

BARMINCO HOLDINGS PTY LIMITED

ABN 85 126 398 276

Unaudited Interim Financial Statements

For the half year ended 31 December 2018

Barmenco Holdings Pty Limited
Interim Financial Statements
For the half year ended 31 December 2018

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Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of profit or loss and other comprehensive income For the six months ended 31 December 2018

		6 Months Ended 31 Dec 2018 \$'000	6 Months Ended 31 Dec 2017 \$'000
	Notes		
Revenue		319,266	282,378
Other income		234	1,620
Consumables used		(99,992)	(89,451)
Employee benefits expense		(123,430)	(107,810)
Contractor and consultant expenses		(17,299)	(17,895)
Depreciation of property, plant and equipment		(28,654)	(28,814)
Amortisation and write-off of intangible assets	4	(257,785)	(464)
Other expenses	5	(28,284)	(15,223)
Share of profit from equity accounted investments, net of tax	7	15,997	9,171
Finance income		376	336
Financing costs		(21,792)	(22,992)
(Loss)/profit before income tax		(241,363)	10,856
Income tax (expense)/benefit	6	(49,311)	(352)
(Loss)/profit for the period attributable to equity holders of the Company		(290,674)	10,504
Other comprehensive income/(loss)			
<i>Items that may be reclassified to profit or loss</i>			
Effective portion of changes in fair value of cash flow hedges		3,858	(3,288)
Foreign currency translation differences – foreign operations		3,389	901
Other comprehensive income/(loss) for period, net of tax		7,247	(2,387)
Total comprehensive (loss)/income attributable to equity holders of the Company		(283,427)	8,117
		\$	\$
Earnings per share			
Basic and diluted earnings per share		(58.1)	2.1

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

Barmenco Holdings Pty Limited

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

	Notes	31 Dec 2018 \$'000	30 June 2018 \$'000
ASSETS			
Cash and cash equivalents		48,064	80,288
Trade and other receivables		82,400	83,472
Inventories		23,009	20,700
Prepayments		9,910	2,773
Total current assets		163,383	187,233
Investments accounted for using the equity method	7	85,428	71,232
Derivative financial instruments	9	12,221	-
Property, plant and equipment		143,919	124,864
Intangibles		1,209	258,995
Deferred tax asset	6	13,014	63,268
Other non-current assets		632	1,037
Total non-current assets		256,423	519,396
TOTAL ASSETS		419,806	706,629
LIABILITIES			
Trade and other payables		67,859	72,581
Borrowings	10	10,222	13,202
Employee benefits		26,526	25,760
Total current liabilities		104,607	111,543
Derivative financial instruments	9	-	19,652
Borrowings	10	502,430	479,478
Employee benefits		1,974	1,734
Total non-current liabilities		504,404	500,864
TOTAL LIABILITIES		609,011	612,407
NET LIABILITIES		(189,205)	94,222
EQUITY			
Contributed equity		394,662	394,662
Reserves		11,900	4,092
Accumulated losses		(595,767)	(304,532)
TOTAL EQUITY		(189,205)	94,222

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of cash flows for the six months ended 31 December 2018

	Notes	6 Months Ended 31 Dec 2018 \$'000	6 Months Ended 31 Dec 2017 \$'000
Cash flows from operating activities			
Receipts from customers		347,859	314,933
Payments to suppliers and employees		(293,713)	(274,837)
Interest received		376	336
Interest paid		(20,036)	(20,384)
Income taxes paid		(928)	(352)
Net cash inflow from operating activities		33,558	19,696
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles		(48,195)	(38,405)
Proceeds from sale of property, plant and equipment		589	4,708
Dividends received from joint venture entities	7	5,189	-
Net cash outflow from investing activities		(42,417)	(33,697)
Cash flows from financing activities			
Payments for borrowings costs		-	(159)
Transaction Costs		(15,352)	-
Finance lease payments		(7,953)	(8,828)
Net cash outflow from financing activities		(23,305)	(8,987)
Net (decrease)/increase in cash and cash equivalents		(32,164)	(22,988)
Effect of exchange rate fluctuations on cash held		(60)	6
Cash and cash equivalents at beginning of the period		80,288	77,956
Cash and cash equivalents at end of the period		48,064	54,974

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

Barmenco Holdings Pty Limited

Unaudited condensed interim consolidated statement of changes in equity

For the six months ended 31 December 2018

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2018	4,722	389,940	394,662	(13,010)	8,077	6,421	2,604	(304,532)	94,222
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	(290,674)	(290,674)
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	3,858	-	-	-	-	3,858
Changes in the foreign exchange translation reserve	-	-	-	-	3,389	-	-	-	3,389
Total other comprehensive income/(loss)	-	-	-	3,858	3,389	-	-	-	7,247
Total comprehensive income/(loss) for the period	-	-	-	3,858	3,389	-	-	(290,674)	(283,427)
Transactions with owners of the Company									
Changes in the legal reserve	-	-	-	-	-	-	561	(561)	-
Total transactions with owners of the Company	-	-	-	-	-	-	561	(561)	-
Balance at 31 December 2018	4,722	389,940	394,662	(9,152)	11,466	6,421	3,165	(595,767)	(189,205)

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

Barmenco Holdings Pty Limited

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

For the six months ended 31 December 2017

	Ordinary Shares \$'000	Redeemable Preference Shares \$'000	Total Contributed Equity \$'000	Hedging Reserve \$'000	Foreign Currency Translation Reserve \$'000	Interest Free Loan Reserve \$'000	Legal Reserve \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance at 1 July 2017	4,722	389,940	394,662	(7,055)	5,359	6,421	1,702	(354,295)	46,794
Total comprehensive income for the period									
Profit/(loss) for the period	-	-	-	-	-	-	-	10,504	10,504
Other comprehensive income/(loss)									
Changes in the fair value of cash flow hedges, net of tax	-	-	-	(3,288)	-	-	-	-	(3,288)
Changes in the foreign exchange translation reserve	-	-	-	-	901	-	-	-	901
Total other comprehensive income/(loss)	-	-	-	(3,288)	901	-	-	-	(2,387)
Total comprehensive income/(loss) for the period	-	-	-	(3,288)	901	-	-	10,504	8,117
Transactions with owners of the Company									
Changes in the legal reserve	-	-	-	-	-	-	902	(902)	-
Total transactions with owners of the Company	-	-	-	-	-	-	902	(902)	-
Balance at 31 December 2017	4,722	389,940	394,662	(10,343)	6,260	6,421	2,604	(344,693)	54,911

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

Barminco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements

For the six months ended 31 December 2018

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Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

1. Corporate information

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

On 31 October 2018 ASX-listed diversified mining services company Ausdrill Limited (ASX: ASL) acquired Barmenco Holdings Pty Ltd. Ausdrill acquired all of the equity and equity-like instruments in Barmenco in exchange for 150.7 million fully paid ordinary ex-dividend shares and \$17.2 million in cash.

The interim financial statements of the Company for the six months ended 31 December 2018 comprises the Company and its subsidiaries (the “Group”) and the Group’s interest in jointly controlled entities per the credit group policy.

2. Basis of preparation of half-year report

This condensed consolidated interim financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2018.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the adoption of new and amended standards as set out below.

(a) Estimates

The preparation of this condensed consolidated interim financial report also requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from those estimates.

In preparing these condensed consolidated financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2018.

(b) Significant Accounting Policies

Except as noted below, the accounting policies applied in these interim financial statements are the same as those applied in the consolidated annual financial statements as at and for the year ended 30 June 2018.

New or amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all of 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 half-year ended 31 December 2018 and are not expected to have any significant impact for the full financial year ending 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 financial liabilities, introduces new rules for hedge accounting and a new

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

(b) Significant Accounting Policies (continued)

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 will be presented in the annual financial report for the period ended 30 June 2019. The changes in accounting policies will also be reflected in the annual report for the period ended 30 June 2019.

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

AASB 15 Revenue from Contracts with Customers establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced AASB 118 Revenue, AASB 111 Construction Contracts and related interpretations.

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 other receivables and allocated to the performance obligations within the contract and recognised as revenue over the course of the contract.

The changes in accounting policies will be reflected in the Group's consolidated financial statements as at and for the year ending 30 June 2019.

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

(c) Impact of standards issued but not yet applied by the entity

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 \$15,023,759. The Group estimates that approximately 3.3% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss. However, the Group has not yet assessed what other adjustments, if any, are necessary because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-to-use assets and

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

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

3. Individually significant items

Material profit or loss items

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide a better understanding of the financial performance of the Group.

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Write-off of goodwill (refer note 4)	(256,931)	-
Write-off of customer relationships (refer note 4)	(552)	-
Income tax expense (refer note 6)	(50,484)	-
	(307,967)	-

4. Amortisation and write-off of intangible assets

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Amortisation of computer software	(220)	(195)
Amortisation of customer relationships	(82)	(269)
Write-off of customer relationships	(552)	-
Write-off of goodwill	(256,931)	-
	(257,785)	(464)

As a result of Ausdrill Limited acquiring Barmenco Holdings Pty Ltd on 31 October 2018, all of the goodwill and customer relationship intangible assets recognised in the Barmenco Group were written off.

Barminco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

5. Other expenses

	31 Dec 2018 \$'000	31 Dec 2017 \$'000
Operating lease expense	(4,811)	(4,097)
Freight	(4,698)	(3,638)
Travel	(2,588)	(1,927)
Transaction costs (Ausdrill Limited acquisition)	(8,943)	-
Other	(7,654)	(5,913)
	(28,694)	(15,575)

6. Income tax

On 1 November 2018 Barminco Holdings Pty Ltd and its Australian subsidiaries joined the Ausdrill Limited 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. Upon Barminco joining the Ausdrill tax consolidated group, the tax cost base of Barminco's assets increased significantly.

7. Jointly controlled entities

For the purpose of the credit group, Barminco Holdings has the following investments in jointly controlled entities:

Name of entity	Country of incorporation	Principal activities	Ownership 2018 %	Ownership 2017 %
African Underground Mining Services Ltd ("AUMS") Joint Venture	Ghana	Mining services	50	50
African Underground Mining Services Mali SARL ("AUMSM") Joint Venture	Mali	Mining services	50	50
African Underground Mining Services Burkina Faso SARL ("AUMSB") Joint Venture	Burkina Faso	Mining services	50	50
AUMS (T) Limited ("AUMST") Joint Venture	Tanzania	Mining services	50	50
Underground Mining Alliance Limited ("UMA") Joint Venture	Ghana	Mining Services	35	-

The investments in AUMS are accounted for using the equity method in accordance with AASB 128. During the six months ended 31 December 2018 the jointly controlled entities, collectively called African Underground Mining Services (AUMS), generated equity accounted profits of A\$15,997,000 (six months ended 31 December 2017 A\$9,171,000).

AUMS (T) Limited ("AUMST") Joint Venture paid a dividend to the Group during the six months to 31 December 2018 in the amount of US\$3,750,000 (A\$5,189,000). No dividends were paid during the six months to 31 December 2017.

Underground Mining Alliance Limited is a 70/30 joint venture between AUMS and Rocksure International, a Ghanaian mining contractor.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

8. Property, plant and equipment

Additions and disposals

During the six months ended 31 December 2018 additions to property, plant and equipment totalled \$48,195,000 (six months ended 31 December 2017: \$45,236,000). The book value of disposals during the six months ended 31 December 2018 was \$354,000 (six months ended 31 December 2017: \$3,088,000).

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

9. Derivative Financial Instruments

	31 Dec 2018 \$'000	30 Jun 2018 \$'000
Non-current asset		
Cross currency interest rate swap contract cash flow hedge	12,221	-
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.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

10. Borrowings	Note	Currency	Nominal interest rate	Year of maturity	31 Dec 2018		30 Jun 2018	
					Current \$'000	Non-current \$'000	Current \$'000	Non-current \$'000
High Yield Bond 2022	(a)	USD	6.63%	2022	-	494,567	-	468,036
Shareholder loans	(c)	AUD	0%	2026	-	10,951	-	10,750
Finance lease liabilities	(b)	AUD	5.90%	2018 - 2020	12,607	2,575	15,587	7,547
					12,607	508,093	15,587	486,333
Capitalised borrowings costs – High Yield Bonds		AUD			(2,385)	(5,663)	(2,385)	(6,855)
Total interest bearing liabilities					10,222	502,430	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 Barmenco Finance Pty Ltd, are secured and have been guaranteed by Barmenco Holdings Pty Limited, Barmenco Finance Pty Limited, Barmenco Limited, Barmenco AUMS Holdings Pty Limited, Barmenco India Investments Pty Limited and Barmenco India Holdings Pty Limited. Under the terms of the notes issued, interest is payable on 15 May and 15 November. The High Yield Bonds are quoted on the Singapore Stock Exchange.

(b) Finance lease liabilities

Lease liabilities are effectively secured, as the rights to the leased assets which are recognised in the financial statements revert to the lessor in the event of a default.

(c) Shareholder loan notes

In June 2016, the Shareholder Loan Note Deed Poll was amended and annual interest of 14% ceased to be accrued from 29 June 2016. Consequently, the liability was reduced by discounting the loan and the difference (net of the tax effect) between the nominal value of the loan (\$19.2 million) and the discounted value (\$10.0 million) was transferred to an Interest Free Loan Reserve. A cost of debt at 7.5% per annum was used to discount the loan to its fair value. The Shareholder loan notes mature on 1 May 2026. Effective 31 October 2019, as part of the acquisition the shareholder loans were transferred to Ausdrill Limited and the unwinding of the discount rate stopped on that day.

Barmenco Holdings Pty Limited

Notes to the unaudited interim consolidated financial statements (continued)

For the six months ended 31 December 2018

11. Segment reporting

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and in determining the allocation of resources.

The Group has determined that the nature of the company's services and products are the same across the whole business. The same equipment is acquired from the same suppliers in order to perform similar services contracted by the respective clients. The same types of equipment are used, and the same processes are applied as they relate to each underground mine. Additionally, the company's customers are involved in the same industry and several customer sites are operated under common client ownership. Accordingly, the Group believes there is only the single segment.

Geographical information

In presenting information on the basis of geographical information, revenue is based on the geographical location of customers. Assets are based on the geographical location of the assets. All revenue is recognised over time.

	6 Months Ended 31 Dec 2018	31 Dec 2018	6 Months Ended 31 Dec 2017	30 Jun 2018
	Revenue/ Other income	Non-current assets	Revenue/ Other income	Non-current assets
	\$'000	\$'000	\$'000	\$'000
Australia	269,719	155,013	242,920	430,579
Egypt and India	49,781	15,982	41,078	15,557
Africa – AUMS Joint Venture	-	85,428	-	68,467
	319,500	256,423	293,998	514,603

12. Subsidiaries

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

13. Subsequent events

No matters or significant events that have arisen since 31 December 2018 that have or may significantly affect the operations, results, or state of affairs of the Group.