 2017 $'000	Limit as at 30 June 2017 $'000	Outstanding as at 30 June 2016 $'000	Limit as at 30 June 2016 $'000
Bank guarantee	2,760	2,760	361	361
Insurance bond	-	-	1,000	1,000
	2,760	**2,760**	**1,361**	**1,361**

A jointly controlled entity (AUMS Mali) has been the subject of a routine taxation inspection by the Mali tax authority. The authority has assessed additional taxes. The company is currently working with the tax authorities in Mali for resolution. The total additional tax assessed on the jointly controlled entity is $21,500,000 of which $8,300,000 has been paid. Based on legal advice received, the company believes that no additional tax liability exists and therefore no additional taxation provision is recognised. The maximum assessment for additional tax that has not been provided for is the equivalent of A$6,600,000 being the 50% Group's share.

Off balance sheet arrangements

Other than operating leases, as set out in note 22, the Group does not have any material off balance sheet arrangements.

Barminco Holdings Pty Limited

Directors' Declaration
For the year ended 30 June 2017

1) In the opinion of the directors of Barminco Holdings Pty Limited:

    a) the annual financial report and notes that are set out on pages 9 to 67, are in accordance with the Corporations Act 2001, including:

        i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and

        ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2) There are reasonable grounds to believe that the Company and the group entities identified in note 28 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3) The directors draw attention to note 2a) to the annual financial report, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Keith Gordon

K. Gordon
Chairman
Perth, WA, 26 September 2017

Independent Auditor's Report

To the shareholders of Barminco Holdings Pty Limited

Opinion

We have audited the ***Financial Report*** of Barminco Holdings Pty Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the ***Group***'s financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- Complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2017
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified are:

- Valuation of goodwill
- Recoverability of deferred tax assets in Australia
- Valuation of derivatives and hedging

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KPMG

Valuation of goodwill ($256,930,000)	
Refer to Note 14 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
A key audit matter for us was the Group's annual testing of goodwill for impairment, given the size of the balance (being 38% of total assets). Certain conditions impacting the Group increased the judgement applied by us when evaluating the evidence available. We focused on the significant forward-looking assumptions the Group applied in their fair value less costs to sell model, including: • Forecast cash flows – the global underground mining services sector, within which the Group operates, has continued to experience competitive market conditions as a result of volatility in commodity prices, resulting in cost reduction mandates. This impacted the Group through continued pricing and margin pressure. These conditions increase the possibility of goodwill being impaired, increase the risk of inaccurate forecasts and provide a range of possible outcomes for us to consider. • Forecast growth rates and terminal growth rates – the Group's fair value less costs to sell model is highly sensitive to small changes in these assumptions, reducing headroom and indicating possible impairment. This drives additional audit effort specific to their reasonability and consistency of application to the Group's strategy. • Discount rate - these are complicated in nature and vary according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. The Group's modelling is sensitive to small changes in the discount rate. The Group's model to perform their annual testing of goodwill for impairment is largely manually developed, using adjusted historical performance, and a range of internal and external sources as inputs to the assumptions. The Group has not met its budget during the current year, primarily due to the underperformance of the Kundana and Rampura Agucha contracts, raising our focus on the reliability of forecasts within the Group's impairment testing. These conditions necessitate additional scrutiny and professional scepticism by us, in particular to address the objectivity of sources used for assumptions, and their consistent application. We involved valuation specialists to supplement our senior audit team members in assessing this key audit matter.	Our procedures included: • We considered the appropriateness of the fair value less costs to sell method applied by the Group to perform the annual test of goodwill for impairment against the requirements of the accounting standards. • We assessed the accuracy of the underlying calculation formulas in the fair value less costs to sell model used. • We compared the forecast cash flows contained in the fair value less costs to sell model to Board approved forecasts. • We assessed the accuracy of previous Group budgets by comparing to actual results to determine the reasonability of forecasts incorporated in the model. We noted previous trends where constrained market conditions existed and how they impacted the business, and evaluated their impact on current forecasts including sensitivities. • We considered the sensitivity of the model by varying key assumptions, such as project profit margins, forecast growth rates, terminal growth rates and the discount rate, within a reasonably possible range, to identify those assumptions at higher risk of bias or inconsistency in application and to focus our further procedures. • We challenged the Group's significant forecast cash flows and growth assumptions in light of the expected continuation of competitive market conditions. We applied increased scepticism to forecasts in the areas where previous budgets were not achieved. We compared forecast growth rates and terminal growth rates to published studies of industry trends and expectations, and considered differences for the Group's operations. We used our knowledge of the Group, their past performance, business and customers, and our industry experience. • Working with our valuation specialists we analysed the Group's discount rate against publicly available data of a group of comparable entities. • We assessed the disclosures in the financial report using the results of our testing and against the requirements of the accounting standards.

KPMG

Recoverability of deferred tax assets in Australia ($47,612,000)	
Refer to Note 8 to the financial report	
The key audit matter	**How the matter was addressed in our audit**
The Group has recognised deferred tax assets of $47.6 million as at 30 June 2017, of which $47.3 million arises from tax losses carried forward in Australia. Deferred tax assets are only recognised if certain conditions under Australian tax law are satisfied and if it is probable that sufficient taxable profits will be generated in order for the benefits of the deferred tax assets to be realised. These benefits are realised by reducing tax payable on future taxable profits. The recoverability of deferred tax assets in Australia was a key audit matter due to: • The significance of these assets recognised by the Group and the significant judgement required to assess the probability that sufficient taxable profits can be generated in light of the tax losses recorded in the current and previous financial years. • As described in the valuation of goodwill key audit matter above, the global underground mining services sector, within which the Group operates, has continued to experience competitive market conditions as a result of volatility in commodity prices of the Group's customers, resulting in cost reduction mandates. This impacted the Group through continued pricing and margin pressure. These conditions increase the possibility that deferred tax assets are not recoverable. • The requirements under the Australian Accounting Standards and Australian tax law to recognise deferred tax assets for tax losses are complex and the incorrect application of these requirements could result in a substantial effect on the Group's statement of profit or loss and other comprehensive income. We involved tax specialists to supplement our senior team members in assessing this key audit matter.	Working with our specialists, our procedures included: • We examined the documentation prepared by the Group and the Group's external tax advisors underlying the availability of tax losses that were recognised in accordance with Australian tax law. • We assessed the factors that led to the Group incurring tax losses in the current year and previous years and challenged the Group's assessment that taxable profits will be generated in the foreseeable future. The Group's assessment of future taxable profits is based on forecast cash flows. The basis for which were as described and tested in the valuation of goodwill Key Audit Matter. We challenged the differences in forecast cash flow to taxable profits by: – Evaluating whether cash flows had been appropriately adjusted for differences between accounting profits, as presented in the Board approved budget and forecast, to taxable profits in accordance with Australian tax legislation. • We assessed the disclosures in the financial report using the results from our testing and against the requirements of the accounting standards.

KPMG

Valuation of derivatives and hedging ($23,741,000)

Refer to Note 16 and Note 21 to the financial report

The key audit matter	How the matter was addressed in our audit
The valuation of derivatives and associated hedge accounting was a key audit matter due to the complexity in auditing the application of derivatives to hedge the Group's exposure to foreign currency and interest rate risk on its Senior Notes. For accounting purposes, the Group applies both cash flow and fair value hedge accounting. In order to apply hedge accounting, the Group is required to apply a number of requirements under the Australian Accounting Standards including: • Formally documenting the hedge relationship • Performing retrospective and prospective ineffectiveness testing, and • Recording any resulting ineffectiveness in the consolidated statement of profit or loss and other comprehensive income. Given the technical requirements that are required to be met to apply hedge accounting, and that the incorrect application of these requirements could result in a substantial effect on the Group's financial report, we applied additional attention to this matter. In addition, our assessment of the valuation of derivatives used in the application of hedge accounting is made more challenging given the high level of judgement involved in evaluating the valuation assumptions and inputs used by the Group such as yield curves (i.e. market forward curve data) and credit value adjustment inputs such as market Credit Default Swap (CDS) data. As such, senior team member and valuation specialist involvement was required.	Working with our specialists, our procedures included: • We obtained hedge documentation relating to the new hedge relationships and assessing the accounting and effectiveness against the accounting standard requirements. • We assessed the prospective and retrospective effectiveness testing to consider their effectiveness using the criteria in the accounting standards. We checked the calculations behind the hedge effectiveness. • We assessed the valuation of all derivatives by independently developing a valuation range at 30 June 2017, using independently sourced market forward curve data and market CDS data and comparing the outcome to the valuation performed by the Group.

Other Information

Other Information is financial and non-financial information in Barminco Holdings Pty Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001.*
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

KPMG

Graham Hogg
Partner

Perth

26 September 2017