

**BARMINCO HOLDINGS PTY LIMITED**

ABN 85 126 398 276

Unaudited Interim Financial Statements

For the nine months ended 31 March 2018

**Barmenco Holdings Pty Limited**  
**Interim Financial Statements**  
**For the nine months ended 31 March 2018**

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# Barminco Holdings Pty Limited

## Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income For the nine months ended 31 March 2018

	Notes	9 Months Ended 31 Mar 2018 \$'000	9 Months Ended 31 Mar 2017 \$'000
Revenue		427,805	437,573
Other income		1,645	656
Consumables used		(134,433)	(140,658)
Employee benefits expense		(162,831)	(169,427)
Contractor and consultant expenses		(26,387)	(32,045)
Depreciation of property, plant and equipment		(42,897)	(45,832)
Amortisation of intangible assets		(694)	(708)
Other expenses		(23,282)	(28,022)
<b>Results from operating activities</b>		<b>38,926</b>	<b>21,537</b>
Share of profit from equity accounted investments, net of tax		14,591	11,755
Finance income		508	483
Financing costs		(34,152)	(40,874)
<b>Profit before income tax</b>		<b>19,873</b>	<b>(7,099)</b>
Income tax benefit/(expense)	4	(66)	7,774
<b>Profit for the period attributable to equity holders of the Company</b>		<b>19,807</b>	<b>675</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		(5,975)	(4,126)
Net change in fair value of cash flow hedges reclassified to profit or loss		-	2,823
Foreign currency translation differences – foreign operations		3,388	(4,618)
<b>Other comprehensive loss for period, net of tax</b>		<b>(2,587)</b>	<b>(5,921)</b>
<b>Total comprehensive income attributable to equity holders of the Company</b>		<b>17,220</b>	<b>(5,246)</b>
		\$	\$
<b>Earnings per share</b>			
Basic and diluted earnings per share		3.97	0.14

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

# Barmenco Holdings Pty Limited

## Unaudited condensed interim consolidated statement of financial position as at 31 March 2018

	Notes	31 Mar 2018 \$'000	30 Jun 2017 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		60,490	77,956
Trade and other receivables		76,119	79,052
Inventories		19,687	18,785
Prepayments		3,774	3,966
<b>Total current assets</b>		<b>160,070</b>	<b>179,759</b>
Investments accounted for using the equity method		76,374	58,377
Property, plant and equipment		136,554	124,342
Intangibles		259,087	259,781
Deferred tax asset		50,108	47,612
Other non-current assets		1,320	1,946
<b>Total non-current assets</b>		<b>523,443</b>	<b>492,058</b>
<b>TOTAL ASSETS</b>		<b>683,513</b>	<b>671,817</b>
<b>LIABILITIES</b>			
Trade and other payables		72,378	78,851
Borrowings	8	14,227	11,814
Employee benefits		26,698	26,445
Provisions		26	4,086
<b>Total current liabilities</b>		<b>113,329</b>	<b>121,196</b>
Derivative financial instruments	7	35,751	23,741
Borrowings	8	467,621	476,043
Employee benefits		2,798	4,043
<b>Total non-current liabilities</b>		<b>506,170</b>	<b>503,827</b>
<b>TOTAL LIABILITIES</b>		<b>619,499</b>	<b>625,023</b>
<b>NET ASSETS</b>		<b>64,014</b>	<b>46,794</b>
<b>EQUITY</b>			
Contributed equity		394,662	394,662
Reserves		4,742	6,427
Accumulated losses		(335,390)	(354,295)
<b>TOTAL EQUITY</b>		<b>64,014</b>	<b>46,794</b>

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

# Barmenco Holdings Pty Limited

## Unaudited condensed interim consolidated statement of cash flows For the nine months ended 31 March 2018

	9 Months Ended 31 Mar 2018 \$'000	9 Months Ended 31 Mar 2017 \$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	467,933	458,690
Payments to suppliers and employees	(404,898)	(397,757)
Interest received	508	484
Interest paid	(21,415)	(24,650)
<b>Net cash inflow from operating activities</b>	<b>42,128</b>	<b>36,767</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment and intangibles	(51,365)	(28,828)
Proceeds from sale of property, plant and equipment	4,732	2,165
Dividends received from joint venture entities	-	4,110
<b>Net cash outflow from investing activities</b>	<b>(46,633)</b>	<b>(22,553)</b>
<b>Cash flows from financing activities</b>		
Proceeds/(payment) from reset of cross currency interest rate swaps	-	(221)
Payments for borrowings costs	(159)	(45)
Repurchase of senior notes	-	(9,056)
Finance lease payments	(12,787)	(9,139)
<b>Net cash outflow from financing activities</b>	<b>(12,946)</b>	<b>(18,461)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(17,451)</b>	<b>(4,247)</b>
Effect of exchange rate fluctuations on cash held	(15)	249
Cash and cash equivalents at beginning of the period	77,956	70,647
<b>Cash and cash equivalents at end of the period</b>	<b>60,490</b>	<b>66,649</b>

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

# Barmenco Holdings Pty Limited

## Unaudited condensed interim consolidated statement of changes in equity

For the nine months ended 31 March 2018

	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 2017	4,722	389,940	394,662	(7,055)	5,359	6,421	1,702	(354,295)	46,794
<b>Total comprehensive income for the period</b>									
Profit/(loss) for the period	-	-	-	-	-	-	-	19,807	19,807
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(5,975)	-	-	-	-	(5,975)
Changes in the foreign exchange translation reserve	-	-	-	-	3,388	-	-	-	3,388
Changes in the legal reserve	-	-	-	-	-	-	902	(902)	-
Total other comprehensive income/(loss)	-	-	-	(5,975)	3,388	-	902	(902)	(2,587)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>(5,975)</b>	<b>3,388</b>	-	<b>902</b>	<b>18,905</b>	<b>17,220</b>
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2018</b>	<b>4,722</b>	<b>389,940</b>	<b>394,662</b>	<b>(13,030)</b>	<b>8,747</b>	<b>6,421</b>	<b>2,604</b>	<b>(335,390)</b>	<b>64,014</b>

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

# Barmenco Holdings Pty Limited

## Unaudited condensed interim consolidated statement of changes in equity (continued)

For the nine months ended 31 March 2017

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2016	4,722	391,720	396,442	(5,375)	8,592	6,421	1,032	(259,854)	147,258
<b>Total comprehensive income for the period</b>									
Profit/(loss) for the period	-	-	-	-	-	-	-	675	675
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(1,303)	-	-	-	-	(1,303)
Changes in the foreign exchange translation reserve	-	-	-	-	(4,618)	-	-	-	(4,618)
Changes in the legal reserve	-	-	-	-	-	-	670	(670)	-
Total other comprehensive income/(loss)	-	-	-	(1,303)	(4,618)	-	670	(670)	(5,921)
<b>Total comprehensive income/(loss) for the period</b>	-	-	-	<b>(1,303)</b>	<b>(4,618)</b>	-	<b>670</b>	<b>5</b>	<b>(5,246)</b>
Transactions with owners of the Company	-	-	-	-	-	-	-	-	-
<b>Balance at 31 March 2017</b>	<b>4,722</b>	<b>391,720</b>	<b>396,442</b>	<b>(6,678)</b>	<b>3,974</b>	<b>6,421</b>	<b>1,702</b>	<b>(259,849)</b>	<b>142,012</b>

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

# Barminco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements

For the nine months ended 31 March 2018

### Notes to the financial statements

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# Barmenco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2018

### 1. Corporate information

Barmenco Holdings Pty Limited (“the Company”) is a company limited by shares, incorporated and domiciled in Australia. The Company was registered on 5 July 2007. The address of the Company’s registered office is 390 Stirling Crescent Hazelmere, Western Australia, 6055. The Company is a for profit entity and is primarily involved in underground contract development and production mining, and development projects in Australia, India, Egypt, Tanzania and West Africa.

The interim financial statements of the Company for the nine months ended 31 March 2018 comprises the Company and its subsidiaries (the “Group”) and the Group’s interest in jointly controlled entities.

### 2. Basis of preparation

#### Statement of Compliance

The interim financial statements are general purpose financial statements prepared in accordance with AASB 134 *Interim Financial Reporting* and with IAS 34 *Interim Financial Reporting*.

They do not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2017.

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 statements.

#### a) 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. In preparing the consolidated interim financial statements the significant judgements made by the Group in applying the Group’s accounting policies and the key sources of estimation uncertainty were consistent with those applied to the consolidated financial statements for the year ended 30 June 2017.

### 3. Significant accounting policies

The consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s last annual financial statements for the year ended 30 June 2017.

#### 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. 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.

# Barmenco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2018

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.

# Barmenco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2018

### 4. Income tax

31 Mar 2018 \$'000	30 June 2017 \$'000
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#### Unrecognised deferred tax assets

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

Tax losses (gross)	190,607	188,270
Other deferred tax assets (gross)	224	3,720
Total unrecognised deferred tax assets (gross)	<b>190,831</b>	<b>191,990</b>

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 31 March 2018 the Group has \$346,630,000 (30 June 2017: \$345,890,000) tax losses and \$11,565,000 (30 June 2017: \$5,219,000) deductible temporary differences that are available for offset against future taxable profits of which \$167,364,000 have been recorded at period end.

Deferred tax assets for unused tax losses of \$156,023,000 (30 June 2017: \$157,620,000) and deductible temporary differences of \$11,341,000 (30 June 2017: \$1,499,000), 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 at 30 June 2017, resulting in the partial recognition of its deferred tax assets in the current period. 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 \$190,607,000 of carry forward tax losses and \$224,000 of deductible temporary differences that equate to unrecognised deferred tax assets at 31 March 2018 of \$57,241,000 (30 June 2017: \$56,794,000) and \$69,000 (30 June 2017: \$1,287,000) 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.

# Barmenco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2018

### 5. Jointly controlled entities

The Group has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 2018 %	Ownership 2017 %
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

The investments in AUMS are accounted for using the equity method in accordance with AASB 128. During the nine months ended 31 March 2018 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$14,591,000 (nine months ended 31 March 2017 A\$11,755,000).

No dividends were paid during the nine months to 31 March 2018. African Underground Mining Services Ltd ("AUMS") Joint Venture paid a dividend to the Group during the nine months to 31 March 2017 in the amount of US\$3,082,000 (A\$4,110,000).

### 6. Property, plant and equipment

#### Additions and disposals

During the nine months ended 31 March 2018 additions to property, plant and equipment totalled \$58,159,000 (nine months ended 31 March 2017: \$74,165,000). The book value of disposals during the nine months ended 31 March 2018 was \$3,088,000 (nine months ended 31 March 2017: \$1,509,000).

During the nine month period additions using finance leases were \$6,831,000 (nine months ended 31 March 2017: \$45,338,000) which are a non-cash item.

### 7. Derivative Financial Instruments

31 Mar 2018 \$'000	30 Jun 2017 \$'000
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#### Non-current liability

Cross currency interest rate swap contract cash flow hedge	35,751	23,741
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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 cross currency interest rate swaps (CCIRS). The CCIRS are a combination of fixed interest to fixed interest United States/Australian dollar and floating interest to fixed interest United States/Australian dollar.

# Barmenco Holdings Pty Limited

## Notes to the unaudited interim consolidated financial statements (continued)

For the nine months ended 31 March 2018

8. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 Mar 2018		30 Jun 2017	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bond 2022	(a)	USD	6.63%	2022	-	452,776	-	455,499
Shareholder loans	(c)	AUD	0%	2026	-	10,562	-	10,000
Finance lease liabilities	(b)	AUD	5.90%	2018 - 2020	16,679	11,943	14,238	20,339
					16,679	475,281	<b>14,238</b>	<b>485,838</b>
Capitalised borrowings costs – High Yield Bonds		AUD			(2,452)	(7,660)	(2,424)	(9,795)
<b>Total interest bearing liabilities</b>					<b>14,227</b>	<b>467,621</b>	<b>11,814</b>	<b>476,043</b>

### (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. The 2022 notes were issued by Barmenco Finance Pty Ltd are secured and have been guaranteed by Barmenco Holdings Pty Limited, Barmenco Finance Pty Limited, Barmenco Limited, Barmenco AUMS Holdings Pty Limited, Barmenco India Investments Pty Limited and Barmenco 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 (\$10.0 million) was transferred to an Interest Free Loan Reserve. 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.

# Barmenco Holdings Pty Limited

## Independent auditor's review report (continued)

### For the nine months ended 31 March 2018

#### 9. 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.

The Group 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, the Group believes there is only the single 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.

	9 Months Ended 31 Mar 2018	31 Mar 2018	9 Months Ended 31 Mar 2017	30 Jun 2017
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	367,110	431,385	381,060	422,599
Egypt and India	62,340	15,684	57,169	11,082
Africa – AUMS Joint Venture	-	76,374	-	58,377
	<b>429,450</b>	<b>523,443</b>	<b>438,229</b>	<b>492,058</b>

#### 10. Related parties

##### a) Director transactions

(i) *Mr P M Bartlett - Director of Barmenco 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 31 March 2018 and 30 June 2017, and 35,854,834 redeemable preference shares at \$1 each, representing 29% of the redeemable preference shares on issue as at 31 March 2018 and 30 June 2017. Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 31 March 2018 and 30 June 2017 is \$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 31 March 2018 and 30 June 2017 is \$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.

# Barmenco Holdings Pty Limited

## Independent auditor's review report (continued)

### For the nine months ended 31 March 2018

#### Provision of electrical services – Hahn Electrical Contracting Pty Ltd

Hahn Electrical Contracting Pty Ltd ("Hahn") supplies Barmenco with electrical labour hire and electrical consumables under an ongoing agreement and provides electrical services on an order basis. Peter Bartlett has a 49% interest in Hahn. Each contract with Hahn either contains price management mechanisms or has a limited term (generally one year) at the end of which Barmenco 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 nine month period to 31 March 2018: \$10,957,364 (nine month period to 31 March 2017: \$9,998,320).

#### Consulting fee

A consultancy agreement between Peter Bartlett and the Group was made in August 2007 as part of the sale of Barmenco Limited to Barmenco 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 nine month period to 31 March 2018: \$249,999 (nine month period to 31 March 2017: \$249,999).

#### Director fees

Director fees were payable to Peter Bartlett during the year (exclusive of GST). Costs incurred during the nine month period to 31 March 2018: \$74,997 (nine month period to 31 March 2017: \$70,836).

#### 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 Barmenco to extend the lease to 29 July 2033
- Annual fixed rent review (annual increase of 5%)

Costs incurred during the nine month period to 31 March 2018: \$1,432,303 (nine month period to 31 March 2017: \$1,432,303). 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 nine month period to 31 March 2018 were \$Nil (nine month period to 31 March 2017: \$2,772,160). At 31 March 2018, \$Nil was owed by Gordon Sirdar to the Group (31 March 2017: \$134,200). The mining services contract was terminated during the year ended 30 June 2017.

(ii) *Mr K Gordon – Chairman and Independent Non-executive Director of Barmenco Holdings*

#### Provision of consulting services – Red Emu Advisory

Red Emu Advisory provided Barmenco with organisational consulting services during the period. Keith Gordon is a director of Red Emu Advisory.

Cost incurred during the nine month period to 31 March 2018: \$14,100 (nine month period to 31 March 2017: \$15,800).

# Barmenco Holdings Pty Limited

## Independent auditor's review report (continued)

### For the nine months ended 31 March 2018

(iii) *Mr B Lavin –Independent Non-executive Director of Barmenco Holdings*

#### Provision of consulting services – Teviot Resources

Teviot Resources provided Barmenco with consulting services during the period. Barry Lavin is a director of Teviot Resources.

Cost incurred during the nine month period to 31 March 2018: \$30,000 (nine month period to 31 March 2017: \$Nil).

(iv) *Existing Gresham Investors*

#### Shareholding

The Existing Gresham Investors hold 3,000,500 ordinary shares representing 60% of the ordinary shares on issue as at 31 March 2018 and 30 June 2017 and 83,701,025 redeemable preference shares at \$1, representing 68% of the redeemable preference shares on issue as at 31 March 2018 and 30 June 2017.

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 31 March 2018 and 30 June 2017 is \$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 Barmenco Limited to Barmenco 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. Costs incurred during the nine month period to 31 March 2018: \$499,999 (nine month period to 31 March 2017: \$499,999).

#### Director fees

Board members on the Barmenco Holdings Board representing Gresham Private Equity are entitled to director fees.

Costs incurred during the nine month period to 31 March 2018: \$208,333 (nine month period to 31 March 2017: \$150,832).

#### Travel and other costs

Travel and other costs reimbursed to Gresham Private Equity Limited for the nine month period to 31 March 2018: \$148,370 (nine months to 31 March 2017: \$102,509).

## **b) Other related party transactions**

(v) *Key Management Personnel*

At 31 March 2018 and 30 June 2017 management and prior management are the beneficial owners of 500,000 ordinary shares representing 10% of Barmenco Holdings and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date.

Interest on the redeemable preference shares was compounded annually until 29 June 2016 and the accumulated interest (included as part of equity) as at 31 March 2018 and 30 June 2017 is \$6,043,650.



# Barmenco Holdings Pty Limited

## Independent auditor's review report (continued)

### For the nine months ended 31 March 2018

#### *(vi) AUMS Joint Ventures*

Barmenco has a 50% interest in the AUMS Joint Ventures (see Note 5), 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 was owned by Peter Bartlett until 12 March 2018. Ausdrill provide services to AUMS at normal commercial terms.

At 31 March 2018 a subsidiary of the Group, Barmenco Ltd had a related party trade debtor of \$1,379,145 (30 June 2017: \$634,937) owing from AUMS joint venture entities which is recognised in the Group's statement of financial position.

#### **11. Subsidiaries**

There has been no change to existing subsidiaries since the last annual report.

#### **12. Subsequent events**

There have been no matters or significant events that have arisen since 31 March 2018 that have or may significantly affect the operations, results, or state of affairs of the Group.