Barminco Finance Pty Limited

Annual Report

For the fiscal year ended June 30, 2019

Pursuant to Section 4.06(a)(1) of the Indenture dated
April 26, 2017, as amended 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

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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 as amended by the First Supplemental Indenture dated as of October 10, 2018 (as so amended, (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 AUMS (T) Limited;
- 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 AUMS (T) Limited 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$45.0million 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 Redeemable Preference Shares were transferred to Perenti on October 31, 2018.
- 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” means the loan 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 Shareholder Loan was transferred to Perenti Global Limited (“Perenti”) on October 31, 2018.
- the term "Total Tangible Assets" means total assets less intangibles and deferred tax assets;
- 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 2019" means the twelve-month period ended June 30, 2019 and other fiscal years are referred to in a corresponding manner.

The term "2019 Financial Statements" means our annual consolidated financial statements for fiscal 2019 and including fiscal 2018 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," "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), Trading EBITDA (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 transaction costs), 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, transaction costs and to include dividends received from associates), Trading EBIT (Barminco's earnings before net financing costs, income tax expense or benefit, adjusted to exclude Redundancy Costs, share of profit from equity accounted investments, net of tax, onerous contract provision and transaction costs), 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), Trading 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 transaction costs, 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, transaction costs 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 U.S. Securities and Exchange Commission 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. EBITDA, Trading EBITDA, Adjusted EBITDA and Trading EBIT 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, Trading EBITDA, Adjusted EBITDA and Trading EBIT, 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,				
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
2018	0.7407	0.7754	0.8079	0.7407
2019	0.7021	0.7173	0.7408	0.6912

(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.

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, 2019, which rate was A$1.00 = US$0.7021. 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

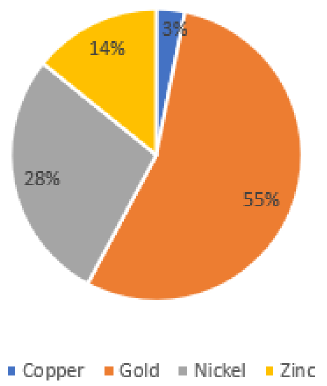
Barminco is one of the market leaders in the underground hard-rock development and production contract mining sector. Our contract mining business involves the provision of equipment, personnel and technical expertise to conduct underground operations for producing mining companies, primarily in the 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 13 sites, located in the states of Western Australia and Queensland. At these sites, we have 16 projects, comprising nine contract mining projects and seven 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 Perenti Global Limited ("Perenti"), an ASX-listed mining services company which is our ultimate parent company. AUMS currently operates across Ghana, Burkina Faso and Tanzania.

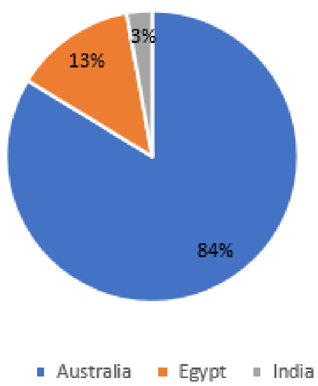
In fiscal 2019, we recorded revenue of A$647.8 million and Trading EBITDA of A$120.0 million.

The following charts show Barminco's percentages of revenue by commodity and geography for the year ended June 30, 2019.

Revenue by commodity [(1)]



Revenue by geography



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

Company history

Barminco was established in 1989 by Peter Bartlett to provide contract mining services to the Western Australian mining industry. 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 now trading as Perenti to provide underground hard-rock contract mining services to mining companies in West Africa.

In October 2018, Perenti successfully completed the acquisition of Barminco Holdings Pty Limited (“the acquisition”), creating a global mining services company and one of the world’s only underground and surface mining providers at scale. The two businesses provide complementary services to mine owners and having a strong cultural alignment, having worked together in Africa through the African Underground Mining Services (AUMS) joint venture for over a decade.

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, 2019.

Barminco

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

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

AUMS

- 50/50 joint venture with Perenti 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
  - Diamond drilling
- Customers are predominantly large producing gold miners

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 Perenti.

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				

(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.

Our Strategies

We have identified four strategies that will position us for growth in the short and longer-term in both existing markets, as well as in new markets.

Delivering operational excellence—We will continue to strive to deliver positive performance across all safety, production and financial metrics. Operational excellence includes our ability to effectively manage and allocate our capital to achieve the best possible return on investment, as well as a focus on delivering organic growth through new profitable contracts and embracing innovation to continually improve our service offerings.

Pursue strategic growth opportunities—We are focused on continuing to build our brand and marketing strategy, including through the establishment of technology driven marketing, to enhance our reputation with existing customers and to reach new and potential future customers. We also plan to invest in strategic relationships and market intelligence to augment our service offering. As part of this strategy, we will look pursue growth through both regional expansion by leveraging the presence of our existing customers, as well as expanding into adjacent service offerings to provide our customers with a more comprehensive portfolio of services. We may also commence offering new services that are adjacent to our current offerings and build on existing expertise.

Ensuring strong organizational health—We will continue to develop robust, scalable and lean management systems while striving to ensure we have the governance systems in place to support sustainable growth and ensure accountability, fairness and transparency across the business. We will also seek to embed our aspirations and principles across the business and continue to deliver on diversity. We will focus on attracting, retaining and investing in our people, continuing to deliver on diversity. We are also focused on continuing to strengthen our governance and audit systems. Our remuneration practices are designed to provide incentives for senior managers to safely deliver operational excellence.

Investing in technological development and innovation—Given our clients' greater attention to improving safety, efficiency and productivity in their own operations, we plan to implement remote operations and automation with the view to making our operations safer, more productive and more economical. In addition, we plan to invest in improvements in technology, such as data analytics and machine learning to improve predictive maintenance of our mining fleet, optimize drilling patterns in underground mining and share real-time data with our customers.

We have identified technology-led efficiency gains as a key driver for business growth and profitability and we are committed to working closely with our equipment suppliers to maintain a competitive advantage over our peers. Our intent is to leverage the technology platform of our equipment suppliers and becoming a key enabler of new technology in actual field operations.

As the complexity of technology advances, barriers to entry in the mining services industry are expected to increase, with a requirement to have the capability to operate more advanced equipment. Adoption of new mining technologies are expected to allow us to add additional operational capabilities, improve our product offering and provide a key source of differentiation in the long term. We are focused on partnering with Original Equipment Manufacturers (“OEM”) who are expected to lead the investment into research and development of new technologies.

Tendering process

As a large scale mining services provider, we are invited to tender for nearly all significant new underground opportunities in Australia and in the markets in which we operate. When bidding on projects in contract mining, we maintain a strong focus on governance. All our investment decisions are subject to an internal review process that tests each proposal against a range of risks and return criteria. Our tender response process primarily focuses on dedicating resources on projects with the highest probability of success and those which are likely to generate the maximum value. During the tender process, we evaluate detailed technical information, including with respect to the local geography, political situation, infrastructure and logistics. We also conduct numerous site visits by management, technical, business and legal personnel, which helps us assess key risks and the likely operational costs. When tendering to renew contracts or expand the scope of work of existing projects, we have historical operating knowledge, which increases our ability to accurately forecast the costs. We conduct a detailed risk assessment of each project and a cost and pricing analysis to establish appropriate pricing and margins. Approval levels are set by the Board of Directors (the “Board”) and all decisions involving operating in new jurisdictions require the Board approval.

When projects in new countries are being considered, Barminco undertakes a thorough diligence exercise to understand the new jurisdiction and its geography as well as specific operational characteristics of the potential mining site. A new country report is prepared for the Board addressing general country, political, social, security, economic, taxation, legal and other considerations. Two of the key considerations are political risk insurance covering plant and equipment, which is obtained if considered necessary in order to manage sovereign risk, and the ability to move expatriate employees with operational expertise freely and safely across the new country.

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 nine 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, 2019 is set out in the table below.

Customer	**Project**	**Commodity**	**Location**	**End**	**Length of relationship**
Gold Fields(1)	Agnew	Gold	Australia	Jun-22	18 years
AngloGold Ashanti(2)	Sunrise Dam	Gold	Australia	Jun-23	16 years
MMG(3)	Dugald River	Zinc	Australia	Jun-21	16 years
Western Areas	Flying Fox	Nickel	Australia	Jun-20	15 years
Western Areas	Spotted Quoll	Nickel	Australia	Jun-20	15 years
Western Areas	Odysseus	Nickel	Australia	Feb-20	15 years
Centamin	Sukari	Gold	Egypt	Nov-21	10 years
Independence Group	Nova Bollinger	Nickel	Australia	Jun-22	5 years
Hindustan Zinc	Rampura Agucha	Zinc	India	Mar-22	3 years
Regis Resources	Rosemont	Gold	Australia	Feb-22	1 year
Round Oak Minerals	Mt Colin	Copper	Australia	Apr-22	1 year

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

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

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

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.

AUMS

Overview of AUMS

We hold a 50% equity interest in AUMS with Perenti, an ASX-listed mining services provider and our ultimate parent company, 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. AUMS Ghana has a 70/30 joint venture with Rocksure International, Underground Mining Alliance, which was awarded the Obuasi gold project contract in October 2018.

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.

Current operations

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

Customer	Project	Commodity	Location	End	Length of relationship
AngloGold Ashanti	Geita - Star and Comet	Gold	Tanzania	Jun-19	16 years
AngloGold Ashanti	Geita - Nyankanga	Gold	Tanzania	Dec-20	16 years
AngloGold Ashanti	Geita - Geita Hill	Gold	Tanzania	Dec-20	16 years
AngloGold Ashanti	Obuasi	Gold	Ghana	Jan-24	16 years
Newmont Goldcorp	Subika	Gold	Ghana	Apr-24	2 years
Roxgold	Yaramoko & Bagassi South	Gold	Burkina Faso	Dec-22	4 years
Semafo	Siou	Gold	Burkina Faso	Aug-24	2 years

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 8.7% of Barminco's revenue for the fiscal year ended June 30, 2019.

Current operations

Barminco currently has seven diamond drilling projects in Australia and one in Egypt. Barminco also provides contract mining at four 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.

Underground mining division

Key contracts

Our largest contract represented 21.6% of our total revenue for fiscal 2019. 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 work 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 to five 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. AUMS's average contract length for current underground mining contracts is approximately 48 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 and Perenti 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 Perenti 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 Perenti 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

The current directors are Mark Norwell, Paul Muller and Peter Bryant. 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.

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 Perenti is our ultimate parent company, 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.

Events since the end of the financial year

No matters or significant events have arisen since June 30, 2019 that have or may significantly affect the operations, results, or state of affairs of the Group.

Competition

Mining services providers generally compete for new business through tender processes based on productivity, price, safety, reliability and experience. While price is an important consideration, it is often not the definitive factor in the selection of a mining services provider. In our experience, technical ability, safety record, consistency and quality of services have emerged as key considerations for major mining companies, as has the ability to provide personnel on site for on-the-ground support.

The global contract mining services industry is highly fragmented, with few global market participants and a large number of smaller, often family-run, regional or local companies. Within local or regional geographies, concentration is greater. In Australia there are a small number of key players operating in the contract mining market due to high capital requirements and specialized skill sets required. Our main competitors in Australia for underground mining services include Pybar, Thiess's mining division, Macmahon, and Byrnecut. In Africa, our main competitors are Byrnecut, Redpath and Murray & Roberts.

Safety and risk management

We are committed to providing a safe environment for employees, contractors, customers and the community. A strong safety record is fundamental to our core values. Our safety record is also a critical element of our reputation and our 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. We are focused on continual improvement of workplace health and safety in partnership with employees and sub-contractors, and continued engagement with employees has contributed to the decline in our total recordable injury frequency rate ("TRIFR").

Our risk management program and Integrated Management System ("IMS") are focused on delivering high standards in mining safety performance and are integral to our health and safety strategy. IMS governs our management systems, responsibilities and structure. IMS details management responsibilities and governs resource management, product delivery and measurement benchmarks.

A number of our businesses are certified to the following Australian and international 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

We are audited on an annual basis by JAS-ANZ registered accreditation bodies to ensure recertification and compliance to the Standard to which we are certified.

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

Australian state and territory WHS 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 have a range of WHS regulations that provides more specific detail of the requirements that must be followed for a range of WHS issues or hazards.

The African countries in which we operate also have jurisdictional safety regulations. We apply the same operating standards, including health and safety, to our African operations as we do to our Australian operations which, we believe, exceed the legal and regulatory obligations in African markets.

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

- utilization of technology in innovation and driving better safety performance;
- 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.

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 418 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 3,000m^2 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, 2019, Barminco (excluding AUMS) had 2,018 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	1,181	332	137	**1,650**
Diamond drilling	169	68	—	**237**
Crushing and screening	4	—	—	**4**
Subtotal—operational	**1,354**	**400**	**137**	**1,891**
Shared Services (including administration, finance, legal, HR, EHS)	106	11	10	**127**
Subtotal—administration and other	**106**	**11**	**10**	**127**
Total	**1,460**	**411**	**147**	**2,018**

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.

Industrial relations

We have experienced a harmonious and productive relationship with our workforce with no significant industrial action or stoppages occurring across any projects over the past four years. We operate across a large number of jurisdictions that have a variety labor relations practices and regulations and our arrangements depend upon the local environment.

In Australia, we generally do not have a unionized workforce. Employment conditions are generally governed by non-union enterprise agreement or common law contracts. Within the Underground, one enterprise agreement, which was approved in March 2019 (and is effective for four years), covers 75% of the Australian workforce, excluding Tasmania (where a separate enterprise agreement exists, but where there are no current operations). This agreement was negotiated directly with employees with no union representation. The Underground 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 Law.

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 operates, 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 this date relations have been harmonious and our customer takes the lead responsibility 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.

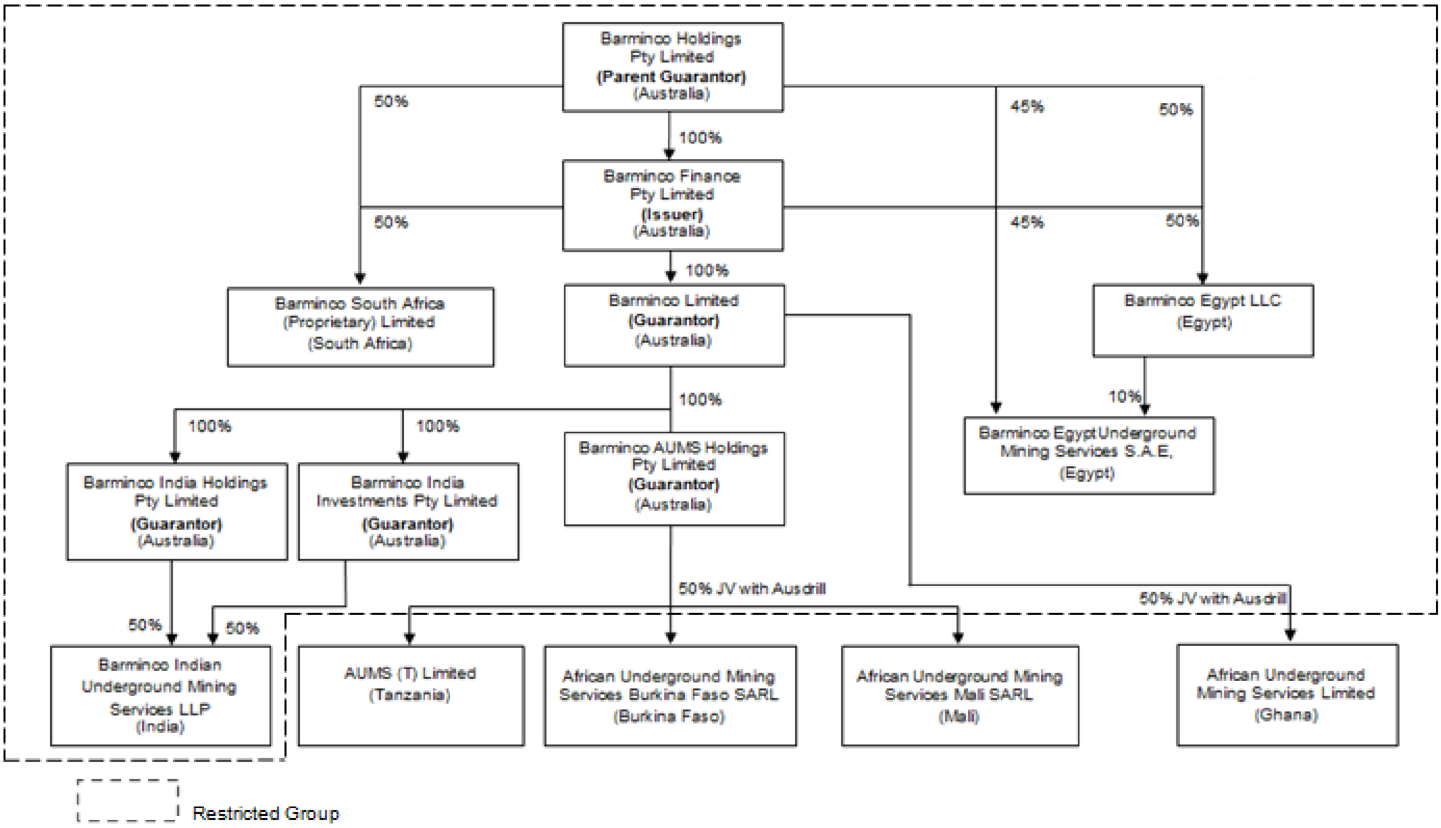
Barminco uses the same environmental management procedures in Africa as it does in Australia.

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 are 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 are the Parent Guarantor for the Notes and a guarantor under the 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 is the Issuer of the Notes and the borrower under the 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 is a guarantor of the Notes or the 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 is not a guarantor of the Notes or the 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. is not a guarantor of the Notes or the 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 is not a guarantor of the Notes or the 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 is a guarantor of the Notes and the 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 is a guarantor of the Notes and the 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 is a guarantor of the Notes and the Credit Facility.

Barminco Indian Underground Mining Services LLP, an Indian limited liability partnership, provides mining services in India. Barminco Indian Underground Mining Services LLP is not a guarantor of the Notes or the 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. AUMS Ghana also has a 70/30 joint venture with Rocksure International, Underground Mining Alliance.

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, 2018 and 2019 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, 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 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, 2016	2017	2018	2019
Selected statement of comprehensive income data:				
Revenue	A$ 507,932	A$ 601,685	A$ 586,065	A$ 647,820
Other income	1,122	1,634	2,089	752
Consumables used	(152,515)	(199,020)	(182,877)	(204,194)
Employee benefits expense	(197,265)	(233,819)	(220,726)	(254,014)
Contractor and consultant expenses	(30,368)	(45,152)	(35,980)	(32,576)
Depreciation and impairment of property, plant & equipment	(48,927)	(61,988)	(57,230)	(59,187)
Amortization of intangible assets	(730)	(944)	(933)	(738)
Other expenses	(25,354)	(43,005)	(32,351)	(51,838)
Results from operating activities	53,895	19,391	58,057	46,025
Share of profit from equity accounted investments, net of tax	9,983	14,398	23,372	40,047
Interest payable on Redeemable Preference Shares and Shareholder Loan	(50,396)	-	-	-
Other net financing costs	(47,644)	(95,362)	(43,659)	(43,153)
Income tax (expense) / benefit	76,619	(32,198)	12,895	(51,134)
Profit / (loss) for the period	42,457	(93,771)	50,665	(8,215)
Selected statement of financial position data (period end):				
Cash and cash equivalents	A$ 70,647	A$ 77,956	A$ 80,288	A$ 73,260
Total assets	665,763	671,817	706,629	716,851
Total tangible assets	329,696	364,424	384,366	446,248
Total liabilities	518,505	625,023	612,407	628,452
Total borrowings	427,811	487,857	492,680	510,985
Total borrowings excluding Redeemable Preference Shares (1) and Shareholder Loan	417,811	477,857	481,930	499,429
Total equity	147,258	46,794	94,222	88,399
Selected statement of cash flows data:				
Net cash inflow (outflow) from:				
Operating activities	A$ 67,994	A$ 36,359	A$ 56,445	A$ 92,015
Investing activities	(33,779)	(8,560)	(35,690)	(91,518)
Financing activities	(68,418)	(20,499)	(18,434)	(6,956)
Other financial data:				
Payments for property, plant & equipment and intangibles	44,739	35,921	57,112	97,670
Capital expenditures	51,939	88,030	64,038	97,670
Investments accounted for using the equity method	69,517	58,377	71,232	84,977
Adjusted EBITDA (2)	115,430	107,032	130,333	139,259
Adjusted EBITDA margin (3)	22.7%	17.8%	22.2%	21.5%
Ratio of total borrowings (excluding Redeemable Preference Shares and Shareholder Loan) to Adjusted EBITDA	3.6	4.5	3.7	3.6
Ratio of net debt (4) (excluding Redeemable Preference Shares and Shareholder Loan) to Adjusted EBITDA	3.0	3.7	3.1	3.1

(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,**			
	2016	**2017**	**2018**	**2019**
Profit (loss) for the period................................	A$ 42,457	A$ (93,771)	A$ 50,665	A$ (8,215)
Income tax expense/(benefit)............................	(76,619)	32,198	(12,895)	51,134
Net financing costs..	98,040	95,362	43,659	43,153
Share of profit from equity accounted investments, net of tax....................................	(9,983)	(14,398)	(23,372)	(40,047)
Depreciation and impairment of property, plant & equipment (1)..	48,927	61,988	57,230	59,187
Amortization of intangible assets......................	730	944	933	738
Redundancy costs	3,062	311	1,068	173
Onerous contract provision	-	3,720	-	-
Transaction costs relating to the acquisition by Perenti………..…………………………….	-	-	-	13,858
Trading EBITDA………………………………	106,614	86,354	117,288	119.981
Dividends received from AUMS.......................	8,816	20,678	13,045	19,278
Adjusted EBITDA..	A$115,430	A$107,032	A$130,333	A$139,259

(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)	**2016**	**2017**	**2018**	**2019**
Revenue				
Underground mining	A$ 454.9	A$ 551.4	A$ 529.7	A$ 578.5
Diamond drilling	48.5	45.1	49.8	56.4
Other	4.5	5.2	6.6	12.9
Total Revenue	507.9	601.7	586.1	647.8
EBITDA				
Underground mining	A$ 100.8	A$ 75.5	A$ 107.4	A$ 110.9
Diamond drilling	5.6	5.3	6.8	8.2
Other	(2.8)	1.5	2.0	0.7
	103.6	82.3	116.2	119.8
Onerous contract provision	-	3.7	-	-
Redundancy	3.0	0.3	1.1	0.2
Dividends received from AUMS	8.8	20.7	13.0	19.3
Adjusted EBITDA	115.4	107.0	130.3	139.3

(1) 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

The commodity price outlook for the metals and minerals which are mined underground, is relatively strong and Barminco and AUMS's customers are positive about the future. On the back of the commodity price outlook, pipeline of future projects and a strong operational performance, we are understandably optimistic about prospects for the coming year and beyond.

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.

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 2019 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 2019 compared with fiscal 2018

Revenue

Revenue increased by A$61.8 million (or 10.5%) from A$586.1 million in fiscal 2018 to A$647.8 million in fiscal 2018. The revenue increase in 2019 was a result of strong operating performance from our current contracts which included a number of scope increases at key sites and new contracts secured in 2019 being Mt Colin and Rosemont.

Operating expenses

Operating expenses increased by A$70.7 million (or 15.0%) from A$471.9 million in fiscal 2018 to A$542.6 million in fiscal 2019. The increase in expenses was due to mobilization of Mt Colin and Rosemont contracts as well as a number of scope increases at key sites.

Consumables used. Our consumables used increased A$21.3 million (or 11.6%) from A$182.9 million in fiscal 2018 to A$204.2 million in fiscal 2019, due to increased volumes as a result of a number of scope increases at key sites and new contracts secured in 2019 at Mt Colin and Rosemont.

Employee benefits expense. Employee benefits expense increased A$33.3 million (or 15.1%) from A$220.7 million in fiscal 2018 to A$254.0 million in fiscal 2019, driven by increased employees numbers as a result of scope increases at key sites and new contracts secured in 2019 at Mt Colin and Rosemont.

Contractor and consultant expenses. Contractor and consultant expenses decreased A$3.4 million (or 9.4%) from A$36.0 million in fiscal 2018 to A$32.6 million in fiscal 2019, predominately due to the reduction of contract labor driven by a focus for direct hire.

Depreciation of property, plant and equipment. Depreciation increased A$2.0 million (or 3.5%) from A$57.2 million in fiscal 2018 to A$59.2 million in fiscal 2019. The depreciation percentage (depreciation / revenue) improved to 9.1% from 9.8% reflecting the increased utilization and plant productivity.

Amortization of intangible assets. Amortization of intangible assets expense remained relatively consistent at $0.7m which principally relates to the amortization of SAP software capitalized during fiscal 2016 and the amortization of customer related intangibles.

Other expenses. Other expenses increased A$19.4 million (or 59.9%) from A$32.4 million in fiscal 2018 to A$51.8 million in fiscal 2019. The increase is primarily due to the transaction costs of $13.9 million incurred in relation to the acquisition.

Results from operating activities

The strong operating performance from our current portfolio, scope expansions, was affected by the mobilization of Mt Colin and Rosemont contracts, offset by one-off transaction costs resulting in an overall decrease in results from operating activities from A$58.1 million in fiscal 2018 to A$46.0 million in fiscal 2019. Normalizing for the one-off transaction costs, the results from Trading EBIT is up 3.1% compared to prior period.

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$16.6 million from A$23.4 million in fiscal 2018 to A$40.0 million in fiscal 2019, primarily due to the Subika project in Ghana , Siou and Yaramako projects in Burkina Faso.

Net financing costs

Net financing costs decreased A$0.6 million (or 1.4%) from A$43.7 million in fiscal 2018 to A$43.1 million in fiscal 2019. In 2019, there was a one-off cost in relation to a close out of cross currency interest rate swaps. The USD denominated debt was fully hedged until May 2019 when the cross currency interest rate swaps (hedging instrument) were cancelled.

Income tax

Income tax expense increased from a benefit of A$12.9 million in fiscal 2018 to an expense of A$51.1 million in fiscal 2019. The movement predominantly relates to the derecognition of deferred tax assets for the carry forward of unused tax losses. On 1 November 2018 Barminco Holdings Pty Ltd and its Australian subsidiaries joined the Perenti income tax consolidated group. It was determined that the available fraction applicable to Barminco's tax losses is likely to be nil. This meant that the losses had nil value to Perenti. To ensure the losses did not negatively impact the tax cost base resetting of the Barminco assets upon acquisition, the losses were therefore cancelled for accounting purposes. Management is investigating whether these tax losses can be transferred to Perenti's income tax consolidated group. Any deferred tax asset for the carry forward of these tax losses would be recognized in Perenti, the head company of the income tax consolidated group, rather than in the accounts of Barminco Holdings Pty Limited.

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.

Cash flows

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

	Year ended June 30,			
(in millions)	**2016**	**2017**	**2018**	**2019**
Net cash inflow from operating activities	A$ 68.0	A$ 36.4	A$ 56.4	A$ 92.0
Net cash outflow from investing activities	(33.8)	(8.6)	(35.7)	(91.5)
Net cash outflow from financing activities	(68.4)	(20.5)	(18.4)	(7.0)
Net increase/(decrease) in cash and cash equivalents	A$ (34.2)	A$ 7.3	A$ 2.3	A$ (6.5)

Fiscal 2019 compared with fiscal 2018

Net cash inflow from operating activities increased A$35.6 million (or 63.1%) from A$56.4 million in fiscal 2018 to A$92.0 million in fiscal 2019. The increase was principally due to strong operating results with a continued focus on working capital.

Net cash outflow from investing activities increased A$55.8 million (or 156.3%) from A$35.7million in fiscal 2018 to A$91.5 million in fiscal 2019. This increase was principally due the increased capital requirements due to growth in existing contracts as well as securing new contracts and one-off transaction costs. This was partially offset by increased dividends received from our AUMS joint venture.

Net cash outflow from financing activities decreased A$11.4 million (or 62.0%) from A$18.4 million in fiscal 2018 to A$7.0 million in fiscal 2019. This decrease predominantly relates to the one-off payment received on termination of cross currency interest rate swaps in fiscal 2019.

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$97.7 million in fiscal year 2019, A$64.0 million in fiscal 2018, A$88.0 million in fiscal 2017, A$51.9 million in fiscal 2016 and A$48.8 million in fiscal 2015.

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

Indebtedness

As of June 30, 2019, we had debt of A$499.4 million, excluding the Shareholder Loan.

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. The 6.625% Senior Secured Notes due in May 2022, interest on the high yield bond is payable semi-annually on 15 May and 15 November.

The High Yield Bonds are quoted on the Singapore Stock Exchange.

Credit Facility

As of June 30, 2019, we had available funding facilities of A$45.0 million upon which the only drawing made was A$3.1 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$45.0 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, 2019 of A$7.8 million under finance leases expiring within one to three 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, 2019.

	Payments due in fiscal year ending June 30,			
(in millions)	**2020**	**2021—2022**	**2023—2024**	**after 2024**
Operating leases	A$ 3.7	A$ 5.8	A$ 2.7	A$ 0.4
Finance leases	7.5	0.2	—	—
Employee benefits	29.6	0.8	—	—
Capital commitments	56.8	—	—	—
6.625% Senior Notes due 2022(1)	—	498.5	—	—
Shareholder Loan	—	—	—	19.2
Total	A$ 97.6	A$ 505.3	A$ 2.7	A$ 19.6

(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

Board of Directors

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. The below Board of Directors was appointed on November 1 2018 following the acquisition.

Name	Position
Mark Norwell	Executive Director
Paul Muller	Executive Director
Peter Bryant	Executive Director
Michael Ellis……………………	Chief Financial Officer
John Kavanagh	Non-Executive Director (Appointed November 1, 2018, Resigned June 21, 2019)

Mark Norwell—appointed as Executive Director on November 1, 2018. Mr Norwell was appointed on September 17, 2018 as Managing Director and Chief Executive Officer of Perenti. Mr. Norwell is a highly experienced mining services executive. Prior to that, he was until June 2018 the Executive General Manager—Strategy & Growth at Thiess Pty Ltd, and a member of Thiess' executive leadership team. Over a 20-year career in the mining services sector, he has held senior roles with Leighton Contractors, HWE Mining and Macmahon Holdings.

Paul Muller—appointed as Executive Director on November 1, 2018. Previously, Mr Muller acted as Chief Executive Officer of Barminco from September 2017. Mr Muller has over 20 years' experience in the resources sector, with a diverse array of operational mining expertise, gained through executive roles overseeing local and international projects at both contract mining and owner-operator businesses. This includes Managing Director of Consolidated Minerals' (Consmin) Australia business, General Manager positions at Leighton Contractors and BHP Billiton Iron Ore, and most recently Executive General Manager of Asia and Africa operations at Thiess, the world's largest contract miner.

Peter Bryant—appointed as Executive Director on November 1, 2018. Mr Bryant was appointed on February 22, 2019 as Chief Financial Officer of Perenti. Previously, Mr Bryant was 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.

Michael Ellis—appointed as Chief Financial Officer on November 8, 2018, previously the General Manager – Finance of Barminco since February 2014. Mr Ellis has over 15 years' experience in the media and mining services industries in Australia. Prior to joining Barminco, Michael held the position of General Manager Finance and Company Secretary at Seven West Media and Trustee of the Channel 7 Telethon Trust. Michael has also held senior roles at The West Australian Newspaper Group and is a Member of the Institute of Chartered Accountants.

John Kavanagh—appointed as Non-Executive Director on November 1, 2018 and resigned on June 21, 2018. Mr Kavanagh has over 25 years' experience in the mining industry, mostly spent in West Africa, where he was General Manager of Ausdrill's 100% subsidiary, African Mining Services, for 7 years. Mr Kavanagh was appointed as Ausdrill's Chief Operating Officer-Africa on May 9, 2014 and was responsible for Ausdrill's operations throughout Africa.

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 one and six months' written notice. No amounts for termination of executives and key management personnel have been agreed or contracted.

PRINCIPAL SHAREHOLDERS

The Issuer is a wholly owned subsidiary of the Parent Guarantor. The following table sets forth the ordinary shares of the Parent Guarantor as of June 30, 2019.

Shareholder	Number of shares owned	% of class
Perenti Global Limited	5,000,000	100.0%

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, 2019, 55% of our mining services revenues were generated from the provision of mining services to gold mining companies, 28% to nickel mining companies, 14% to zinc mining companies and 3% to copper 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 its 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 and therefore prices of, minerals could decline as a result of many factors, including:

- A decline in the demand for gold, which could significantly reduce production in this metal. 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. A decline in the demand and price of gold from its current level and a resulting decrease in the demand for our services could adversely impact on our revenue.

- A slowdown in global industrial activity, which could cause a decline in the production of nickel, zinc, iron ore and copper. Unlike gold, global demand for metals such as nickel, zinc, iron ore and copper is mainly related to industrial activity. For example, a significant amount of nickel consumed in the world is ultimately used in metals fabrication and stainless steel products. Nickel alloys are an important engineering and construction material that is widely used in manufacturing, infrastructure and industrial applications due to their heat and corrosion resistance. If industrial activity slows or declines, the demand for nickel, as well as for iron ore, zinc and copper could decline, resulting in less production and a reduced demand for our mining services. The prices of nickel, iron ore, zinc and copper have risen in recent years, though prices remain relatively lower compared to historical periods and there can be no assurance that the price of each of these metals will continue to rise or will maintain current price levels. A decline in the demand and price of nickel, iron ore, or zinc from their current level and a resulting decrease in the demand for our services could adversely impact our revenue.

- An economic slowdown or a global recession, which could decrease demand for our mining output. The overall state of the global economy, including lending rates, fluctuations in inflation, interest rates and changes in various countries' fiscal policies, can have an impact on the global demand for gold, nickel, copper and other metals, which in turn could have a significant impact on the overall demand for our services. An economic slowdown or a global recession could result in a decrease in the demand for our services and could adversely impact our revenue.

Any of the foregoing factors could adversely affect our business, financial position and results of operations.

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 also 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 or regulations 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, Goldfields and Western Areas) collectively contributed 51.8% of our revenues in the fiscal year ended June 30, 2019 and a further three clients (Centamin, Independence Group and MMG) collectively contributed 37.0% to our revenue in the fiscal year ended June 30, 2019. Individually, each of these six clients contributed (across multiple projects) from 21.7% to 11.1% of our revenue in the fiscal year ended June 30, 2019.

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, 2019, 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 periods of tightening and 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 or tightening 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.

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.

The mining industry is subject to regulation by governments around the world, including the regions in which we have operations, relating to matters such as controls and restrictions on production, and, potentially, nationalization, expropriation or cancellation of contract rights, as well as restrictions on conducting business in such countries. In addition, as we expand our operations, we may be required to operate through subsidiaries incorporated in the particular jurisdictions for tax, legal and operating reasons, and we will be subject to the associated compliance risks. For example, Tanzania has started enforcing certain local ownership requirements and we had to establish a joint venture in Ghana through a local subsidiary to meet the local ownership requirements for work permit approvals. Changes in, or our failure to comply with, the laws, regulations, policies or conditions of any jurisdiction in which we conduct our business could result in, among other consequences, the loss of our assets in such jurisdiction, the elimination of certain rights that are critical to the operation of our business in such jurisdiction or a decrease in revenue. In addition, some of the jurisdictions in which we operate have recently considered or are considering legislation that would tax mining activity.

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.

Reporting currency translation 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 at Mt Colin and Dugald River in 2019);
- 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.

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.

Perenti own all of the equity interests in us and control us and their interests as equity holders may be different from the interests of holders of the Notes

On October 31, 2018 Perenti acquired all of the equity interests in Barminco Holdings. Perenti has the right to appoint all of our directors and as a result controls our board of directors and consequently our corporate decisions. The interests of Perenti may differ from the interests of holders of Notes in material respects. Perenti may have an interest in pursuing transactions that, in its judgment, could enhance the value of its equity in us even though such transactions might involve risks to a holder of Notes. Perenti has no obligation to provide us with any additional debt or equity financing.

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.

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, 2019 Barminco's total debt was A$499.4 million excluding Shareholder Loan that is subordinated to the Notes.

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, 2019, we had unused commitment of A$41.9 million under our Credit Facility, and capacity to use up to A$67.2 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.

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$9.9 million as of June 30, 2019) and India (which amount was equal to A$5.0 million as at June 30, 2019) 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, 2019, the bank guarantees drawn under the Credit Facility is A$3.1 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 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 from time to time 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.

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BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

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Barminco Holdings Pty Limited

Directors' Report

For the year ended 30 June 2019

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 2019.

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.

Mark Norwell	**Executive Director (Appointed 1 November 2018)**
Qualifications	Bachelor of Civil Engineering (Hons) degree from the University of Western Australia and an MBA from the University of New South Wales, Member of the Australian Institute of Company Directors.
Experience	Mark is a highly experienced mining services executive. Previously, he was until June 2018 the Executive General Manager - Strategy & Growth at Thiess Pty Ltd, and a member of Thiess' executive leadership team. Over a 20-year career in the mining services sector, he has held senior roles with Leighton Contractors, HWE Mining and Macmahon Holdings.

Paul Muller	**Executive Director (Appointed 1 November 2018)**
Qualifications	Bachelor of Engineering (Hons) degree from the University of Western Australia, Fellow of the Australasian Institute of Mining and Metallurgy, Member of the Australian Institute of Company Directors.
Experience	Paul has over 20 years of professional experience in the mining industry, working for both mining services providers and mine owners in Australia, Asia and Africa. Prior to joining Barminco Holdings, he held the position of Executive General Manager—Asia and Africa for Thiess and has also held senior roles at Consolidated Minerals, BHP and Leighton Contractors.

Peter Bryant	**Executive Director (Appointed 1 November 2018)**
Qualifications	Business degree from Edith Cowan University, Fellow of the Institute of Chartered Accountants in Australia and New Zealand, Member of the Australian Institute of Company Directors.
Experience	Prior to joining Barminco Holdings, Peter has served in various roles in different companies, including as 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. Peter'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.

John Kavanagh	**Non-executive Director (Appointed 1 November 2018, Resigned 21 June 2019)**
Experience	John Kavanagh has a wealth of knowledge and experience in the mining industry, culminating in his appointment as COO of African Mining Services. He is well recognized and respected within the mining industry, and his ability to communicate with individuals on multiple levels has resulted in long lasting relationships with various people within the industry.

Keith Gordon	**Chairman, Independent Non-executive Director (Resigned 31 October 2018)**
Qualifications	Bachelor of Agricultural 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 having worked in large global organisations. He is currently a director of Wright Prospecting Pty Ltd and a director of Red Emu Advisory. Prior to this, he was the Managing Director and CEO of Emeco Holdings and a senior executive at Wesfarmers. As part of his role at Wesfarmers, Keith led the post-merger integration of Coles into Wesfarmers.

Peter M Bartlett	**Non-executive Director (Resigned 31 October 2018)**
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 (Resigned 31 October 2018)**
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, and HCA Philanthropy. He is Chairman of Musica Viva Australia and YPO Sydney. He is President of Harvard Club of 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 (Resigned 31 October 2018)**
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, and Fellow of Australia Institute of Building.
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 and Not for Profit Perth Children's Hospital Foundation. She is a 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 (Resigned 31 October 2018)**
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).

Phillip Manwarring	**Non-executive Director (Resigned 31 October 2018)**
Qualifications	Bachelor of Arts and a Bachelor of Laws (Honours) from Macquarie University.
Experience	Phillip joined Gresham Partners Limited in 2005 and is Head of Legal and Company Secretary. He is responsible for the legal and regulatory functions of the Gresham Group and is also a company secretary of all Gresham entities. Prior to joining Gresham, Phillip was a structured finance lawyer, most recently with Minter Ellison and previously with Mallesons. During this time Phillip acted for a wide variety of domestic and international clients including leading financial institutions and intermediaries and private equity houses. Phillip has served on the boards of various Gresham Private Equity investee companies including Silk Logistics (trucking & logistics) and APPP (nappies).

Jon A Young	**Alternate Non-executive Director (Resigned 31 October 2018)**
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 qualified as a Chartered Accountant with Price Waterhouse where he worked for several years in their Perth, Melbourne and Sydney offices. For over 30 years, Jon has worked in the financial markets and is currently Director, Wealth Management 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, Wealth Management with Paterson Securities Limited and Non-Executive Director of ASX listed Barra Resources Limited.

Roger Casey	**Alternate Non-executive Director (Resigned 31 October 2018)**
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".

Significant changes in the state of affairs

In October 2018, Ausdrill Limited now trading as Perenti Global ("Perenti") successfully completed the acquisition of Barminco Holdings Pty Limited ("the acquisition"), creating a global mining services company and one of the world's only underground and surface mining providers at scale. The two businesses provide complementary services to mine owners and having a strong cultural alignment, having worked together in Africa through the African Underground Mining Services (AUMS) joint venture for over a decade.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year ended 30 June 2019.

Review of operations and results

	2019 $'000	2018 $'000
Revenue	647,820	586,065
Trading EBITDA	119,981	117,288

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

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

	2019 $'000	2018 $'000
(Loss)/profit for the year	(8,215)	50,665
Income tax expense/(benefit)	51,134	(12,895)
Financing costs	43,837	44,389
Financing income	(684)	(730)
Share of profit from equity accounted investments, net of tax	(40,047)	(23,372)
Depreciation of property, plant and equipment	59,187	57,230
Amortisation of intangible assets	738	933
Transaction costs	13,858	-
Redundancies	173	1,068
Trading EBITDA	**119,981**	**117,288**

Revenue

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

Consolidated revenue increased by $61,755,000 or 10.5% to $647,820,000 for the year ended 30 June 2019 ("the year") compared to $586,065,000 for the year ended 30 June 2018 ("the prior year").

The revenue increase in 2019 was a result of strong operating performance from our current contracts which included a number of scope increases at key sites and new contracts secured in 2019 at Mt Colin and Rosemont.

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 $70,688,000 or 15.0% to $542,622,000 for the year compared to $471,934,000 for the prior year.

The increase in expenses was due to mobilisation of Mt Colin and Rosemont contracts as well as a number of scope increases at key sites.

Trading EBITDA

As a result of the strong operating performance from our current portfolio, scope expansions, efficiency improvements and a ramp up of the Mt Colin contract, Trading EBITDA for the year increased by $2,693,000 or 2.3% to $119,981,000 for the year compared to $117,288,000 for the prior year.

The Trading EBITDA margin (Trading EBITDA/revenue) decreased to 18.5% for the year compared to 20.0% for the prior year which was impacted by the mobilisation of Mt Colin and Rosemont contracts.

Depreciation

As the Group operates a large fleet of capital equipment, depreciation is a significant component of expenses. At 30 June 2019 the book value of the Group's property, plant and equipment was $161,670,000 (2018: $124,864,000).

Consolidated depreciation increased by $1,957,000 or 3.5% to $59,187,000 for the year compared to $57,230,000 for the prior year. The increase in depreciation reflects the additional capital requirements.

The depreciation percentage (depreciation/revenue) improved to 9.1% from 9.8% reflecting the increased utilisation and focus on improved fleet productivities.

Financing costs, net

	2019 **$'000**	**2018** **$'000**
Interest and finance charges paid/payable on borrowings	(35,767)	(36,147)
Cash flow hedge reserve reclassified to profit or loss	(1,249)	-
Other financing costs, net	(6,137)	(7,512)
Total net financing costs	**(43,153)**	**(43,659)**

Total net financing costs of $43,153,000 decreased by $416,000 on the prior year of $43,659,000. In 2019, there was a cost in relation to swaps cancellation and a straight-line release of the hedging reserve relating to the 2022 High Yield Bonds.

Cash flow and capital expenditure

Cash at year end decreased from $80,288,000 at 30 June 2018 to $73,260,000 at 30 June 2019.

Net cash flow from operating activities was $92,015,000 up from $56,445,000 as a result of the improved financial performance for the year and strong focus on working capital management.

Barminco received a dividend from AUMS of $19,278,000 up from $13,045,000 in the prior year. The increase in dividend year on year was due to their continued growth in existing contracts as well as securing new contracts.

Cash paid for capital expenditure (excluding finance leased assets) totalled $97,670,000 up from $57,112,000 in the prior year. This increase is due to increased capital requirements as a result of growth in existing contracts as well as securing new contracts.

Funding

On 26 April 2017 Barminco issued 6.625% Senior Secured Notes due for repayment 15 May 2022 with a US$350,000,000 principal amount. The 6.625% Senior Secured Notes due in May 2022 had been fully hedged using Cross Currency Interest Rate Swaps (CCIRS) until May 2019 when the CCIRS were cancelled.

The interest on the high yield bond is payable semi-annually on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

Effective 1 November 2018, the revolving credit facility (RCF) was lowered from $75,000,000 to $45,000,000. As at 30 June 2019, the Group's available funding facilities were $45,000,000 upon which the only drawing made was $3,100,000 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 $45,000,000 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.

As announced on 17 May 2019 the Company elected not to proceed with the refinancing of its current debt structure following a notable deterioration in the US debt markets. There is no urgency to refinance the business, the Company's existing debt structure has a long tenure, with the core Senior Secured Notes not due for repayment until May 2022.

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 2019.

Significant events subsequent to reporting date

No matters or significant events have arisen since 30 June 2019 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.

Barminco Holdings Pty Limited
Directors' report (continued)
For the year ended 30 June 2019

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, PricewaterhouseCoopers, has provided a written independence declaration to the directors in relation to its audit of the financial report for the year ended 30 June 2019. The independence declaration which forms part of this report is on page 9.

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

Peter Bryant
Director
Perth, WA, 25 October 2019

Auditor's Independence Declaration

As lead auditor for the audit of Barminco Holdings Pty Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Barminco Holdings Pty Limited and the entities it controlled during the period.

Craig Heatley
Partner
PricewaterhouseCoopers

Perth
25 October 2019

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Barminco Holdings Pty Limited

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2019

	Note	2019 $'000	2018 $'000
Revenue	5	647,820	586,065
Other income		752	2,089
Consumables used		(204,194)	(182,877)
Employee benefits expense	6(a)	(254,014)	(220,726)
Contractor and consultant expenses		(32,576)	(35,980)
Depreciation of property, plant and equipment	13	(59,187)	(57,230)
Amortisation of intangible assets	14	(738)	(933)
Other expenses	6(b)	(51,838)	(32,351)
Results from operating activities		**46,025**	**58,057**
Share of profit from equity accounted investments, net of tax	12(b)	40,047	23,372
Financing income	6(d)	684	730
Financing costs	6(c)	(43,837)	(44,389)
Profit before income tax		**42,919**	**37,770**
Income tax (expense)/benefit	8(a)	(51,134)	12,895
(Loss)/profit for the year attributable to equity holders of the Company		**(8,215)**	**50,665**
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss			
Effective portion of changes in fair value of cash flow hedges	19(b)	(2,074)	(5,955)
Net change in fair value of cash flow hedges reclassified to profit or loss	19(b)	(212)	-
Foreign currency translation differences – foreign operations	19(c)	4,678	2,718
Other comprehensive loss for year, net of tax		**2,392**	**(3,237)**
Total comprehensive (loss)/income attributable to equity holders of the Company		**(5,823)**	**47,428**
(Loss)/earnings per share		**$**	**$**
Basic and diluted (loss)/earnings per share	9	(1.6)	10.1

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 2019

	Note	30 June 2019 $'000	30 June 2018 $'000
ASSETS			
Cash and cash equivalents		73,260	80,288
Trade and other receivables	10	96,919	83,472
Inventories	11	24,562	20,700
Prepayments		4,635	2,773
Total current assets		**199,376**	**187,233**
Other non-current assets		225	1,037
Investments accounted for using the equity method	12(a)	84,977	71,232
Property, plant and equipment	13	161,670	124,864
Intangibles	14	256,575	258,995
Deferred tax asset		14,028	63,268
Total non-current assets		**517,475**	**519,396**
TOTAL ASSETS		**716,851**	**706,629**
LIABILITIES			
Trade and other payables	15	86,942	72,581
Borrowings	17	5,174	13,202
Employee benefits	18	29,626	25,760
Provisions		119	-
Total current liabilities		**121,861**	**111,543**
Derivative financial instruments	16	-	19,652
Borrowings	17	505,811	479,478
Employee benefits	18	780	1,734
Total non-current liabilities		**506,591**	**500,864**
TOTAL LIABILITIES		**628,452**	**612,407**
NET ASSETS		**88,399**	**94,222**
EQUITY			
Contributed equity	19	394,662	394,662
Reserves	19	7,045	4,092
Accumulated losses		(313,308)	(304,532)
TOTAL EQUITY		**88,399**	**94,222**

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 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		698,514	632,240
Payments to suppliers and employees		(568,073)	(536,018)
Interest received		684	730
Interest paid		(37,984)	(40,299)
Income taxes paid		(1,126)	(208)
Net cash inflow from operating activities	23	**92,015**	**56,445**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(97,670)	(57,112)
Proceeds from sale of property, plant and equipment		2,372	8,377
Transaction costs		(15,498)	-
Dividends received from joint venture entities		19,278	13,045
Net cash outflow from investing activities		**(91,518)**	**(35,690)**
Cash flows from financing activities			
Payments for borrowing costs and CCIRS termination proceeds		8,421	(159)
Payment of finance lease liabilities		(15,377)	(18,275)
Net cash outflow from financing activities		**(6,956)**	**(18,434)**
Net (decrease)/increase in cash and cash equivalents		(6,459)	2,321
Cash and cash equivalents at beginning of period		80,288	77,956
Effect of exchange rate fluctuations on cash held		(569)	11
Cash and cash equivalents at end of period		**73,260**	**80,288**

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 2019

	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 2018		4,722	389,940	**394,662**	(13,010)	8,077	6,421	2,604	(304,532)	94,222
Total comprehensive income for the year										
Loss for the year		-	-	-	-	-	-	-	(8,215)	(8,215)
Other comprehensive income/(loss)										
Changes in the fair value of cash flow hedges, net of tax	19(b)	-	-	-	(3,160)	-	-	-	-	(3,160)
Hedge reserve reclassified to profit or loss, net of tax	19(b)	-	-	-	874	-	-	-	-	874
Changes in the foreign exchange translation reserve	19(c)	-	-	-	-	4,678	-	-	-	4,678
Total other comprehensive income/(loss)		-	-	-	(2,286)	4,678	-	-	-	2,392
Total comprehensive Income/(loss) for the year		**-**	**-**	**-**	**(2,286)**	**4,678**	**-**	**-**	**(8,215)**	**(5,823)**
Transactions with owners of the Company										
Changes in the legal reserve	19(d)	-	-	-	-	-	-	561	(561)	-
Total transactions with owners of the Company		-	-	-	-	-	-	**561**	**(561)**	-
Balance at 30 June 2019		**4,722**	**389,940**	**394,662**	**(15,296)**	**12,755**	**6,421**	**3,165**	**(313,308)**	**88,399**

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 2018

	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 2017		4,722	389,940	**394,662**	(7,055)	5,359	6,421	1,702	(354,295)	46,794
Total comprehensive income for the year										
Profit for the year		-	-	**-**	-	-	-	-	50,665	50,665
Other comprehensive (loss)/income										
Changes in the fair value of cash flow hedges, net of tax	19(b)	-	-	**-**	(5,955)	-	-	-	-	(5,955)
Changes in the foreign exchange translation reserve	19(c)	-	-	**-**	-	2,718	-	-	-	2,718
Total other comprehensive (loss)/income		-	-	**-**	(5,955)	2,718	-	-	-	(3,237)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(5,955)**	**2,718**	**-**	**-**	**50,665**	**47,428**
Transactions with owners of the Company										
Changes in the legal reserve	19(d)	-	-	**-**	-	-	-	902	(902)	-
Total transactions with owners of the Company		-	-	**-**	-	-	-	**902**	**(902)**	-
Balance at 30 June 2018		**4,722**	**389,940**	**394,662**	**(13,010)**	**8,077**	**6,421**	**2,604**	**(304,532)**	**94,222**

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. In October 2018, Ausdrill Limited now trading as Perenti Global ("Perenti") successfully completed the acquisition of Barminco Holdings Pty Limited ("the acquisition").

The address of the Company's registered office is 6-12 Uppsala Place, Canning Vale, Western Australia, 6155. 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 West African and Tanzanian businesses are carried on through several jointly controlled entities referred to as African Underground Mining Services "AUMS".

The annual financial report of the Company for the year ended 30 June 2019 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 25th of October 2019.

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) 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.

Measurement of fair values

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.

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 20 – Financial Instruments

(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 2019, the Group's property, plant and equipment had a total book value of $161,670,000 (2018: $124,864,000) 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 statement of profit or loss and other comprehensive income.

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.

e) 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.

f) Accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2019 reporting period and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB 16 Leases

AASB 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of $12,642,000. Of these commitments, approximately $460,000 relate to short-term and low value leases which will be recognized on a straight-line basis as expense in profit or loss. For the remaining lease commitments, the Group expects to recognize lease liabilities and associated right-of-use assets of approximately $8,300,000 on 1 July 2019. All future cash flows in respect of lease payments, except short-term and low value leases, will be treated as operating activities. There will be no overall cash flow impact from the adoption of AASB 16.

Mandatory for financial years commencing on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property and equipment leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

Other amendments to existing standards that are not yet effective are not expected to result in significant changes to the Group's accounting policies.

g) New or amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group during the financial year ended 30 June 2019.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Adoption of AASB 9

The Group has adopted AASB 9 Financial Instruments as issued in December 2014 from 1 July 2018. In accordance with the transitional provisions, comparative figures have not been restated.

AASB 9 replaces the provisions of AASB 139 Financial Instruments that relate to the classification, measurement and derecognition of financial assets and liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. AASB 9 also amends other standards dealing with financial instruments such as AASB 7 Financial Instruments: Disclosures.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under AASB 139. In determining the recoverability of trade receivables using the expected credit loss model, the Group performs a risk analysis considering the type and age of the outstanding receivables, the creditworthiness of the counterparty, contract provisions, letter of credit and timing of payment. The Group has assessed the impact of the adoption of an ECL model under AASB 9 for trade receivables and contract assets and identified that the impairment loss provision was immaterial.

The new standard also introduces expanded disclosure requirements and changes from AASB 7 Financial Instruments: Disclosures which have been presented in the annual financial report.

The adoption of AASB 9 did not result in a significant change to the recognition or measurement of financial instruments for the Group as presented in the interim financial report.

Adoption of AASB 15

The Group has adopted AASB 15 Revenue from contracts with customers from 1 July 2018. AASB 15 supersedes AASB 118 Revenue.

In accordance with the transition provisions in the standard, the Group has adopted AASB 15 using the modified retrospective approach. Under this approach, comparatives are not restated, instead, the cumulative impact of the adoption will be recognised in opening retained earnings as of 1 July 2018. The new standard is only applied to contracts that remain in force at the date of adoption.

Costs incurred prior to the commencement of a contract may arise due to set-up and mobilisation as these are costs incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue in trade and other payables and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

Management has assessed the effect of the new standard, there was no impact on adoption in opening retained earnings or in disclosure in the Group's financial statements.

The new revenue accounting policies have been reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

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.

(i) 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.

(ii) 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.

(iii) Non-controlling interest

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

(iv) 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 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

The Group recognises revenue when the Group satisfies performance obligations by transferring a promised good or service to a customer. An asset is transferred when or as the customer obtains control of that asset. The concept of control under the new standard replaces the previous requirements to consider when the 'risks and rewards' pass to the customer as the trigger point to recognise revenue. For variable consideration, revenue was previously recognised when it was probable that work performed will result in revenue, whereas under the new standard, revenue is recognised when it is highly probable that a significant reversal of revenue will not occur.

(i) Contract assets and liabilities

AASB 15 uses the terms 'contract asset' and 'contract liability' to describe what is commonly known as 'accrued revenue' and 'deferred revenue'. Accrued revenue represents receivables for unbilled completed services where the Group's right to consideration is unconditional subject to only the passage of time. Deferred revenue arises where payment is received prior to work being performed and is allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

(ii) Variable consideration

The new standard provides new requirements for variable considerations such as claims, variations and contract modifications. Where consideration in respect of a contract is variable, the expected value of revenue is only recognised when the uncertainty associated with the variable consideration is subsequently resolved. The estimate is based on all available information including historic performance.

(iii) Contract fulfilment costs

Costs generally incurred prior to the commencement of a contract may arise due to mobilisation/site setup costs as these costs are incurred to fulfil a contract. Where these costs are expected to be recovered, they are capitalised and amortised over the contract consistent with the transfer of service to the customer. Where the costs, or a portion of these costs, are reimbursed by the customer, the amount received is recognised as deferred revenue.

(iv) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year and/or which contain other material financing components. Therefore, the Group does not adjust any of the transaction prices for the time value of money or other financing components. Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of trade allowances and rebates.

(v) Warranties and defect periods

Contracts for sale of goods and services may include defect and warranty periods following completion of the sale or project. These obligations are not deemed to be separate performance obligations and therefore are estimated and included in the total costs of the contracts. Where required, amounts are recognised in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

(i) Rendering of services

Services include contract mining, drill and blast, exploration drilling, earthmoving and rental of equipment. The performance obligation is fulfilled over time as the Group enhances assets which the customer controls, for which the Group does not have an alternative use and for which the Group has a right to payment for performance to date and as such revenue is recognised over time. Revenue is recognised monthly based on units of production at agreed contract rates that is aligned with the stand-alone selling prices for each performance obligation. Majority of the Group's revenue is paid one month in arrears and therefore gives rise to an accrued revenue. For rental of equipment, as the customer simultaneously receives and consumes the benefits, the entity has an enforceable right to payment and as such the performance obligation is fulfilled overtime. The total transaction price for contract services may include variable consideration. Sales of contracting and consulting services are recognised in the accounting year in which the services are rendered.

(ii) Sale of goods

Revenue is recorded at a point in time when control has been transferred to the customer, generally being when the goods have been despatched to a customer pursuant to the sales order.

e) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amount in the financial statements, and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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 consolidated financial statements. However, 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 substantially enacted by the end of the statement of financial position 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 only if 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 foreign operations where the Company 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.

The company and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of theses entities are set-off in the consolidated financial statements. The Barminco Group joined the Ausdrill Limited income tax consolidated group on 1st November 2018. Deferred tax assets for the carry forward of unused tax losses are only recognised in Ausdrill Limited as the head company of the income tax consolidated group.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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 and expected credit losses. Trade receivables are generally due for settlement within 15 to 30 days. The Group's impairment loss allowance and other accounting policies for trade and other receivables are outlined in note 20 b)(i).

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)	2 – 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 21). 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 on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 period 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 Financial Officer ("CFO"), who are collectively the Group's chief 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 CFO 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 and is responsible for the review of the risk management policy which identifies, assesses, monitors, and manages the material risk throughout the Group.

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.

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 24% (year ended 30 June 2018: 22%) 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 2018: Nil).

(iii) Guarantees

The Group's policy is to provide financial guarantees only to or for subsidiaries. Refer to note 27.

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: $498,481,000 (in 15 May 2022)
- Revolving credit facility: $45,000,000 (in 24 October 2020)

As at 30 June 2019, the Revolving credit facility is effectively undrawn, the only drawing made was $3,100,000 used for the purposes of bank guarantees.

The Group's High Yield Bonds 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.

(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. The face value of these outstanding notes as at 30 June 2018 is US$350 million (AU$498 million, note 17). The currency risk attached to the bonds was hedged 100% by a cross currency interest rate swap which had 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 until May 2019 when the cross currency interest rate swaps (hedging instrument) were cancelled.

(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.

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 19. 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.

5. Revenue

	2019 $'000	2018 $'000
Services	634,949	579,444
Sale of goods	12,871	6,621
	647,820	**586,065**

6. Expenses

a) Employee benefits expenses

	2019 $'000	2018 $'000
Wages and salaries	(231,625)	(207,492)
Compulsory superannuation payments	(19,477)	(16,228)
(Increase)/decrease in employee leave entitlements	(2,912)	2,994
	(254,014)	**(220,726)**

b) Other expenses

	2019 $'000	2018 $'000
Operating lease expense	(9,998)	(8,790)
Freight	(10,293)	(8,273)
Travel	(5,619)	(2,890)
Onerous provision reversal	-	564
Custom import duty and sales tax	(709)	(870)
Transaction costs	(13,858)	-
Other	(11,361)	(12,092)
	(51,838)	**(32,351)**

c) Financing costs

	2019 $'000	2018 $'000
Amortisation of borrowing costs	(3,196)	(3,290)
Interest and finance charges paid/payable on borrowings	(35,767)	(36,147)
Interest paid/payable on finance leases	(946)	(1,969)
Cash flow hedge settlement	(1,248)	-
Other interest paid/payable	(2,680)	(2,983)
	(43,837)	**(44,389)**

d) Financing income

	2019 $'000	2018 $'000
Interest income	684	730

7. Remuneration of auditors

Following completion of the Barminco acquisition by Perenti, KPMG resigned as auditor of Barminco Holdings Pty Ltd. The current auditor of Perenti, PricewaterhouseCoopers, was appointed as auditor of Barminco Holdings Pty Ltd.

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:

	2019 $'000	2018 $'000
PwC Australia		
Audit of financial report	-	-
Assurance and other services	161,707	492,954
	161,707	**492,954**
Overseas PwC firms		
Audit services	-	-
Assurance, tax compliance and other services	30,155	11,356
	30,155	**11,356**
KPMG Australia		
Audit of financial report	182,922	195,000
Assurance and other services	157,008	46,125
	339,930	**241,125**
Overseas KPMG firms		
Audit services	44,896	84,990
Assurance, tax compliance and other services	15,755	29,730
	60,651	**114,720**

Since the acquisition, the audit fees of Barminco Holdings Pty Ltd were born by Perenti.

8. Income tax

a) Income tax benefit/(expense)

	2019 $'000	2018 $'000
(i) Tax recognised in profit and loss		
Current tax on profits for the year	(4,627)	(208)
Deferred tax	(46,057)	13,103
Adjustments for current tax of prior periods	(450)	-
Total tax recognised in profit and loss	**(51,134)**	**12,895**

(ii) Amounts recognised directly in equity

Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:

	2019 $'000	2018 $'000
Current tax – debited/(credited) directly to equity	3,286	-
Deferred tax – debited/(credited) directly to equity	(3,183)	2,552
Total tax charged directly to equity	**103**	**2,552**

(iii) Tax recognised in other comprehensive income

No net income tax amounts were recognised in other comprehensive income for the year ending 30 June 2019 (year ended 30 June 2018: $ Nil).

b) Numerical reconciliation of income tax expense to prima facie tax payable

	2019 $'000	2018 $'000
Profit/(Loss) for the year before income tax	42,919	37,770
Tax (expense)/benefit at the Australian tax rate of 30%	(12,876)	(11,331)
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Other assessable income/non-deductible expenses	(1,956)	(1,805)
Difference in overseas tax rates	6,210	4,646
Share of net (profit) of joint ventures	11,826	7,011
Withholding tax	(3,317)	(208)
Tax losses utilised current year	255	194
Temporary difference not recognised current year	-	1,199
Prior year recognised deferred tax assets now derecognised*	(60,426)	-
Tax losses not recognised in the current year	(945)	-
Recognition of previously unrecognised tax losses	1,846	12,626
Foreign tax credits not recoverable	(34)	(60)
(Under)/over provision in prior years	(450)	623
Uplift in the tax carrying value of depreciating assets upon the acquisition	8,733	-
	(51,134)	**12,895**

** On 1 November 2018 Barminco Holdings Pty Ltd and its Australian subsidiaries joined the Ausdrill Limited income tax consolidated group. It was determined that the available fraction applicable to Barminco's tax losses is likely to be nil. This meant that the losses had nil value to Ausdrill. To ensure the losses did not negatively impact the tax cost base resetting of the Barminco assets upon acquisition, the losses were therefore cancelled for accounting purposes. Management is investigating whether these tax losses can be transferred to Ausdrill Limited's income tax consolidated group. Any tax losses would be recognised in Ausdrill Limited, the head company of the income tax consolidated group, rather than in the accounts of Barminco Holdings Pty Limited.*

c) Unrecognised deferred tax assets

	2019 $'000	**2018 $'000**
Deferred tax assets have not been recognised in respect on the following items:		
Australia		
Tax losses (gross)	203,127	-
Other deferred tax assets (gross)	-	-
	203,127	-
Overseas		
Tax losses (gross)	59	6,134
Other deferred tax assets (gross)	-	252
	59	6,386
Total unrecognised deferred tax assets (gross)	**203,186**	**6,386**

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, including continuity of ownership or same business test in Australia; and

(iii) no changes in tax legislation adversely affect the relevant company in realising the benefit from the deductions for the losses.

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 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	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade and other receivables	-	-	-	43	-	43
Inventories	-	-	-	1,246	-	1,246
Property, plant and equipment	(338)	(282)	4,250	9,813	3,912	9,531
Derivative financial instruments	-	(5,896)	-	-	-	(5,896)
Trade and other payables	(1,326)	(2,983)	-	-	(1,326)	(2,983)
Employee benefits	(8,655)	(7,734)	-	-	(8,655)	(7,734)
Provisions	-	(22)	-	-	-	(22)
Borrowings	(6,539)	-	-	2,836	(6,539)	2,836
Other items	(1,981)	(105)	561	242	(1,420)	137
Tax losses carried forward	-	(60,426)	-	-	-	(60,426)
Tax (assets)/ liabilities	(18,839)	(77,448)	4,811	14,180	(14,028)	(63,268)
Set off of liabilities	4,811	14,180	(4,811)	(14,180)	-	-
Net tax (assets)/liabilities	**(14,028)**	**(63,268)**	**-**	**-**	**(14,028)**	**(63,268)**

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 2017 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2018 $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Balance 30 June 2019 $'000
Trade and other receivables	31	12	-	43	(43)	-	-
Inventories	1,024	222	-	1,246	(1,246)	-	-
Property, plant and equipment	8,769	762	-	9,531	(5,619)	-	3,912
Derivative financial instruments	(7,123)	(1,370)	2,597	(5,896)	8,493	(2,597)	-
Trade and other payables	(1,038)	(1,945)	-	(2,983)	1,657	-	(1,326)
Employee benefits	(8,654)	920	-	(7,734)	(921)	-	(8,655)
Provisions	(152)	130	-	(22)	22	-	-
Borrowings	6,823	1,163	(5,149)	2,837	(15,156)	5,780	(6,539)
Other items	(6)	142	-	136	(1,556)	-	(1,420)
Tax loss carry forwards	(47,286)	(13,140)	-	(60,426)	60,426	-	-
DTA not recognised/(recognised)	-	-	-	-	-	-	-
	(47,612)	**(13,104)**	**(2,552)**	**(63,268)**	**46,057**	**3,183**	**(14,028)**

9. Earnings per share

	2019 $'000	2018 $'000

Basic earnings per share

The calculation of basic (loss)/earnings per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of $8,215,000 (Profit 2018: $50,665,000) and a weighted average number of ordinary shares outstanding of 5,000,000 (2018: 5,000,000) calculated as follows:

	2019 $'000	2018 $'000
(i) Profit/(loss) attributable to ordinary shareholders		
Profit/(loss) attributable to ordinary shareholders	(8,215)	50,665
(ii) Weighted average number of ordinary shares		
Weighted average number of ordinary shares	5,000,000	5,000,000
	$	**$**
Basic (loss)/earnings per share	**(1.6)**	**10.1**

Diluted earnings per share

There were no dilutive instruments outstanding during the year.

10. Trade and other receivables

	2019 $'000	2018 $'000
Trade receivables	22,669	26,022
Accrued revenue	56,798	53,855
Related party receivables	3,226	2,743
Other receivables	14,226	852
	96,919	**83,472**

Refer to note 20 b) for information on the aging of the Group's trade receivables.

11. Inventories

	2019 $'000	2018 $'000
Inventory balances at end of year		
Stores	24,562	20,700

Inventory expense

Write-downs of inventories to net realisable value recognised as an expense during the year were $114,000 (2018: $151,000). In 2019, inventories (excluding consignment stock) of $94,292,000 (2018: $82,277,000) 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 2019 %	Ownership 2018 %
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
Underground Mining Alliance Limited (“UMA”) Joint Venture	Ghana	Mining services	35	-

There are no other investments in equity in any of the above entities. AUMS, AUMST and UMA have a 30 June reporting date whilst AUMSM and AUMSB have a 31 December reporting date.

The investments in AUMS are accounted for using the equity method in accordance with AASB 128.

During 2019 AUMST paid dividends to the company of USD7,250,000 (A$10,253,000), AUMSM paid CFA 3,712,000,000 (A$9,025,000) and AUMSB declared dividends of CFA 4,500,000,000 (A$11,111,000). In 2018 AUMSM paid dividends to the Company in the amount of CFA 5,700,000,000 (A$13,045,000).

Summarised financial information for AUMS is set out in the following page.

	2019 $'000	2018 $'000
a) Share of net assets/ (liabilities) of jointly controlled entities		
Total current assets	181,759	130,715
Total non-current assets	128,330	91,037
Total assets	**310,089**	**221,752**
Total current liabilities	(127,850)	(57,605)
Total non-current liabilities	(10,625)	(21,237)
Total liabilities	**(138,475)**	**(78,842)**
Net assets (100%)	**171,614**	**142,910**
Group's share of net assets	83,891	71,455
Elimination of unrealised profit on downstream sales	1,086	(223)
Carrying amount of interest in joint venture	**84,977**	**71,232**

b) Share of profits of jointly controlled entities

	2019 $'000	2018 $'000
Revenue	448,203	291,602
Other income	5,220	2,578
Operating and other expenses	(301,744)	(193,989)
Depreciation	(46,800)	(37,077)
Operating profit	**104,879**	**63,114**
Net finance costs	(2,985)	(2,597)
Tax	(23,452)	(14,887)
Profit for the year (100%)	**78,442**	**45,630**
Profit for the year	**38,738**	**22,815**
Elimination of unrealised profit on downstream sales	1,309	(82)
Realised gain on dividend income	-	639
Group's share of profit for the year	**40,047**	**23,372**

13. Property, plant and equipment

a) Reconciliation of the movement in carrying amounts

30 June 2019	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	94,567	27,087	2,498	712	124,864
Additions	96,564	-	575	477	97,616
Disposals	(1,575)	(39)	-	(9)	(1,623)
Depreciation charge	(49,090)	(9,358)	(416)	(323)	(59,187)
Closing net book amount	**140,466**	**17,690**	**2,657**	**857**	**161,670**
Cost	381,018	46,540	5,980	4,290	437,828
Accumulated depreciation	(240,552)	(28,850)	(3,323)	(3,433)	(276,158)
Net book amount	**140,466**	**17,690**	**2,657**	**857**	**161,670**
30 June 2018					
Opening net book amount	84,916	36,049	2,550	827	124,342
Additions	56,483	6,831	402	322	64,038
Disposals	(6,273)	(9)	-	(4)	(6,286)
Depreciation charge	(40,559)	(15,784)	(454)	(433)	(57,230)
Closing net book amount	**94,567**	**27,087**	**2,498**	**712**	**124,864**
Cost	334,303	46,617	5,414	3,838	390,172
Accumulated depreciation	(239,736)	(19,530)	(2,916)	(3,126)	(265,308)
Net book amount	**94,567**	**27,087**	**2,498**	**712**	**124,864**

b) Assets in the course of construction

The carrying amounts of the assets disclosed above include $17,065,000 (2018: $4,934,000) in expenditure recognised in relation to property, plant and equipment which is in the course of construction.

c) 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 2019	Goodwill $'000's	Customer Relationships $'000's	Computer Software $'000's	Total $'000's
Opening net book amount	256,930	634	1,431	258,995
Additions	-	-	54	54
Amortisation charge	-	(299)	(439)	(738)
Exchange differences	(1,734)	(2)	-	(1,736)
Closing net book amount	**255,196**	**333**	**1,046**	**256,575**
Cost	255,196	75,884	2,487	333,567
Accumulated amortisation	-	(75,551)	(1,441)	(76,992)
Net book amount	**255,196**	**333**	**1,046**	**256,575**
30 June 2018				
Opening net book amount	256,930	1,172	1,679	259,781
Additions	-	-	147	147
Amortisation charge	-	(538)	(395)	(933)
Closing net book amount	**256,930**	**634**	**1,431**	**258,995**
Cost	256,930	76,400	2,433	335,763
Accumulated amortisation	-	(75,766)	(1,002)	(76,768)
Net book amount	**256,930**	**634**	**1,431**	**258,995**

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 (2018: $Nil).

c) Impairment testing for the cash-generating unit containing goodwill

	2019 $'000	2018 $'000
The following unit has significant carrying amount of goodwill:		
Barminco Australia, Egypt and India	**255,196**	**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 2019 with no impairment noted.

On 31 October 2018 the Company was acquired by Perenti. At 30 June 2019, the recoverable amount of the assets has been determined based on fair value less costs of disposal, with reference to the recent purchase price. There are no indicators to suggest that the fair value has significantly changed since acquisition.

15. Trade and other payables

	2019 $'000	2018 $'000
Trade payables	42,437	39,473
Other creditors and accruals	44,505	33,108
	86,942	**72,581**

16. Derivative financial instruments

	2019 $'000	2018 $'000
Non-current liability		
Cross currency interest rate swap contract cash flow hedge	-	19,652

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. In May 2019, the functional currency of the entity holding the debt was changed to USD and CCIRS were cancelled. Currency fluctuations have no impact to the profit and loss account.

17. Borrowings

	Note	Currency	Nominal interest rate	Year of maturity	30 June 2019 Current $'000's	30 June 2019 Non-current $'000's	30 June 2018 Current $'000's	30 June 2018 Non-current $'000's
High Yield Bond 2022	(a)	USD	6.63%	2022	-	498,481	-	468,036
Shareholder loan	(c)	AUD	0%	2026	-	11,556	-	10,750
Finance lease liabilities	(b)	AUD	5.9%	2018 - 2020	7,542	215	15,587	7,547
					7,542	**510,252**	**15,587**	**486,333**
Capitalised borrowings costs - High Yield Bonds		AUD			(2,368)	(4,441)	(2,385)	(6,855)
Total interest bearing liabilities					**5,174**	**505,811**	**13,202**	**479,478**

(a) High Yield Bonds

The 2022 High Yield Bonds relate to the 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 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

In June 2016, the Shareholder Loan 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 19(e)). A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan mature on 1 May 2026.

(d) Assets pledged as security

	2019 $'000	2018 $'000
Current		
Fixed and floating charge		
Cash and cash equivalents	58,276	76,068
Trade and other receivables	82,695	62,799
Inventories	16,281	13,517
Other assets	4,530	2,694
Total current assets pledged as security	**161,782**	**155,078**
Non-current		
Fixed and floating charge		
Receivables	225	2,815
Property, plant and equipment	129,481	82,404
	129,706	**85,219**
Property plant and equipment under finance leases and chattel mortgages		
Finance leases	17,690	27,087
Total non-current assets pledged as security	**147,396**	**112,306**
Total assets pledged as security	**309,178**	**267,384**

The assets pledged support the Revolving Credit Facility and finance leases of the Barminco Group Australian assets.

18. Employee benefits

	2019 $'000	2018 $'000
Current liability		
Annual leave	18,462	15,890
Long service leave	11,164	9,870
	29,626	**25,760**
Non-current liability		
Long service leave	**780**	**1,734**

19. Capital and reserves

a) Share capital

	2019		2018	
	#'000	**$'000**	**#'000**	**$'000**
Ordinary shares - fully paid	5,000	4,722	5,000	4,722
Redeemable preference shares	122,165	389,940	122,165	389,940
	127,165	**394,662**	**127,165**	**394,662**

At 30 June 2019 all ordinary shares had been fully paid with no ordinary shares partly paid (30 June 2018: 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.

b) Hedging reserve

	2019 $'000	**2018 $'000**
Balance at the beginning of year	(13,010)	(7,055)
Revaluation	(3,160)	(5,955)
Reclassified to profit or loss	874	-
	(15,296)	**(13,010)**

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.

c) Translation reserve

	2019 $'000	**2018 $'000**
Balance at the beginning of year	8,077	5,359
Currency translation differences	4,678	2,718
	12,755	**8,077**

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

	2019 $'000	2018 $'000
Balance at the beginning of year	2,604	1,702
Legal reserve increase	561	902
	3,165	**2,604**

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

	2019 $'000	2018 $'000
Balance at the beginning of year	6,421	6,421
Effect of discounting Shareholder Loan	-	-
	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.

20. 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 2019	**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	-	73,260	-	73,260	-	-	-	-
Trade and other receivables	-	96,919	-	96,919	-	-	-	-
	-	**170,179**	**-**	**170,179**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(86,942)	(86,942)	-	-	-	-
Finance lease liabilities	-	-	(7,757)	(7,757)	-	(7,757)	-	(7,757)
High Yield Bonds *	-	-	(498,481)	(498,481)	(519,707)	-	-	(519,707)
Shareholder loan notes	-	-	(11,556)	(11,556)	-	-	(11,556)	(11,556)
	-	**-**	**(604,736)**	**(604,736)**				
	-	**170,179**	**(604,736)**	**(434,557)**				

* Carrying amount of High Yield Bonds is excluding capitalised borrowing costs.

	Carrying amount				Fair value			
30 June 2018	**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	-	80,288	-	80,288	-	-	-	-
Trade and other receivables	-	83,472	-	83,472	-	-	-	-
	-	**163,760**	**-**	**163,760**				
Financial liabilities measured at fair value								
Cross currency interest rate swaps used for hedging	(19,652)	-	-	(19,652)	-	(19,652)	-	(19,652)
	(19,652)	**-**	**-**	**(19,652)**				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(72,581)	(72,581)	-	-	-	-
Finance lease liabilities	-	-	(23,134)	(23,134)	-	(23,134)	-	(23,134)
High Yield Bonds *	-	-	(468,036)	(468,036)	(456,357)	-	-	(456,357)
Shareholder loan notes	-	-	(10,750)	(10,750)	-	-	(10,750)	(10,750)
	-	**-**	**(574,501)**	**(574,501)**				
	(19,652)	**163,760**	**(574,501)**	**(430,393)**				

* Carrying amount of High Yield Bonds is excluding capitalised borrowing costs.

(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 (2018: 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.

	Shareholder loan notes $'000
Balance at 1 July 2017	(10,000)
Net change in fair value	-
Interest included in finance costs	(750)
Balance as at 30 June 2018	**(10,750)**
Balance at 1 July 2018	(10,750)
Net change in fair value	-
Interest included in finance costs	(806)
Balance as at 30 June 2019	**(11,556)**

There were no transfers out of level 3 during the year (2018: 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 2019 was US$350,000,000 (A$498,481,000) (as at 30 June 2018: US$350,000,000, A$468,036,000). Fair value reflects the closing price of the notes as listed on the Singapore stock exchange as at 30 June 2019 and 30 June 2018.

	2019 $'000	2018 $'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:

	2019 $'000	2018 $'000
Cash and cash equivalents	73,260	80,288
Trade and other receivables	96,919	83,472
	170,179	**163,760**

The Group's maximum exposure to credit risk for receivables at the reporting date by geographic region was:

	2019 $'000	2018 $'000
Australia	74,247	64,455
Africa	19,336	14,231
India	3,336	4,786
	96,919	**83,472**

The Group's maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

	2019 $'000	2018 $'000
Mining customers	93,693	80,729
Jointly controlled entity	3,226	2,743
	96,919	**83,472**

(ii) Trade receivable provisions

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly. The other receivables are assessed collectively for expected credit losses.

Receivables for which an impairment/expected credit loss provision was recognised are written off against the provision when there is no expectation of recovering additional cash.

The creation and release of the provision for impaired and expected credit loss receivables, if any, is included in other expenses in the consolidated statement of profit or loss.

As at 30 June 2019, current trade receivables of $22,669,000 were assessed for expected credit losses. Of this $2,425,000 were past due. The Group expects that the receivables are to be recovered.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected credit loss allowance for trade receivables and accrued revenue.

Expected credit losses are based on a review of payment profiles over 12 months, historical credit loss experience in this period and financial information affecting the ability of the customers to settle the receivable. Historical loss rates are adjusted to reflect balances receivable or otherwise provided for. Accrued revenue relates to unbilled completed services and has substantially the same characteristics as the trade receivables for the same type of contracts.

The aging of these receivables greater than 90 days past due is as follows:

	2019 $'000	**2018 $'000**
3 to 6 months	2,425	2,876
Over 6 months	-	-
	2,425	**2,876**

Based on historic default rates, the Group believes that no provision for impairment and expected credit losses is necessary in respect of trade receivables as all customers have a good credit history with the Group.

(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 2019	**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	86,942	(86,942)	(86,942)	-	-
Finance lease liabilities	7,757	(7,957)	(7,741)	(216)	-
High Yield Bonds	498,481	(597,554)	(33,024)	(564,530)	-
Shareholder loan notes	11,556	(19,172)	-	-	(19,172)
	604,736	**(711,625)**	**(127,707)**	**(564,746)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	-	-	-	-
- Outflows	-	-	-	-	-
Cross currency interest rate swaps used for hedging	**-**	**-**	**-**	**-**	**-**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

30 June 2018	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	72,581	(72,581)	(72,581)	-	-
Finance lease liabilities	23,134	(24,280)	(16,533)	(7,747)	-
High Yield Bonds	468,036	(597,745)	(31,305)	(566,440)	-
Shareholder loan notes	10,750	(19,172)	-	-	(19,172)
	574,501	**(713,778)**	**(120,419)**	**(574,187)**	**(19,172)**
Derivative financial (assets)/liabilities					
Gross settled cross currency interest rate swaps used for hedging the High Yield Bonds					
- Inflows	-	597,745	31,305	566,440	-
- Outflows	-	(612,072)	(36,260)	(575,812)	-
Cross currency interest rate swaps used for hedging	**-**	**(14,327)**	**(4,955)**	**(9,372)**	**-**

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:

	2019		
	USD* $'000	INR* $'000	EGP* $'000
Cash and cash equivalents	4,557	5,016	228
Trade and other receivables	-	3,669	3,336
Gross statement of financial position exposure	**4,557**	**8,685**	**3,564**

The USD denominated debt was fully hedged until May 2019 when cross currency interest rate swaps (hedging instrument) were cancelled and the functional currency of the entity holding the debt was changed to USD. Currency fluctuations have no impact to the profit and loss account.

	2018		
	USD*	INR*	EGP*
	$'000	$'000	$'000
Cash and cash equivalents	18	2,056	182
Trade and other receivables	-	4,786	300
Derivative financial instruments	(19,652)	-	-
Gross statement of financial position exposure	**(19,634)**	**6,842**	**482**

*Australian dollar equivalent of USD / EGP / INR

The following significant exchange rates applied during the year:

	2019	2018
	USD	USD
Reporting date spot rate	0.7021	0.7407
Average rate	0.7173	0.7754

(ii) Sensitivity analysis

The Group is subject to the impact of changes in foreign currency exchange rates due to exposures to USD, EGP and INR. 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 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.

	2019		2018	
	Strengthening	Weakening	Strengthening	Weakening
	$'000	$'000	$'000	$'000
United States Dollar (USD)	455	(455)	(1,964)	1,964
Indian Rupee (INR)	835	(835)	684	(684)
Egyptian Pound (EGP)	390	(390)	48	(48)

d) Interest rate risk

The Group entered into four different cross currency interest rate swaps in 2017. The swaps were cancelled in May 2019. The cross currency interest rate swaps (hedging instrument) were accounted for as both cash flow hedges and fair value hedges. The cross currency interest rate swaps were 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:

	2019 $'000	2018 $'000
Fixed rate instruments		
Financial liabilities	**(517,794)**	**(516,913)**
Variable rate instruments		
Financial assets	**54,706**	**72,824**

(ii) Fair value sensitivity analysis for fixed rate instruments

The fixed-to-floating cross currency interest rate swaps (hedging instrument) were accounted for as fair value hedges. Therefore, a change in interest rates at the reporting date affected profit or loss. The interest rate swaps were 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 2019				
Fixed rate instruments	-	-	-	-
Cross currency interest rate swap	-	-	-	-
	-	**-**	**-**	**-**
30 June 2018				
Fixed rate instruments	(8,554)	8,554	-	-
Cross currency interest rate swap *	8,554	(8,554)	-	-
	-	**-**	**-**	**-**

* The cross-currency interest rate swap had AUD pay and USD receive legs with different underlying interest rate structures. A 100bp increase in both the USD and AUD interest rates will resulted in a fair value cost to Barminco. Independently calculated, the fixed to floating AUD leg of the swaps are valued at A$ Nil (2018: A$1,942,046) and USD leg A$ Nil (2018: A$10,495,926).

Detailed below is the profit and loss impact of fair value hedges during the year.

	Profit or loss	
	2019	2018
	$'000	$'000
Fixed to floating cross currency interest rate swap		
- Swap	(3,326)	4,799
- Hedged item (debt)	3,445	(4,797)
Net profit and loss impact before tax	**119**	**2**

(iii) Cash flow sensitivity analysis for variable rate instruments

The fixed to fixed cross currency interest rate swaps (hedging instrument) were accounted for as cash flow hedges. Therefore, a change in interest rates at the reporting date affected equity. The interest rate swaps were 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 2018.

	Profit or loss		Equity	
	100 bp Increase	100 bp Decrease	100 bp Increase	100 bp Decrease
	$'000	$'000	$'000	$'000
30 June 2019				
Variable rate instruments	547	(547)	-	-
Cross currency interest rate swap	-	-	-	-
	547	**(547)**	**-**	**-**
30 June 2018				
Variable rate instruments	728	(728)	-	-
Cross currency interest rate swap *	-	-	473	(473)
	728	**(728)**	**473**	**(473)**

* 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$ Nil (2018: A$12,400,935) and USD leg A$ Nil (2018: A$11,928,274).

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 2019			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	-	-	-
	-	**-**	**-**
30 June 2018			
Financial liabilities			
Other investments, including derivatives			
- Cross currency Interest rate swaps used for hedging	(19,652)	-	(19,652)
	(19,652)	**-**	**(19,652)**

21. Commitments

Operating leases

	Note	2019 $'000	2018 $'000
Non-cancellable operating lease rentals are payable as follows:			
Within one year		3,707	3,214
Later than one year but not later than five years		8,526	11,331
Later than five years		409	203
		12,642	**14,748**

During the year an amount of $9,998,000 was recognised as an other expense (refer to note 6 b)) in profit or loss in respect of operating leases (2018: $8,790,000).

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

	Note	2019 $'000	2018 $'000
Commitments in relation to finance leases are payable as follows:			
Within one year		7,740	16,533
Later than one year but not later than five years		216	7,746
Minimum lease payments		**7,956**	**24,279**
Future finance charges		(199)	(1,145)
Recognised as a liability		**7,757**	**23,134**
Representing lease liabilities			
Current	17	7,542	15,587
Non-current	17	215	7,547
		7,757	**23,134**

Representing lease liabilities

The Group leases various plant and equipment with a carrying amount at 30 June 2019 of $17,690,000 (2018: $27,087,000) 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

	2019 $'000	2018 $'000
Capital commitments are as follows:		
Within one year	56,835	20,379
Later than one year but not later than five years	-	-
	56,835	**20,379**

22. Segment reporting

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

	2019		2018	
	Revenue/ Other income $'000	Non-current assets $'000	Revenue/ Other income $'000	Non-current assets $'000
Australia	545,301	417,550	502,588	432,421
Africa	85,501	14,492	73,956	15,211
India	17,770	456	11,610	532
Africa- AUMS Joint Venture	-	84,977	-	71,232
	648,572	**517,475**	**588,154**	**519,396**

Major customers

Revenues from the Group's major customers for the year ending 30 June 2019 represented A$576 million (2018: A$561 million) of the Group's total revenues.

	2019 Revenue $'000		2018 Revenue $'000
Highest customer	140,041	Highest customer	128,591
2nd Highest	102,220	2nd Highest	102,374
3rd Highest	94,851	3rd Highest	100,266
4th Highest	85,482	4th Highest	79,311
5th Highest	81,985	5th Highest	77,021
6th Highest	71,642	6th Highest	73,935
	576,221		**561,498**

23. Cash flow information

	2019 $'000	2018 $'000
Reconciliation of cash flows from operating activities		
(Loss)/profit for the year after tax	(8,215)	50,665
Adjustments for:		
Depreciation of property, plant and equipment	59,187	57,230
Amortisation of intangibles	738	933
Gain on disposal of property, plant and equipment	(752)	(2,089)
Amortisation of long term incentive	1,640	-
Accrued interest on shareholder loan notes	806	750
Accrued interest bank	(290)	111
Fair value adjustment to derivatives	3,160	(60)
Share of profit from equity accounted investments	(40,047)	(23,372)
Dividends declared by equity accounted investments	11,111	-
Transaction costs	13,858	-
Amortisation of borrowing costs	3,196	3,023
Net unrealised foreign exchange (gain)/loss	624	(39)
Income tax expense/(benefit)	46,745	(13,103)
Cash flow hedge reserve reclassified to profit or loss	(874)	-
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(11,807)	(4,421)
(Increase)/decrease in other assets	(1,050)	2,102
(Increase)/decrease in inventory	(3,862)	(1,915)
(Decrease)/increase in trade and other payables	14,816	(6,290)
(Decrease)/increase in employee benefits and other provisions	3,031	(7,080)
Net cash from operating activities	**92,015**	**56,445**

a) Non-cash financing and investing activities

The Group has acquired property, plant and equipment of $Nil using finance leases during the year (2018: $6,831,000).

24. Related parties

a) Key management personnel compensation

	2019 $	2018 $
Key management personnel compensation comprised:		
Short term employee benefits	1,484,189	2,411,405
Termination payments	-	760,834
Post employment benefits	55,812	90,811
	1,540,001	**3,263,050**

Key management personnel include the Chief Executive Officer, Chief Financial 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 until 31 October 2018

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: $6,888,013 (2018: $15,714,934).

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: $Nil (2018: $333,333). The consultancy fee ceased to be paid on 1 July 2018.

Director fees and business expenses

Director fees were payable to Peter Bartlett during the year and he is reimbursed for all business-related expenses.

Costs incurred during the year: $33,333 (2018: $100,000).

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: $1,067,424 (2018: $2,184,747).

(ii) Mr K Gordon – Chairman and Independent Non-executive Director of Barminco Holdings until 31 October 2018

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: $Nil (2018: $19,000).

Director fees

Director fees were payable to Keith Gordon during the year.

Costs incurred during the year: $66,667 (2018: $195,833).

(iii) Gresham Investors until 31 October 2018

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 $Nil (2018: $666,666) per annum (exclusive of GST) is payable for the provision of corporate and financial advice. In 2019 Gresham Advisory Partners Limited was paid $8,200,000 to fund long term incentive obligations as part of the acquisition and $3,830,443 for the provision of consultancy services and transaction fees in relation with the acquisition.

Director fees

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

Costs incurred during the year: $100,000 (2018: $283,333). Director fees ceased to be paid on 31 October 2018.

Travel and other costs

Travel and other costs reimbursed to Gresham Private Equity Limited for the period was $147,680 (2018: $175,053).

(iv) Ausdrill Limited trading as Perenti Global from 1 November 2018

Sales and purchases of goods and services

Sale of goods $97,589 (2018: $Nil).

Purchases of goods $96,577 (2018: $Nil).

Purchase of management services and recharges $4,285,217 (2018: $Nil).

Outstanding balances arising from sales/purchases of goods and services, management services and recharges

Current receivables $Nil (2018: $Nil).

Current payables $2,347,303 (2018: $Nil).

c) Other related party transactions

(i) Key Management Personnel

Prior to the acquisition in October 2018, management and prior management were the beneficial owners of 500,000 ordinary shares representing 10% of Barminco Holdings (2018: 500,000) and 3,396,157 redeemable preference shares representing 3% of the redeemable preference shares on issue at that date (2018: 3,396,157), see Note 19 a). Redeemable preference shares were converted to ordinary shares of Perenti on the acquisition.

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 2019 is $6,043,650 (2018: $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 trading as Perenti Global (Ausdrill). Ausdrill provide services to AUMS at normal commercial terms.

At 30 June 2019 a subsidiary of the Group, Barminco Ltd had a related party trade debtor of $3,225,505 (2018: $2,742,828) which is recognised in the Group's statement of financial position.

25. Subsequent events

No matters or significant events have arisen since 30 June 2019 that have or may significantly affect the operations, results, or state of affairs of the Group.

26. 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 2019 %	Equity holding 2018 %
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	100
Barminco India Investments Ltd	Australia	Ordinary	100	100
Barminco Indian Underground Mining Services LLP	India	Ordinary	100	100

27. Deed of cross guarantee

Pursuant to ASIC Class Order 2016/785 (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 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 2019 is set out as follows:

a) Statement of profit and loss and other comprehensive income

	2019 $'000's	2018 $'000's
Revenue	557,158	510,495
Other income	11,770	13,764
Consumables used	(178,344)	(160,023)
Employee benefits expense	(221,758)	(192,510)
Contractor and consultant expenses	(30,974)	(33,657)
Depreciation and impairment of property, plant & equipment	(52,872)	(51,286)
Amortisation and impairment of intangible assets	(738)	(933)
Other expenses	(56,362)	(35,983)
Results from operating activities	**27,880**	**49,867**
Share of net profit from joint venture	8,491	2,546
Financing costs	(43,783)	(44,386)
Financing income	557	653
(Loss)/Profit before income tax	**(6,854)**	**8,680**
Income tax (expense)/benefit	(46,987)	13,189
(Loss)/profit for the year	**(53,842)**	**21,869**
Other comprehensive income/(loss)		
Effective portion of changes in fair value of cash flow hedges	(2,074)	(5,955)
Net change in fair value of cash flow hedges reclassified to profit or loss	(212)	-
Foreign currency translation differences	1,677	738
Other comprehensive income/(loss) for year, net of tax	**(610)**	**(5,216)**
Total comprehensive (loss)/income attributable to equity holders of the Company	**(54,451)**	**16,652**

b) Statement of financial position

	30 June 2019 $'000	30 June 2018 $'000
Assets		
Cash and cash equivalents	58,276	76,067
Trade and other receivables	82,695	72,774
Inventories	16,281	13,517
Other assets	4,530	2,694
Total current assets	**161,782**	**165,052**
Receivables	225	2,815
Investments	37,324	25,982
Property, plant and equipment	147,171	109,424
Intangibles	256,575	259,061
Deferred tax assets	13,667	62,986
Total non-current assets	**454,961**	**460,268**
Total assets	**616,743**	**625,320**
Liabilities		
Trade and other payables	83,108	67,487
Borrowings	5,174	13,202
Employee benefits	27,865	24,046
Provisions	119	-
Total current liabilities	**116,266**	**104,735**
Borrowings	505,811	479,478
Borrowings related parties	83,512	54,896
Employee benefits	780	1,734
Derivative financial instruments	-	19,652
Total non-current liabilities	**590,103**	**555,760**
Total liabilities	**706,369**	**660,495**
Net liabilities	**(89,626)**	**(35,175)**
Equity		
Contributed equity	394,661	394,661
Reserves	(3,131)	(2,522)
Accumulated losses	(481,156)	(427,314)
Total equity	**(89,626)**	**(35,175)**

28. Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2019 the parent entity of the Group was Barminco Holdings Pty Limited.

	2019 $'000	2018 $'000
Result of parent entity		
(Loss)/profit for the period	(155,303)	18,175
Total comprehensive income for the period	**(155,303)**	**18,175**
Financial position of parent entity at year end		
Current assets	70	70
Total assets	42,877	197,374
Current liabilities	-	-
Total liabilities	(11,556)	(10,750)
Total equity of the parent comprising of:		
Share capital	394,662	394,662
Interest free loan reserve	6,421	6,421
Accumulated losses	(369,762)	(214,459)
Total equity	**31,321**	**186,624**

Parent entity contingencies

Barminco Holdings Pty Limited has no contingent liabilities as at 30 June 2019. (2018: Nil)

Parent entity capital commitments

Barminco Holdings Pty Limited has no capital commitments as at 30 June 2019. (2018: 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 27.

29. Contingencies

Contingent liabilities

Contingent liabilities include;

(i) bank guarantees provided under the syndicated debt working capital facilities;

The table below outlines the exposure and limits respectively.

	Outstanding as at 30 June 2019 $'000	Limit as at 30 June 2019 $'000	Outstanding as at 30 June 2018 $'000	Limit as at 30 June 2018 $'000
Bank guarantee	3,100	3,100	3,610	3,610
	3,100	**3,100**	**3,610**	**3,610**

In the course of its normal business, the Group occasionally receives claims arising from its operating activities. In the opinion of the directors, all such matters are covered by insurance or, if not covered, are without merit or are of such a kind or involve such amounts that would not have a material adverse effect on the operating results or financial position of the Group if settled unfavourably.

Off balance sheet arrangements

Other than operating leases, as set out in note 21, the Group does not have any material off balance sheet arrangements.

Directors' Declaration

For the year ended 30 June 2019

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 10 to 69, 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 2019 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 26 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 2016/785.
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:

Peter Bryant
Director
Perth, WA, 25 October 2019

Independent auditor's report

To the member of Barminco Holdings Pty Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Barminco Holdings Pty Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated statement of profit or loss and other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality

- For the purpose of our audit we used overall Group materiality of $4.29 million, which represents approximately 10% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 10% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit 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. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Intangibles *(Refer to note 14) $256.6 million* As required by Australian Auditing Standards the Group considers the carrying value of intangibles including goodwill at each balance date. The Group considered the recent purchase of Barminco Holdings Pty Limited by the Perenti Global Group which was based on fair value less cost of disposal, with reference to the recent purchase price, supported the carrying value of the goodwill as at 30 June 2019. This was a Key Audit Matter due to the size of the balance and the judgement involved in estimating the recoverable amount.	We considered the results of the Group's exercise by: • Considering the appropriateness of using the recent purchase price as a proxy for fair value. • Testing the consideration paid to bank statements and the purchase agreement. • Obtaining and considering the purchase agreement to assess whether any consideration is contingent on future events. • Assessing with the support of PwC valuation experts, the Group's valuation methodology for the recognition of customer relationship and customer contract intangible assets and the key assumptions therein, including forecast future financial performance and discount rates • Reconciling the goodwill generated at a Perenti Global Group level back to the goodwill held in the Barminco Holdings Pty Limited Group. We also considered that there had been no indicators to suggest that the fair value had significantly changed since the acquisition date of 31 October 2018.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 the 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_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Craig Heatley
Partner

Perth
25 October 2019